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, a legally separate entity 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, 2016, 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 $26 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. Additional information can be found in Note 19.

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 asset 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

During the year, 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.

Justice Center Capital Project Fund - Accounts for capital projects relating to the remodeling, reconstructing, historically rehabilitating, furnishing and equipping the buildings of the judicial system, including the Courthouse, the criminal Court Annex (former Main Jail) and the Justice Center (former JC Penney/Wellmark Building).

Debt Service Fund - Accounts for debt service for general obligation debt issues supported by County-wide tax levies. This account is restricted in accordance with the Iowa Code Section 331.430.

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 Treatment Works - Accounts for activity of the Sanitary Treatment Works 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 17 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 18 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 2015 on the assessed valuation of property located in the County as of January 1, 2014, 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, 2015. Taxes were receivable in two installments on September 30, 2015, and March 31, 2016. 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.

Due From/To Other Funds: During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "Due from other funds" and "Due to other funds" on the balance sheet. Cash overdrafts, interfund loans and the current portion of long-term interfund loans are also included in these line items.

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: 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. Reported inventories are equally offset by a non-spendable fund balance, or unearned revenues in the case of the Supplemental Foods Program commodities, 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 two types of items that qualify for reporting in this category in the proprietary funds as well as the government-wide statements of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This loss is deferred and amortized over the shorter of the life of the old debt or the life of the new debt.

The other deferred outflows of resources consists 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 21 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 represent 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.

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 County has three types of items that qualify for reporting in this category in the proprietary funds as well as 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 are shown as a deferred inflow of resources on the Statement of Net Position. See Note 21 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 source (use) 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 current period.

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, 2016. 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, 2016 are as follows:

Nonmajor Governmental - Special Revenue:		
Secondary Roads	$	(3,154,852)

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 one year or less 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, 2016, the cash and pooled investments of the County consist of:

Cash and cash items in vault	$	139,765
Cash on hand not yet deposited		50,304
Bank account deposits		46,251,537
Money market mutual funds		47,660,001
Money market mutual funds - restricted		61,643,083
U.S. government securities		30,807,411
Commercial paper		19,882,275
Total cash and pooled investments	$	206,434,376
Cash and pooled investments, statement of net position	$	118,317,766
Cash and pooled investments, fiduciary funds		26,473,527
Restricted assets - Note 4		61,643,083
Total cash and pooled investments	$	206,434,376

The County elected to maintain a non-interest bearing account with Bank of America in the average total of $33,364,808 in order to avoid banking service charges. This is considered a compensating balance.

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, $14,978,023 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, 2016, 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, 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, 2016.

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 Mortgage Corp, Federal National Mortgage Association, and Federal Farm Credit Bank securities, which represent 6%, 6% and 5%, 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, 2016, 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, 2016, the County had no deposits or investments exposed to custodial credit risk.

During the fiscal year ending June 30, 2016 the County adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, which provides guidance for determining a fair value measurement for financial reporting purposes.

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 $14,978,023 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, 2016, the County held $15,829,388 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, 2016:

	PFMS User Fee	Concession Upkeep	Unspent Bond Proceeds	Total
Iowa Events Center	$ 706,717	$ 186,101	$ -	$ 892,818
Conservation Water & Land Improvements	-	-	12,084,471	12,084,471
Justice Center	-	-	48,665,794	48,665,794
Total	$ 706,717	$ 186,101	$ 60,750,265	$ 61,643,083

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, 2015 issuance of $73,525,000 in 2015B general obligation bonds for financing projects within the Justice Center and Conservation Water & Land Improvements Capital Projects Funds.

5. DUE FROM/TO OTHER FUNDS

Amounts due from/to other funds at June 30, 2016, are as follows:

	Due To					
	General Fund	Mental Health	Debt Service	Nonmajor Governmental	Nonmajor Enterprise	Total
Due from						
General Fund	$ -	$ -	$ -	$ 518	$ 360	$ 878
Prairie Meadows Racetrack/Casino	428,519	52,008	93,905	-	-	574,432
Nonmajor Enterprise	634,264	-	-	-	-	634,264
Total	$ 1,062,783	$ 52,008	$ 93,905	$ 518	$ 360	$ 1,209,574

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:

Cash overdrafts owed to the General Fund from other funds	$	634,264
Property taxes owed to various funds from Prairie Meadows Racetrack/Casino Enterprise Fund		574,432

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016, is as follows:

