

## POLK COUNTY, IOWA

### Management's Discussion and Analysis For the Year Ended June 30, 2022

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, 2022. 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 implemented Governmental Accounting Standards Board Statement (GASB) No. 87, Leases, during fiscal year ending June 30, 2022. The implementation of this standard revised certain asset and liability accounts related to leases, however it had no effect on the beginning net position for governmental activities.
- The County's total net position increased by \$80.3 million (15%) to \$626.7 million. Net position of governmental activities increased \$72.9 million (30%) to \$316.9 million primarily due to a decrease in the net pension liability (asset), receipt of the second half of American Rescue Plan Act (ARPA) grant funding and lower than anticipated expenses during the year. Net position of business-type activities increased \$7.4 million (2%) to \$309.8 million primarily due to an increase in revenues and lower than anticipated expenses during the year.
- In the County's governmental activities, total revenues increased \$111.6 million (35%) primarily due to receiving \$65 million of additional State of Iowa emergency rental assistance funding and the second half (\$47.6 million) of the ARPA grant funding. Total expenses increased \$73.4 million (26%) primarily due to an increase in administration expenses of \$78.5 million related to ARPA and emergency rental assistance expenses.
- In the County's business-type activities, total revenues increased \$18.6 million (54%) and total expenses increased \$8.1 million (23%). The increase in revenues is primarily due to an increase in charges for services from holding more events at the Iowa Events Center during the year and gambling revenue from Prairie Meadows Racetrack/Casino. Expenses increased primarily due to an increase in economic development expense in Prairie Meadows Racetrack/Casino fund and increased events at the Iowa Events Center.
- The County's actual expenditures were \$28.7 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 economic development loans, community development grant expenditures, and various social service and public health programs.

#### 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 Unit** – The County includes the Iowa Events Center Hotel Corporation ("IEC Hotel Corp") in its report. Although legally separate, this "component unit" is included as it is financially dependent on the County.

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

The **Statement of Activities** presents information showing how the County's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (such as uncollected taxes and earned but unused vacation leave).

## **Fund Financial Statements**

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

The County has three kinds of funds:

- **Governmental funds** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

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

The County maintains three individual major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Mental Health Fund and American Rescue Plan Act Fund, which are considered to be major funds. Data from the other 19 governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

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

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

- **Fiduciary funds** – The County is the agent, or *fiduciary*, for resources held for the benefit of parties outside the government. All of the County’s fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in assets and liabilities. These activities are excluded from the County’s government-wide financial statements because the County cannot use these assets to finance its operations. The County reports individual fund data for the custodial 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 unit 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, 2022 with comparison totals as of June 30, 2021. The County’s *combined* net position increased \$80.3 (15%) million in the current year.

### Net Position

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 582,024,051	\$ 479,956,177	\$ 160,072,698	\$ 76,398,822	\$ 742,096,749	\$ 556,354,999
Capital assets, net	305,275,805	295,991,872	302,188,285	320,928,870	607,464,090	616,920,742
<b>Total assets</b>	<b>887,299,856</b>	<b>775,948,049</b>	<b>462,260,983</b>	<b>397,327,692</b>	<b>1,349,560,839</b>	<b>1,173,275,741</b>
Deferred outflows of resources	18,691,993	23,059,226	306,789	437,840	18,998,782	23,497,066
Long-term liabilities	218,488,937	271,472,920	68,830,780	85,767,618	287,319,717	357,240,538
Other liabilities	83,960,894	69,096,396	10,560,046	8,473,992	94,520,940	77,570,388
<b>Total liabilities</b>	<b>302,449,831</b>	<b>340,569,316</b>	<b>79,390,826</b>	<b>94,241,610</b>	<b>381,840,657</b>	<b>434,810,926</b>
Deferred inflows of resources	286,660,701	214,485,168	73,406,284	1,139,090	360,066,985	215,624,258
Net position						
Net investment in						
capital assets	199,148,310	178,840,583	245,395,416	250,962,456	444,543,726	429,803,039
Restricted	9,472,452	16,158,117	915,341	373,389	10,387,793	16,531,506
Unrestricted	108,260,555	48,954,091	63,459,905	51,048,987	171,720,460	100,003,078
<b>Total net position</b>	<b>\$ 316,881,317</b>	<b>\$ 243,952,791</b>	<b>\$ 309,770,662</b>	<b>\$ 302,384,832</b>	<b>\$ 626,651,979</b>	<b>\$ 546,337,623</b>

Net position of the County’s governmental activities increased 30% to \$316.9 million at June 30, 2022. The largest portion of the County’s net position (63%) 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 debt related to the investment in capital assets is liquidated with resources other than capital assets. This net position category increased \$20.3 million (11%) over the prior year. The net investment in capital assets increased primarily due to completion of the Historic Courthouse Phase IV project, the Sheriff’s Administration/Law Enforcement Facility and work on the NE Broadway Ave Phase I improvements.

