



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

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COUNTY AUDITOR
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December 21, 2022

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 Annual Comprehensive Financial Report of Polk County (the "County") for the fiscal year ended June 30, 2022.

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, 2022, 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, 2022, 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 496,844. 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 convention center hotel entity, Iowa Event Center Hotel Corporation ("IEC Hotel Corp"). IEC Hotel Corp is reported separately within Polk County's financial statements as discretely presented component unit. Additional information on this legally separate entity 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 12% since 2012, to 496,844 in 2022. Unemployment is approximately 2.7% which is higher than the state level of 2.6% 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 is complete. Polk County has been committed to this project for over ten years, and is excited that the project is complete and well executed.

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, resulting in more than \$1.7 million in annual revenue being earned by Polk County in previous years (with the exception of years impacted by COVID-19).

In February 2016, the State of Iowa committed Iowa Reinvestment Act funds to help construct and operate a convention center hotel attached to the Iowa Events Center. Additional financial commitments were made by Polk County, the City of Des Moines and private businesses. The hotel is owned and operated by the IEC Hotel Corporation, a non-profit organization, which will ensure that profits from the hotel are reinvested back into the community. The 330-room Hilton Hotel opened in the spring of 2018 and has been performing as expected until the pandemic began.

Both the Iowa Events Center and the Hilton hotel made drastic changes to their operations to reflect the lack of events and travel due to COVID-19. Additionally, Polk County provided substantial financial support to both venues throughout the downturn in the hospitality and tourism industry. The Iowa Events Center and Hilton hotel are more recently returning to normal operations and profitability, and we anticipate their continued success moving forward.

American Rescue Plan Act

Polk County has been allocated approximately \$96 million to aid in COVID-19 recovery. The Board of Supervisors determined that funds would be spent to address four categories of work: affordable housing, water quality, mental health and economic wellbeing. Workgroups met in 2021 and 2022 to create an investment plan that focused on long-term impact, sustainability and collaboration. The Board of Supervisors has approved funding commitments of over \$15 million to affordable housing, nearly \$8 million for mental health initiatives, almost \$15 million for economic wellbeing initiatives and over \$11 million of water quality initiatives. The board will deliberate in January 2023 on expenditures of remaining funds. Polk County will pay for ARPA approved projects out of general funds that were made available by ARPA.

Polk County Water and Land Legacy Projects

In November 2021, voters supported the \$65 million Polk County Water and Land Legacy (PCWLL) Bond, passing the measure by 81%. Conservation projects to be addressed in the coming years include improved water quality, wildlife habitat protection, connected communities by means of trails and greenways, revitalized parks, outdoor recreation and education opportunities. Of \$65 million authorized debt, \$21 million has been issued in the first bond letting as of July 1, 2022.

Polk County Conservation Board completed the spending on the \$50 million 2012 Polk County Water and Land Legacy Bond in July 2022.

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 dozens of industries, 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 has worked with the City of Des Moines, Des Moines Area MPO, Iowa Department of Transportation, Union Pacific Railroad, Des Moines Water Works, and our business partners to secure the project funding which is estimated to cost over \$50 million. This project was awarded a \$25 million federal BUILD program grant (Better Utilizing Investments to Leverage Development) in November of 2020. Project design and development are complete, the project letting was held in October of 2022, and construction will be completed in 2026.

NE 22nd Street Improvement Project

This project is currently under design with a planned letting in the spring of 2023 and construction through 2024. The project will widen NE 22nd Street from 2 lanes to 2 lanes with a center turn lane from NE 54th Avenue to NE 62nd Avenue. It will include improvements at the NE 58th Avenue intersection and safety improvements at the railroad crossing.

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. 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 in the watersheds.

In 2020, Polk County created a new program to implement saturated buffers and bioreactors to treat agricultural runoff from tile drainage systems. This "Batch and Build" Project has set a new standard for the state, resulting in 102 practices being installed over the past two years. Polk County plans to continue this program in coming years and is in the development process of a new Wetlands Batch and Build Project.

Watershed Flood Prevention and Operations Program

Polk County was the first entity in Iowa with a project accepted into the Watershed Flood Prevention and Operations Program (WFPO) through the United States Department of Agriculture. The Public Works Department led the development of a WFPO Watershed Plan in 2020-2022 that outlines 14 miles of stream restoration projects and one constructed wetland in partnership with the Cities of Altoona, Pleasant Hill, Ankeny, Des Moines, and Polk County Conservation. The Plan has been submitted for approval. Once it is accepted, the County is expected to enter into the full design phase in 2023, and the construction phase will begin in 2024. In total, this project outlines \$32 million in watershed improvements in Eastern Polk County and is expected to be the largest stream restoration project ever completed in Iowa.

Polk County Comprehensive Plan - Polk 2050

The Comprehensive Plan update was adopted in August of 2022 and encompasses two years of community outreach, stakeholder input, public engagement, and plan development. Polk 2050 provides needed updates to demographic, economic and other data and analyses essential to understanding and planning for future growth and development of Polk County. The plan includes recommendations, goals and strategies including policy and action items for Land Use, Housing, Natural Resources, Agriculture, Economic Development, Infrastructure, and Transportation.

Operational and Budget Management

Polk County remains committed to serving the needs of our community in an effective and efficient manner. In response to the COVID-19 pandemic, Polk County implemented measures to provide safe shelter options for homeless individuals, provide financial relief to address housing and food needs, and promote community awareness and preparedness through its Emergency Operations Center and Public Health Department. State and Federal funding is anticipated to cover the majority of expenditures incurred for COVID-19. Additionally, Polk County is implementing new programs to address housing, health, and environment through the use of ARPA funds that will enhance the long-term vitality of our community.

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

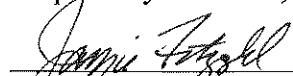
The Government Finance Officers Association of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to Polk County for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2021. The Certificate of Achievement is a prestigious 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 Annual Comprehensive Financial Report, whose contents conform to program standards. A Annual Comprehensive Financial Report must satisfy both generally accepted accounting principles and applicable legal requirements.

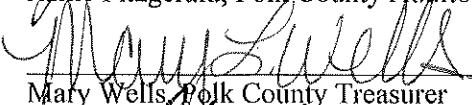
A Certificate of Achievement is valid for a period of one year only. Polk County has received a Certificate of Achievement for the last twenty-eight consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to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

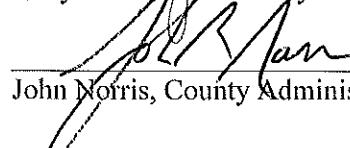
Respectfully submitted,



Jamie Fitzgerald, Polk County Auditor



Mary Wells, Polk County Treasurer



John Norris, County Administrator