	Balance 7/1/2015	Additions	Disposals	Balance 6/30/2016
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 18,946,077	$ 253,397	$ -	$ 19,199,474
Construction in progress	10,852,773	23,424,329	(2,112,758)	32,164,344
Total capital assets, not being depreciated	29,798,850	23,677,726	(2,112,758)	51,363,818
Capital assets, being depreciated:				
Buildings	149,647,445	-	-	149,647,445
Improvements other than buildings	4,645,510	295,161	-	4,940,671
Equipment	13,907,762	2,409,523	(964,189)	15,353,096
Vehicles	9,128,227	723,312	(491,917)	9,359,622
Infrastructure	107,407,251	3,154,354	-	110,561,605
Intangibles-computer software	6,297,006	157,996	-	6,455,002
Total capital assets being depreciated	291,033,201	6,740,346	(1,456,106)	296,317,441
Less accumulated depreciation for:				
Buildings	(63,223,245)	(4,015,110)	-	(67,238,355)
Improvements other than buildings	(1,131,269)	(230,312)	-	(1,361,581)
Equipment	(8,273,298)	(1,504,781)	964,189	(8,813,890)
Vehicles	(6,886,899)	(733,641)	491,917	(7,128,623)
Infrastructure	(76,290,534)	(2,878,701)	-	(79,169,235)
Intangibles-computer software	(521,898)	(430,333)	-	(952,231)
Total accumulated depreciation	(156,327,143)	(9,792,878)	1,456,106	(164,663,915)
Total capital assets being depreciated, net	134,706,058	(3,052,532)	-	131,653,526
Governmental activities capital assets, net	$ 164,504,908	$ 20,625,194	$ (2,112,758)	$ 183,017,344

Governmental Activities

The County continued to work on the following projects included in construction in progress: 1) Water and Land Legacy improvements, 2) Justice Center Phase II, Historic Courthouse Phase II and Criminal Court Annex improvements and 3) NW 66th Avenue/Kempton Bridge Reconstruction. The County also started construction of a new senior center during the year and the Polk County Conservation Board completed construction of Phase II of the Easter Lake Trail. In addition, the Polk County Public Works Department completed construction of a bridge at NW 72nd Place. Improvements other than buildings consist of a reclassification from construction in progress for the completion of Thomas Mitchell pond and trail improvements and completion of improvements at Brown's Woods.

Equipment additions primarily consist of new sheriff dispatch equipment and the jail chiller. Infrastructure additions primarily consist of a reclassification from construction in progress for the completion of the Easter Lake Trail Phase II and contribution of a new subdivision roadway into the Polk County Secondary Roads System.

Equipment disposals consist primarily of the disposal of the old sheriff dispatch equipment and conservation equipment.

	Balance 7/1/2015	Additions	Disposals	Balance 6/30/2016
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 18,215,559	$ -	$ -	$ 18,215,559
Construction in progress	4,041,067	1,368,203	(5,270,463)	138,807
Intangibles-permanent easements	2,748,825	573,755	-	3,322,580
Total capital assets, not being depreciated	25,005,451	1,941,958	(5,270,463)	21,676,946
Capital assets, being depreciated:				
Buildings	323,488,464	35,427	-	323,523,891
Improvements other than buildings	8,725,298	-	-	8,725,298
Leasehold improvements	113,145,115	-	-	113,145,115
Equipment	1,423,114	2,158,441	(67,409)	3,514,146
Vehicles	236,456	-	-	236,456
Infrastructure	34,986,451	5,632,929	(7,598,270)	33,021,110
Total capital assets being depreciated	482,004,898	7,826,797	(7,665,679)	482,166,016
Less accumulated depreciation for:				
Buildings	(118,512,784)	(10,727,249)	-	(129,240,033)
Improvements other than buildings	(8,447,345)	(24,547)	-	(8,471,892)
Leasehold improvements	(32,362,155)	(4,525,805)	-	(36,887,960)
Equipment	(621,786)	(475,916)	67,409	(1,030,293)
Vehicles	(157,271)	(20,471)	-	(177,742)
Infrastructure	(10,116,314)	(794,694)	159,120	(10,751,888)
Total accumulated depreciation	(170,217,655)	(16,568,682)	226,529	(186,559,808)
Total capital assets being depreciated, net	311,787,243	(8,741,885)	(7,439,150)	295,606,208
Business-type activities capital assets, net	$ 336,792,694	$ (6,799,927)	$ (12,709,613)	$ 317,283,154

Business-type Activities

The County completed the Hamilton Drainage District Watershed project during the year for a total cost of $5.3 million. In addition, sewer improvements costing $5.1 million were conveyed to the Wastewater Reclamation Authority. This project was completed under Chapter 28E of the Code of Iowa with the cities of Ankeny and Polk City. A $2.5 million adjustment was made to decrease the County's portion of the project costs of the Rock Creek Trunk Sewer Project as a result of the final allocation of costs. Equipment additions primarily represent costs of a new scoreboard at the Iowa Event Center.

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	$	3,506,221
Physical health and social services		1,233,440
County environment and education		992,312
Roads and transportation		2,909,004
Government services to residents		329,755
Administration		822,146
Total depreciation expense - governmental activities	$	9,792,878
Business-type activities:		
Air Quality	$	86,182
Sanitary Treatment Works		433,017
Prairie Meadows Racetrack/Casino		6,102,938
Conservation Enterprises		30,463
Hamilton Urban Drainage District		361,677
Iowa Events Center		9,554,405
Total depreciation expense - business-type activities	$	16,568,682

7. DEFERRED OUTFLOWS OF RESOURCES

The following is a summary of deferred outflows of resources activity for the year ended June 30, 2016:

	Loss on Refunding	Pension Related Amounts	Total
Governmental activities	$ -	$ 9,737,934	$ 9,737,934
Business-type activities			
Air Quality	$ -	$ 139,728	$ 139,728
Iowa Events Center	411,625	11,344	422,969
Iowa Tax & Tags	-	38,006	38,006
Total business-type activities	$ 411,625	$ 189,078	$ 600,703