Restricted net position of governmental activities decreased \$6.7 million (41%) to \$9.5 million primarily due to increased expenses to meet the state legislative mandated fund balance target in the Mental Health Special Revenue Fund. Unrestricted net position of governmental activities increased \$59.3 million (121%) to \$108.3 million primarily due to a decrease in the net pension liability (asset).

The net position of business-type activities increased 2% to \$309.8 million at June 30, 2022. Approximately 79% 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	
	2022	2021	2022	2021	2022	2021
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 63,309,531	\$ 44,250,498	\$ 45,664,511	\$ 31,353,951	\$ 108,974,042	\$ 75,604,449
Operating grants and contributions	135,748,723	50,357,676	2,482,400	839,664	138,231,123	51,197,340
Capital grants and contributions	6,276,248	4,758,778	32,000	32,000	6,308,248	4,790,778
General revenues:						
Property taxes	195,064,719	192,812,266	-	-	195,064,719	192,812,266
Other County taxes	8,041,247	6,268,316	-	-	8,041,247	6,268,316
Interest on property taxes	1,392,693	2,173,963	-	-	1,392,693	2,173,963
State replacements	13,969,069	14,056,107	-	-	13,969,069	14,056,107
Use of money and property	2,637,236	1,719,432	3,925,045	1,608,950	6,562,281	3,328,382
Miscellaneous	5,419,525	3,848,416	1,300,089	947,640	6,719,614	4,796,056
<b>Total revenues</b>	<b>431,858,991</b>	<b>320,245,452</b>	<b>53,404,045</b>	<b>34,782,205</b>	<b>485,263,036</b>	<b>355,027,657</b>
<b>Expenses:</b>						
Public safety and legal services	91,517,994	98,320,747	-	-	91,517,994	98,320,747
Physical health and social services	39,360,602	43,090,352	-	-	39,360,602	43,090,352
Mental health	29,121,148	26,413,988	-	-	29,121,148	26,413,988
County environment and education	28,681,708	22,687,489	-	-	28,681,708	22,687,489
Roads and transportation	19,904,738	20,399,665	-	-	19,904,738	20,399,665
Government services to residents	8,482,345	10,604,040	-	-	8,482,345	10,604,040
Administration	139,026,689	60,486,836	-	-	139,026,689	60,486,836
Interest on long-term debt	5,500,496	6,165,281	-	-	5,500,496	6,165,281
Air Quality	-	-	1,067,562	1,193,109	1,067,562	1,193,109
Sanitary Sewer	-	-	1,789,710	1,663,793	1,789,710	1,663,793
Prairie Meadows Racetrack/Casino	-	-	14,957,183	13,706,637	14,957,183	13,706,637
Conservation Enterprises	-	-	253,298	355,316	253,298	355,316
Hamilton Urban Drainage District	-	-	425,199	426,611	425,199	426,611
Iowa Events Center	-	-	24,362,991	17,238,103	24,362,991	17,238,103
Urban Sewer	-	-	30,734	45,544	30,734	45,544
Iowa Tax & Tags	-	-	466,283	581,598	466,283	581,598
<b>Total expenses</b>	<b>361,595,720</b>	<b>288,168,398</b>	<b>43,352,960</b>	<b>35,210,711</b>	<b>404,948,680</b>	<b>323,379,109</b>
Excess (deficiency) before transfers	70,263,271	32,077,054	10,051,085	(428,506)	80,314,356	31,648,548
Transfers	2,665,255	(436,853)	(2,665,255)	436,853	-	-
<b>Increase (decrease) in net position</b>	<b>72,928,526</b>	<b>31,640,201</b>	<b>7,385,830</b>	<b>8,347</b>	<b>80,314,356</b>	<b>31,648,548</b>
Net position - beginning	243,952,791	212,312,590	302,384,832	302,376,485	546,337,623	514,689,075
<b>Net position- ending</b>	<b>\$ 316,881,317</b>	<b>\$ 243,952,791</b>	<b>\$ 309,770,662</b>	<b>\$ 302,384,832</b>	<b>\$ 626,651,979</b>	<b>\$ 546,337,623</b>