8. LONG-TERM LIABILITIES

The following is a summary of long-term liability activity for the year ended June 30, 2016:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Due Within One Year
Governmental activities:					
General obligation bonds payable	$ 182,513,529	$ -	$ (16,803,384)	$ 165,710,145	$ 13,920,378
Add: unamortized premium (discount)	3,287,550	-	(239,133)	3,048,417	230,574
General obligation notes payable	2,450,000	-	(382,000)	2,068,000	389,000
Capital leases payable	436,964	-	(138,048)	298,916	141,539
Accrued compensated absences	15,502,717	9,562,346	(8,799,758)	16,265,305	1,349,668
Post employment liability	5,520,000	809,000	-	6,329,000	-
Estimated liability for claims and judgements	2,907,800	18,566,334	(19,075,834)	2,398,300	1,958,300
Net pension liability	30,024,606	10,920,471	-	40,945,077	-
Total	$ 242,643,166	$ 39,858,151	$ (45,438,157)	$ 237,063,160	$ 17,989,459
Business-type activities:					
General obligation bonds payable	$ 97,751,471	$ 10,790,000	$ (10,496,616)	$ 98,044,855	$ 10,724,622
Add: unamortized premium (discount)	3,022,714	(39,491)	(618,108)	2,365,115	462,078
General obligation notes payable	27,130,825	61,000	(834,825)	26,357,000	862,000
Accrued compensated absences	337,912	177,851	(116,355)	399,408	122,240
Net pension liability	574,886	222,867	-	797,753	-
Total	$ 128,817,808	$ 11,212,227	$ (12,065,904)	$ 127,964,131	$ 12,170,940

For the governmental activities, accrued compensated absences and estimated liability for claims and judgments are generally liquidated by the General Fund. The post employment benefit obligation is reported in the Employee Insurance Internal Services Fund.

General Obligation Bonds Payable

	Original Amount	Date Issued	Interest Rates	Due Date	Amount Outstanding
Governmental activities					
General Purpose	$ 3,905,000	12/1/2008	4%	6/1/2018	$ 975,000
General Purpose	15,485,000	12/30/2010	2-4%	6/1/2025	10,300,000
General Purpose	6,900,000	8/22/2012	2%	6/1/2022	4,300,000
General Purpose	69,214,616	8/1/2012	2-3%	6/1/2026	57,027,145
General Purpose	3,800,000	12/23/2013	2.25-3.25%	6/1/2024	2,900,000
General Purpose	14,030,000	12/23/2013	2.25-4.125%	6/1/2033	10,475,000
General Purpose	7,505,000	12/23/2013	2-4.125%	6/1/2033	3,125,000
General Purpose	10,682,560	6/1/2015	2%-2.25%	6/1/2025	9,133,000
General Purpose	73,525,000	6/1/2015	3%-3.75%	6/1/2035	67,475,000
Total					$ 165,710,145

	Original Amount	Date Issued	Interest Rates	Due Date	Amount Outstanding
Business-type activities					
Iowa Events Center	$ 46,885,000	12/30/2010	2-5%	6/1/2021	$ 40,410,000
Iowa Events Center	42,450,000	12/30/2010	2-4%	6/1/2023	35,345,000
Iowa Events Center	20,935,000	8/1/2012	1-1.25%	6/1/2017	4,325,000
Iowa Events Center	7,517,440	6/1/2015	2%	6/1/2017	3,752,000
Iowa Events Center	10,790,000	5/26/2016	2.15%	6/1/2024	10,790,000
Urban Sewer	4,020,384	8/1/2012	2-3%	6/1/2026	3,422,855
Total					$ 98,044,855

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	$ 208,000
General Purpose	2,525,000	5/22/2014	1.5 - 2%	6/1/2021	1,860,000
Total					$ 2,068,000
Business-type activities					
Sanitary Treatment	$ 5,000,000	7/30/2008	3%	6/1/2028	$ 3,000,000
Sanitary Treatment	13,000,000	6/16/2010	3%	6/1/2030	10,304,000
Sanitary Treatment	5,000,000	6/1/2011	3%	6/1/2031	4,894,000
Sanitary Treatment	367,000	10/19/2012	1.75%	6/1/2032	318,000
Sanitary Treatment	9,633,000	10/19/2012	1.75%	6/1/2032	7,841,000
Total					$ 26,357,000

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:					
2017	$ 13,920,378	$ 4,860,903	$ 389,000	$ 35,974	$ 19,206,255
2018	13,768,893	4,516,045	406,000	29,999	18,720,937
2019	11,842,495	4,162,318	438,000	23,764	16,466,577
2020	12,115,457	3,872,843	440,000	16,081	16,444,381
2021	12,421,194	3,575,958	395,000	7,900	16,400,052
2022-2026	61,316,728	12,605,991	-	-	73,922,719
2027-2031	22,500,000	5,736,213	-	-	28,236,213
2032-2036	17,825,000	1,584,994	-	-	19,409,994
Total	165,710,145	40,915,265	2,068,000	113,718	208,807,128
Add: unamortized premium	3,048,417	-	-	-	3,048,417
Total	$ 168,758,562	$ 40,915,265	$ 2,068,000	$ 113,718	$ 211,855,545

	Bonds Payable		Notes Payable		Total Principal and Interest
	Principal	Interest	Principal	Interest	
Business-type activities					
During the year ending June 30:					
2017	$ 10,724,622	$ 3,863,918	$ 862,000	$ 688,722	$ 16,139,262
2018	11,576,107	3,644,097	890,000	663,262	16,773,466
2019	12,132,505	3,090,274	919,000	636,975	16,778,754
2020	12,709,543	2,509,475	950,000	609,831	16,778,849
2021	13,323,806	1,901,084	980,000	581,780	16,786,670
2022-2026	37,578,272	2,315,826	5,399,000	2,455,391	47,748,489
2027-2031	-	-	10,135,000	1,580,192	11,715,192
2032-2036	-	-	6,222,000	108,885	6,330,885
Total	98,044,855	17,324,674	26,357,000	7,325,038	149,051,567
Add: unamortized premium	2,365,115	-	-	-	2,365,115
Total	$ 100,409,970	$ 17,324,674	$ 26,357,000	$ 7,325,038	$ 151,416,682

There were no due and unredeemed bonds/notes or special assessment debt outstanding at June 30, 2016. Management does not believe an arbitrage liability exists at June 30, 2016.

Bond Refunding

2016 Taxable G.O. Refunding Bonds

On May 26, 2016, the County issued $10,790,000 (refunded interest rate of 2.15%) taxable general obligation bonds in a current refunding of the County's debt service payment due June 1, 2016, for general obligation bonds dated December 30, 2010, August 1, 2012, and June 1, 2015, in the amount of $10,195,440 (redeemed interest rate of 1-5%). The refunding bonds were issued to free up gaming revenue to make a loan to the IEC Hotel Corp. The County anticipates the same financing structure for the June 2017 and 2018 principal payments.

As a result of this current refunding, the County increased its debt service requirements by $1,519,278 over the life of the debt with a present value savings of $367,172.

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, 2016 amounted to $148,821,500.

10. DEVELOPER (REBATE) 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 $9.3 million exist, of which $.3 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. 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 $276,844. 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, 2016:

During the year ending June 30:		
2017	$	147,398
2018		147,398
2019		12,283
Total minimum lease payments		307,079
Less: amount representing interest		(8,163)
Present value of total minimum lease payments	$	298,916

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, 2016 is $584,564. Following is a schedule of minimum future rentals for non-cancelable operating leases in effect at June 30, 2016:

During the year ending June 30:		
2017	$	281,693
2018		258,393
2019		80,212
2020		15,600
2021		15,600
2022-2026		78,000
2027-2031		78,000
2032-2036		78,000
Total	$	885,498

The above schedule represents operating leases in effect at June 30, 2016. As part of the normal course of business, the County continues to negotiate and/or renegotiate various operating leases.

12. TRANSFER RECONCILIATION

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

	Transfer to						
Transfer from	General Fund	Justice Center	Sanitary Treatment Works	Iowa Events Center	Nonmajor Governmental	Internal Service	Total
General Fund	$ -	$ 2,220,754	$ -	$ -	$ 3,692,225	$ 3,526,445	$ 9,439,424
Prairie Meadows Racetrack/Casino	7,817,234	-	669,782	6,696,553	172,291	-	15,355,860
Nonmajor Governmental	1,123,966	-	-	-	4,975,614	-	6,099,580
Nonmajor Enterprise	205,059	-	-	-	-	-	205,059
Internal Service	3,546,445	-	-	-	-	-	3,546,445
Total	$ 12,692,704	$ 2,220,754	$ 669,782	$ 6,696,553	$ 8,840,130	$ 3,526,445	$ 34,646,368

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, 2016, 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.	$ 15,355,860
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.	3,526,445
General fund and Rural Services fund made transfers to Secondary Roads fund in accordance with state statutes.	6,472,560

13. DEFERRED INFLOWS OF RESOURCES

The following is a summary of deferred inflows of resources activity for the year ended June 30, 2016:

	Succeeding Year Property Taxes Receivable	Pension Related Amounts	Unavailable Intergovernmental and Other	Gain on Current Refunding	Total
Governmental Funds	$ 160,886,696	$ -	$ 4,008,662	$ -	$ 164,895,358
Governmental Activities	$ 160,886,696	$ 6,344,003	$ -	$ -	$ 167,230,699
Business-type Activities					
Air Quality	$ -	$ 95,492	$ -	$ -	$ 95,492
Iowa Events Center	-	6,786	-	115,944	122,730
Iowa Tax & Tags	-	10,811	-	-	10,811
Total Business-type Activities	$ -	$ 113,089	$ -	$ 115,944	$ 229,033

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. 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		646,174,505
Fidelity bond		50,000		5,000,000
Workers' compensation		500,000		Statutory/1,000,000