## Statement of Activities - Changes in Net Position

Polk County's governmental activities net position increased \$72.9 million during the year. The County reported an excess of revenues over expenses for the year of \$70.3 million. Revenues for governmental activities increased \$111.6 million primarily due to an increase of \$85.4 million in operating grants and contributions primarily due to additional State of Iowa emergency rental assistance funding to Polk County and receipt of the second half of ARPA grant funding. In addition, charges for services revenues increased \$19.1 million primarily due to recognizing lost revenue replacement under the ARPA grant program. The County's taxable valuations increased 3.8%, resulting in an increase of \$2.3 million in current property tax revenue. The business-type activities net position increased \$7.4 million during the year due to an increase in parking income, commissions income, and concession sales at the Iowa Events Center due to holding more conventions and other events.

The fact that 45% 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, operating grants represent 31% and charges for services represent 15% of total governmental revenues.

Governmental activities expenses increased 26%, including a 130% increase in administration due to the pass-through of emergency rental assistance funding (pandemic expenses) to IMPACT Community Action Partnership and allocation of ARPA funds to the General Fund to reimburse for lost revenue during COVID-19. County environment expenses increased 26% primarily due to providing economic development loans to Genesis Health Club and the YMCA. Mental health expenses increased 10% primarily due to new state mandates to meet a target fund balance.

The County's expenses cover a range of services, with the largest expenses relating to administration (pandemic expenses) (38%), public safety and legal services (25%), and physical health and social services (11%).

**Governmental Activities** Revenues for the County's governmental activities increased \$111.6 million (35%), while expenses increased \$73.4 million (26%). Key elements of these changes include the following:

- \$85.4 million (170%) increase in operating grants and contributions due to receipt of additional State of Iowa emergency rental assistance funding and receipt of the second half of ARPA grant funds.
- \$19.1 million (43%) increase in charges for services revenue due to allocation of ARPA funds to reimburse lost revenue in the General Fund.
- \$1.5 million (32%) increase in capital grants and contributions revenue due to contributions of infrastructure assets by the Iowa Department of Transportation, federal grant reimbursement of bridge expenses, and contributions received from various outside entities for Polk County Water & Land Legacy projects.
- \$2.3 million (1%) increase in property tax revenue due to a 3.8% increase in taxable valuations. The net current property tax revenue generated from the 3.8% increase in taxable valuations was offset by a \$4.7 million reduction in mental health property tax revenues due to a legislative change in the mental health funding system.
- \$1.6 million (41%) increase in miscellaneous revenue due to transitioning management of the behavioral health and disability services department from an outside entity to in-house. As a result, \$1.4 million of lead agency remittances were returned to the Polk County in late FY 21/22.
- \$6.8 million (-7%) decrease in public safety and legal services expense primarily due to a decrease in pension expense during the year.
- \$2.7 million (10%) increase in mental health expense primarily due to a state legislative change that required reduced fund balance targets. In addition, due to the discontinued contracting with Polk County Health Services, Inc. (PCHS), the County received Integrated Service Agencies (ISA) monies that PCHS had managed and subsequently disbursed to various ISA agencies.
- \$6 million (26%) increase in county environment and education primarily due to an economic development loan to a local YMCA, contributions for water quality improvement, and increased investment in neighborhood revitalization.
- \$2.1 million (-20%) decrease in state and local government services expense primarily due to timing of the election cycle and prior year receipt of outside funds used for election administration.
- \$78.5 million (130%) increase in administration expense primarily due to pass-through of emergency rental assistance funding and expenditure of ARPA funding.