Conventional Insurance Exposure	Policy Limits
General liability - Iowa Events Center (OLT)	$ 1,000,000/2,000,000
Contractor Pollution - Weatherization/Public Works	1,000,000/2,000,000
Fine Arts - Hy-Vee Hall/CCCUCC - Unscheduled	25,000
Fine Arts - Hy-Vee Hall/CCCUCC - Scheduled	500,000
Liquor Liability - Hy-Vee Hall/CCCUCC	1,000,000/2,000,000
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, 2016. 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)

This amount was determined based on actual claim payments subsequent to year-end rather than on discounted estimates. Changes in the estimated claims liability for governmental activities (prior to the internal service fund allocation) for the years ended June 30, 2016 and 2015 are as follows:

	Year Ended			
		6/30/2016		6/30/2015
Beginning balance	$	1,547,000	$	868,000
Current year claims and changes in estimates		1,235,734		2,024,346
Claim payments		(1,863,134)		(1,345,346)
Ending balance	$	919,600	$	1,547,000

Employee Insurance Fund

The County is self-insured for medical and dental insurance provided to employees. Benefits are accounted for through the Employee Insurance Internal Service Fund. Interfund charges within the County are recorded as revenue in the Employee Insurance Fund and as expenditure/expense to the benefiting department.

The payment of health and dental insurance claims are processed by a third-party administrator. Excess insurance is purchased to cover individual 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.

Changes in the estimated liability for probable losses recorded in the Employee Insurance Fund for the years ended June 30, 2016 and 2015 are as follows:

	Year Ended	
	6/30/2016	6/30/2015
Beginning balance	$ 1,360,800	$ 1,243,100
Current year claims and changes in estimates	17,330,600	15,694,736
Claim payments	(17,212,700)	(15,577,036)
Ending balance	$ 1,478,700	$ 1,360,800

16. 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 Corp.	$ 800,000
Des Moines City Gaming Payments	6,747,110
Polk County Area Schools Gaming Payments	1,186,549
Polk County Housing Trust Fund	1,500,000
Total	$ 10,233,659
Secondary Road Fund:	
Grimes Asphalt & Paving Corp. (HMA Resurfacing Program)	$ 2,033,124
Conservation Water & Land Improvements Fund:	
Water and Land Legacy Project	$ 1,015,460
Justice Center Fund:	
Historic Courthouse Renovations	$ 1,984,132
Criminal Courts Annex	503,973
Justice Center	1,425,521
Total	$ 3,913,626
Capital Improvements Projects Fund:	
Northside Community Center	$ 2,284,690
Iowa Events Center Fund:	
Hotel Site Demolition	$ 728,536

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 15, 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.

17. 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 2011-2018. This Agreement, as amended, provides for rental payments to the County of $15.6 million per year and additional payments of $10.4 million per year for the first four years. During the final four years of the lease, additional payments will equal 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 a 3-year phased approach to renovation of the gaming facility.

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.

18. 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, 2016 the amount of the fixed management fee was $240,000.

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 $12,600 for the productivity fee for the fiscal year ending June 30, 2016.

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 1, 2011 the contract was amended to extend the term to September 30, 2016. Under these agreements the County pays Ovations a fixed management fee. For the fiscal year ending June 30, 2016 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, 2016.

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 $1,094,704 and Global earned $826,302 of WFA's net operating income for the fiscal year ending June 30, 2016.

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 $518,046 for the fiscal year ending June 30, 2016.

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 $184,564 for the fiscal year ending June 30, 2016.

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, 2016, the County received the following naming rights revenue:

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

19. 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.

DSM Convention Hotel LLC ("DSM" a Weitz company), was engaged as the developer of the project. DSM will engineer, design, develop, construct, and furnish a full service hotel with approximately 330 hotel guest rooms and a full service, first class convention center. Hilton Management, LLC has been contracted to operate the facilities.

The County approved an agreement with DSM, on June 23, 2015 for a loan up to $5 million for the preconstruction and design services of the Iowa Events Center Convention Hotel. Funds will be disbursed monthly to the DSM by the County on a reimbursable basis. As of June 30, 2016, nine payment requests have been submitted for $3,770,909. The loan will be repaid once the financing package has been completed upon completion of the hotel on or before March 31, 2018.

It is estimated that soft costs for financing and legal work will be approximately $684,000. Polk County will pay these costs as they incur and will be reimbursed by IEC Hotel Corp when the hotel is completed. Relating to these costs, the County is reporting a $290,025 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 $63,431.

In accordance with the development agreement, the County contributed $2.5 million during the fiscal year on hotel site preparations for asbestos abatement, demolition and site excavation of the former Allied Insurance Building.

Construction Phase

Construction for the hotel commenced during the current fiscal year and is to be completed prior to the acquisition date of March 31, 2018. A sales tax exemption was received for the construction materials. Sales tax on the project is estimated at $3 million.

On February 2, 2016, the County approved a loan guarantee of $27 million to Banker's Trust during the construction phase of the convention hotel.

The County consented to the assignment of the Amended and Restated Development Agreement. In order for DSM to obtain a loan from the bank (Bankers Trust) for construction, the County was required to acknowledge that DSM assigned and granted a first priority of security interest to the bank to secure the loan.