**Business-type Activities** Revenues for the County’s business-type activities increased \$18.6 million (54%) and expenses increased \$8.1 million (23%). Key elements of these changes include the following:

- Charges for services increased \$14.3 million primarily due to an increase in gambling revenue at Prairie Meadows Racetrack/Casino and holding more conventions and other events at the Iowa Events Center than prior year because of COVID-19 restrictions.
- Iowa Events Center expenses increased \$7.1 million primarily due to holding more events than prior year because of COVID-19 restrictions and Prairie Meadows Racetrack/Casino expenses increased \$1.3 million primarily due to economic developments costs that were paid to Iowa Events Center Hotel Corp during the current 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 \$204 million at June 30, 2022, which is \$57.9 million more than the prior year. Key elements of these changes include the following:

- The General Fund increased \$40 million primarily due to the allocation of \$24.8 million in lost revenue reimbursement from the ARPA Fund, a \$5.2 million increase in property tax revenue due to a 3.8% increase in taxable valuations and a \$6.9 million increase in transfers from Prairie Meadows Racetrack/Casino for community development. In addition, retiree incentive payments decreased \$2.5 million from the prior year.
- The Mental Health Special Revenue Fund decreased \$8.8 million primarily due to a state legislative change that required reduced fund balance targets. In addition, due to the discontinued contracting with Polk County Health Services, Inc. (PCHS) see Note 1, the County received Integrated Service Agencies (ISA) monies that PCHS had managed and subsequently disbursed to various ISA agencies.
- The American Rescue Plan Act Special Revenue Fund nonspendable fund balance increased \$3.9 million primarily due to advancing the IEC Hotel Corporation funds for operating needs.

### **Proprietary Funds**

Sanitary Sewer net position increased \$2.3 million primarily due to transfers in from the general fund of \$1 million to provide for a lift station reserve and \$.6 million relating to funding of debt payments. In addition, the fund received a \$.8 million revenue from Norwoodville Urban Renewal TIF funds as reimbursement for constructing sewer improvements in the Norwoodville area.

Prairie Meadows Racetrack/Casino net position decreased \$3.1 million primarily due \$2.0 million in economic development costs relating to the Iowa Event Center Hotel Corp and \$19.7 million transfers out for funding of community betterment projects in excess over \$13.5 million net income.

Iowa Events Center net position increased \$8.2 million primarily due to \$13.2 million transfers in over \$5 million net loss due to an increase in parking income, commissions income, and concession sales at the Iowa Events Center due to holding more conventions and other events. Transfers in consist of funds to pay for Iowa Events Center Hotel debt service, Iowa Events Center roof replacement expenses and funding for cash flow needs at the hotel.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

The County’s capital assets for its governmental and business-type activities as of June 30, 2022, amount to \$607.5 million (net of accumulated depreciation / amortization). These capital assets include land, buildings, improvements other than buildings, leasehold improvements, infrastructure, equipment, vehicles, intangibles, construction in progress, right to use leased building and right to use leased equipment. Polk County’s capital assets decreased \$9.5 million during the year. The primary reason for the decrease is due to increased depreciation expense over capital additions during the fiscal year.

Major capital asset events for the year ended June 30, 2022, are as follows:

- Historic Courthouse Phase IV - \$5.3 million
- Sheriff’s Administration/Law Enforcement Facility - \$4.4 million
- NE Broadway Ave Phase I - \$4.2 million
- Polk County Water & Land Legacy projects - \$2.9 million
- Sleepy Hollow Sports Park Land - \$1 million

Capital assets for the governmental and business-type activities at June 30, 2022 are as follows:

### Capital Assets

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Land	\$ 31,437,581	\$ 28,457,667	\$ 18,215,559	\$ 18,215,559	\$ 49,653,140	\$ 46,673,226
Intangibles - permanent easements	-	-	3,322,580	3,322,580	3,322,580	3,322,580
Buildings	288,093,164	227,868,110	328,328,644	327,335,535	616,421,808	555,203,645
Improvements other than buildings	21,154,716	18,938,571	11,571,591	11,571,591	32,726,307	30,510,162
Leasehold improvements	-	-	191,536,328	191,536,328	191,536,328	191,536,328
Infrastructure	153,691,426	152,831,494	39,483,506	36,646,485	193,174,932	189,477,979
Equipment	17,109,744	16,832,740	5,747,572	5,645,496	22,857,316	22,478,236
Vehicles	14,896,753	13,252,548	194,140	194,140	15,090,893	13,446,688
Intangibles - computer software	3,750,039	2,598,063	-	-	3,750,039	2,598,063
Intangible in progress	586,415	285,584	-	-	586,415	285,584
Construction in progress	6,240,187	51,284,052	1,563,100	4,721,280	7,803,287	56,005,332
Right to use leased building	188,247	188,247	-	-	188,247	188,247
Right to use leased equipment	170,133	170,133	-	-	170,133	170,133
<b>Total</b>	<u>537,318,405</u>	<u>512,707,209</u>	<u>599,963,020</u>	<u>599,188,994</u>	<u>1,137,281,425</u>	<u>1,111,537,823</u>
Less: accumulated depreciation / amortization	(232,042,600)	(216,527,090)	(297,774,735)	(278,260,124)	(529,817,335)	(494,787,214)
<b>Total</b>	<u>\$ 305,275,805</u>	<u>\$ 296,180,119</u>	<u>\$ 302,188,285</u>	<u>\$ 320,928,870</u>	<u>\$ 607,464,090</u>	<u>\$ 616,750,609</u>

Additional information on Polk County’s capital assets can be found in Note 7 in the notes to the financial statements.

The County’s FY 22/23 capital budget includes spending an estimated \$.8 million for the Polk County Historic Courthouse, \$21.6 million for Polk County Water & Land Legacy projects, \$1.9 million for the Sheriff’s administration/law enforcement facility, \$3.5 million for capital improvement projects at various County facilities, \$1.2 million for technology upgrades and \$7 million for the first phase of a county morgue construction. Planned capital outlays for proprietary funds include \$6 million for improvements to the Iowa Events Center and \$1 million for sanitary sewer improvements.

### Long-Term Debt

At June 30, 2022, the County had \$232.9 million in bonds and notes outstanding, a decrease of \$6.9 million compared to FY 20/21. The reason for the decrease in bonds and notes outstanding is the scheduled payment of 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 Convention Center. The fund reported outstanding obligations of \$46.3 million at the end of FY21/22.

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 \$1.9 billion as of June 30, 2022. 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 outstanding debt obligations.

### Outstanding Debt

	Governmental Activities		Business-type Activities		Total		Percentage Change
	2022	2021	2022	2021	2022	2021	2021-2022
G.O. bonds	\$ 164,344,372	\$ 155,550,040	\$ 47,795,717	\$ 62,453,276	\$ 212,140,089	\$ 218,003,316	-3%
Notes payable	-	-	20,744,000	21,756,000	20,744,000	21,756,000	-5%
<b>Total</b>	<u>\$ 164,344,372</u>	<u>\$ 155,550,040</u>	<u>\$ 68,539,717</u>	<u>\$ 84,209,276</u>	<u>\$ 232,884,089</u>	<u>\$ 239,759,316</u>	-3%

Additional information on Polk County’s outstanding debt can be found in Note 9 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 \$28.7 million below final budget amounts. Significant variances include:

- County environment and education expense was \$7.3 million less than budget. This is primarily due to a change in a loan made to the local YMCA. After the final budget amendment, the YMCA secured an additional funding source and reduced its loan request from the County by \$6.5 million.
- Capital projects, primarily construction of a new Sheriff’s administration/law enforcement facility and a new county morgue as well as renovation of the historic courthouse, were \$6.7 million less than budget due to timing. The budget is a conservative estimate to ensure sufficient appropriation is available to carry out any potential or planned capital improvements. The actual construction expenditures lag the appropriated expenditure schedule.
- Physical health and social service expense was \$4.8 million less than budget. Appropriations for shelter assistance, transportation, public health grants/medical supplies, sobering services, and weatherization were underexpended.
- Administration expense was \$4.7 million less than budget due to timing of ARPA expenditures as well lower than anticipated risk management expense. Additionally, Community development grant expenditures were \$1.2 million less than budget. The variance is primarily due to a large grant reserve being set aside for this purpose, but fewer than anticipated grants actually being awarded.
- Public safety and legal services were \$2.3 million less than budget This includes under expenditure of the adult corrections appropriation (primarily the jail medical contract contingency) and under expenditure of the assistance to district courts appropriation due to COVID-related court closures for a portion of the fiscal year.

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

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

For FY 22/23, certified taxable valuations increased 5.8%, resulting in a budgeted increase of \$9.2 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. Beginning in FY 22/23, the State replacement funding will be phased out over a 5-year period. Even so, the County estimates state replacement funding of \$5.0 million in FY 22/23.

Polk County's current budget for FY 22/23 indicates General fund balances will decrease \$9.3 million due to planned balance utilization to fund capital projects including construction of a morgue, investment in sanitary sewer infrastructure, and replacement of the roof at Wells Fargo Arena. County 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](mailto:JoEllen.Bigelow@polkcountyiowa.gov).