The construction loan obtained by DSM has a variable interest rate. Bankers Trust has reserved $3.1 million to make certain that interest costs are paid during the construction period. If the $3.1 million is depleted, the County will provide funding for the monthly interest costs incurred through the duration of the construction project and will be reimbursed at the time the hotel is leased by the IEC Hotel Corp.

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.

Financing Phase

Total costs for the hotel are estimated at approximately $110 million. Several sources of funding will be used to acquire the hotel. The City of Des Moines is obligated to contribute $14.2 million of City TIF bonds, and $4 million of Iowa Urban Renewal Revenue bonds. IEC Hotel Corp will be issuing $33 million of Series A bonds, $29 million of Series B bonds, $9.1 million in facility fee Series C, $8.5 million in Iowa Reinvestment Act (IRA) Series D, and $8.1 in IRA Series E. 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 will provide an acquisition loan to IEC Hotel Corp not to exceed $29 million over 30 years at 3% interest to assist with the acquisition of the hotel by IEC Hotel Corp. The County will purchase the Series B certificates when issued by IEC Hotel Corp. The funds for the acquisition loan 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.

The project was awarded $1 million from the Iowa Economic Development Authority Grayfield Tax Credit program. On or before the acquisition date, the County will sell the tax credits on the open market and contribute the anticipated net proceeds of $900,000 to the trustee.

The County also consented to the assignment hotel purchase agreement dated March 30, 2016. DSM entered into a Hotel Purchase Agreement with Fifth & Park LLC that obligates DSM to construct the hotel and for Fifth & Park to purchase the completed hotel from DSM at completion. Fifth & Park assigned its interests in the Hotel Purchase Agreement to the Indenture Trustee.

The County approved a hotel purchase agreement dated March 30, 2016 with DSM and Fifth and Park. Substantial completion must be no later than December 31, 2017 and closing completion by March 31, 2018 where dates may be extended due to force majeure and delays caused by the buyer. In the event the seller defaults in its obligation to achieve closing completion by the deadline, the seller will be obligated to pay liquidated damages to buyer at closing in the amount of $10,000 per calendar day.

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 shall commence on the closing date and end March 31, 2058 unless terminated. Lease payments are calculated in the Trust Indenture.

Upon completion of the hotel, IEC Hotel Corp and the Indenture Trustee (Banker's Trust) will implement the provisions of the Trust Indenture. The funds from debt issuances by IEC Hotel Corp will be deposited with the Indenture Trustee. At the acquisition date IEC Hotel Corp will instruct the Indenture Trustee to move funds into the hotel acquisition account. Fifth & Park will acquire the hotel from DSM in an amount equal to the purchase price on the acquisition date with proceeds of the obligations and other amounts contributed for that purpose. IEC Hotel Corp will lease the hotel from Fifth & Park until the obligations are paid in full.

Operation Phase

The County approved the Management Agreement between IEC Hotel Corp and Hilton Management, LLC dated March 30, 2016. The operating period shall commence on opening day and expire on the fifteenth anniversary of the opening date or earlier if terminated. 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 first full operating year will be $212,000.

20. 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, 2016:

Concessions and catering revenue from Ovations	$	7,695,206
Ticket revenue and fees received from New Era		14,295
Ticket fees paid to New Era		1,476
Management fee paid to Ovations		12,000

21. 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.

<u>Pension Benefits</u> - 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 2016, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the County contributed 8.93% of covered payroll, for a total rate of 14.88%. The Sheriff, deputies and the County each contributed 9.88% of covered payroll, for a total rate of 19.76%. Protection occupation members contributed 6.56% of covered payroll and the County contributed 9.84% of covered payroll, for a total rate of 16.40%.

The County's contributions to IPERS for the year ended June 30, 2016 were $7,897,049.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the County reported a liability of $41,742,830 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2015, the County's collective proportion was .8449138%, which was an increase of .07335% from its collective proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the County recognized pension expense of $4,045,088. At June 30, 2016, 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	$	641,148	$	662,333
Changes of assumptions		1,168,359		347,976
Net difference between projected and actual earnings on pension plan investments		-		5,218,199
Changes in proportion and differences between County contributions and proportionate share of contributions		220,456		228,584
County contributions subsequent to the measurement date		7,897,049		-
	$	9,927,012	$	6,457,092

$7,897,049 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, 2017. 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:		
2017	$	(2,319,113)
2018		(2,319,113)
2019		(2,319,113)
2020		2,514,388
2021		15,822
Total	$	(4,427,129)

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3% per annum
Rates of salary increase (effective June 30, 2010)	4 - 17%, average, including inflation. Rates vary by membership group
Long-term investment rate of return (effective June 30, 1996)	7.5%, compounded annually, net of investment expense, including inflation
Wage growth (effective June 30, 1990)	4% per annum, based on 3% inflation and 1% real wage inflation.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

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
Core Plus Fixed Income	28%	2.04%
Domestic Equity	24%	6.29%
International Equity	16%	6.75%
Private Equity/Debt	11%	11.32%
Real Estate	8%	3.48%
Credit Opportunities	5%	3.63%
U.S. TIPS	5%	1.91%
Other Real Assets	2%	6.24%
Cash	1%	(0.71)%
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the County will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's 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 pension plan 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 7.5%, 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 (6.5%) or 1% higher (8.5%) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
County's proportionate share of the net pension liability	$ 88,518,264	$ 41,742,830	$ 2,305,114

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's 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, 2016, 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.

22. OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description

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. 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 plan does not issue a stand-alone financial report.

Funding Policy

The current funding policy of the County is to pay health claims as they occur. This arrangement does not qualify as OPEB plan assets under GASB for current GASB reporting. During the year ending June 30, 2010, the County designated $2.1 million in the Employee Insurance Internal Service Fund to offset future OPEB costs. The County establishes and amends contribution requirements annually.

The required contribution is based on projected pay-as-you-go financing. For fiscal year 2016, the County contributed $419,000. Retirees receiving benefits contributed $882,000 through their required contribution of $536 per month for single health coverage and $1,341 per month for family health coverage.

Annual OPEB cost and net OPEB obligation

The County's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance to the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the County's annual OPEB cost for the year, the amount actuarially contributed to the plan, and changes in the County's annual OPEB obligation:

	County	County Assessor	Total
Annual required contribution	$ 1,195,000	$ 37,000	$ 1,232,000
Interest on net OPEB obligation	221,000	9,000	230,000
Adjustment to annual required contribution	(197,000)	(8,000)	(205,000)
Annual OPEB cost (expense)	1,219,000	38,000	1,257,000
Contributions made	(410,000)	(9,000)	(419,000)
Increase in net OPEB obligation	809,000	29,000	838,000
Net OPEB obligation - July 1, 2015	5,520,000	226,000	5,746,000
Net OPEB obligation - June 30, 2016	$ 6,329,000	$ 255,000	$ 6,584,000

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation is presented in the following table:

Fiscal Year Ended	Annual OPEB Cost County	Annual OPEB Cost County Assessor	% of Annual OPEB Cost Contributed County	% of Annual OPEB Cost Contributed County Assessor	Net OPEB Obligation County	Net OPEB Obligation County Assessor
6/30/2014	832,000	27,000	39%	7%	5,069,000	201,000
6/30/2015	877,000	27,000	49%	7%	5,520,000	226,000
6/30/2016	1,219,000	38,000	34%	24%	6,329,000	255,000

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2015, the most recent actuarial valuation date, is as follows:

	County	County Assessor	Total
Actuarial accrued liability (AAL)	$ 12,090,000	$ 398,000	$ 12,488,000
Actuarial value of plan assets	-	-	-
Unfunded actuarial accrued liability (UAAL)	$ 12,090,000	$ 398,000	$ 12,488,000
Covered payroll (active employees)	$ 77,282,000	$ 2,138,000	$ 79,420,000
UAAL as a percentage of covered payroll	15.6%	18.6%	

Actuarial valuations reflect a long-term perspective that involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with long-term perspective of the calculations.

The actuarial calculations were performed in accordance with the projected unit credit actuarial cost method as of the July 1, 2015 valuation date. The 4% discount rate used was based on the expected rate of return for investments used to finance the payment of benefits. For Polk County, the investment return assumption is based on the expected return of short-term liquid investments. Other actuarial assumptions include salary increases of 3.5% per annum, health care cost trend rates of 8% select and 4.5% ultimate with select trends reducing .5% each year until reaching the ultimate trend, per capita health claim costs at age 60 for $10,300 and at age 70 for $5,500, annual retirement and annual termination probabilities using the IPERS Actuarial Valuation Report and the Municipal Fire and Police Retirement System of Iowa Actuarial Valuation Report as of June 30, 2015, mortality rates using the RP 2014 generational mortality using Scale MP-15 applied on a gender-specific basis and retiree participation rate of 75%. The assumed number of eligible spouses is based on the current census information.

The medical CPI is used for the implicit inflation rate, which approximately runs 3% annually. The UAAL is amortized over the maximum acceptable period of 30 years as a level percentage of projected payrolls on an open basis.

23. 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, 2016, the County has a future commitment for approximately $1,537,232 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.

24. 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, 2016, are as follows:

	Attorney	Auditor	Board of Supervisors Other	Conservation Board	Recorder	Sheriff	Total Elected Officials
ASSETS:							
Cash and pooled investments	$ 5,000	$ 11,940	$ 650	$ 2,052	$ 890,770	$ 2,805,349	$ 3,715,761
Due from other governments	-	-	-	-	3,186	-	3,186
TOTAL ASSETS	$ 5,000	$ 11,940	$ 650	$ 2,052	$ 893,956	$ 2,805,349	$ 3,718,947
LIABILITIES:							
Accounts payable	$ -	$ -	$ -	$ -	$ -	$ 109,212	$ 109,212
Due to other funds	5,000	11,940	650	2,052	343,588	155,291	518,521
Due to other governments	-	-	-	-	550,368	2,471,491	3,021,859
Trusts payable	-	-	-	-	-	69,355	69,355
TOTAL LIABILITIES	$ 5,000	$ 11,940	$ 650	$ 2,052	$ 893,956	$ 2,805,349	$ 3,718,947

25. FUND BALANCES

	Major Governmental				Nonmajor	
	General Fund	Mental Health	Justice Center	Debt Service	Governmental Funds	Total
Nonspendable:						
Inventory	$ 419,296	$ -	$ -	$ -	$ 1,304,996	$ 1,724,292
Prepaids	545,338	-	-	-	-	545,338
Advances	6,153	-	-	-	-	6,153
Restricted for:						
Mental health	-	2,657,177	-	-	-	2,657,177
Rural services	-	-	-	-	2,148,600	2,148,600
Sheriff seized property	-	-	-	-	260,608	260,608
Attorney seized property	-	-	-	-	336,707	336,707
Recorder records management	-	-	-	-	316,510	316,510
Township fire protection	-	-	-	-	6,277	6,277
REAP	-	-	-	-	129,610	129,610
Conservation water & land improv	-	-	-	-	11,523,211	11,523,211
Justice center	-	-	47,204,845	-	-	47,204,845
Debt service	-	-	-	986,277	15,076	1,001,353
Committed to:						
Community betterment	242,500	-	-	-	-	242,500
Economic development	3,521,977	-	-	-	-	3,521,977
Attorney collection incentive	-	-	-	-	735,529	735,529
Contingency reserve	-	-	-	-	10,197,626	10,197,626
Automated traffic enforcement	-	-	-	-	10,658	10,658
Capital projects	-	-	-	-	882,209	882,209
Unassigned:	47,725,904	-	-	-	(4,459,848)	43,266,056
Total Fund Balances	$ 52,461,168	$ 2,657,177	$ 47,204,845	$ 986,277	$ 23,407,769	$ 126,717,236

26. 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 $5 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 2017. 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

27. SUBSEQUENT EVENTS

Iowa Events Center Proprietary Fund – Hearing for General Obligation Refunding Bonds

In November 2015, the Board of Supervisors held a public meeting and hearing upon the proposal to institute proceedings for the issuance of not to exceed $95 million general obligation refunding bonds in order to provide funds to pay the costs of refunding and refinancing all the outstanding debt related to the Iowa Events Center. In May 2016, the Board of Supervisors approved the issuance of $10,790,000 Taxable General Obligation Refunding Bonds as part of the not to exceed $95 million general obligation refunding bonds. The County anticipates the issuance of additional general obligation refunding bonds under this authority in the Spring of 2017, however, no action has yet been taken.

Lease-Purchase Agreement

In October 2016, the County signed a four year lease with PACCAR Financial Corp in the amount of $2,326,428 for 12 axle trucks. Annual payments will be made from the Secondary Roads Fund.

28. PENDING ACCOUNTING PRONOUNCEMENTS

As of June 30, 2016 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. 72, *Fair Value Measurement and Application*, issued February 2015, was effective for the County, beginning with its year ending June 30, 2016. This Statement defines fair value and describes how fair value should be measured, what assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements. This Statement defines fair value as 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. Investments, which generally are measured at fair value, are defined as a security or other asset that governments hold primarily for the purpose of income or profit and the present service capacity of which are based solely on their ability to generate cash or to be sold to generate cash. The related disclosures have been expanded to categorize fair values according to their relative reliability and to describe positions held in many alternative investments.

- GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,* issued July 2015, was effective for the County beginning with its fiscal year ending June 30, 2016. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55. The first category of authoritative GAAP consists of GASB Statements. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the AICPA that is cleared by the GASB. The Statement also addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

- GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, issued December 2015, will be effective for the County beginning with its fiscal year ending June 30, 2016. Statement No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants by establishing criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The Statement also establishes additional note disclosure requirements for qualifying external investment pools and for governments that participate in those pools.

- GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, issued December 2015, will be effective for the County beginning with its fiscal year ending June 30, 2016. Statement No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants by establishing criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The Statement also establishes additional note disclosure requirements for qualifying external investment pools and for governments that participate in those pools.

As of June 30, 2016, 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. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, issued in June 2015, will be effective for the County beginning with its fiscal year ending June 30, 2017. The Statement replaces GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* and addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The Statement follows the framework for financial reporting of defined benefit OPEB plans in Statement No. 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position but requires more extensive note disclosures and Required Supplementary Information related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. The Statement also sets forth note disclosure requirements for defined contribution OPEB plans.

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, issued in June 2015, will be effective for the County beginning with its fiscal year ending June 30, 2018. The Statement replaces the requirements of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions and requires governments to report a liability on the face of the financial statements for the OPEB they provide and outlines the reporting requirements by governments for defined benefit OPEB plans administered through a trust, cost-sharing OPEB plans administered through a trust and OPEB not provided through a trust. The Statement also requires governments to present more extensive note disclosures and required supplementary information about their OPEB liabilities. Some governments are legally responsible to make contributions directly to an OPEB plan or make benefit payments directly as OPEB comes due for employees of other governments. In certain circumstances, called special funding situations, the Statement requires these governments to recognize in their financial statements a share of the other government's net OPEB liability.

- GASB Statement No. 77, *Tax Abatement Disclosures,* issued August 2015, will be effective for the County beginning with its fiscal year ending June 30, 2017. This statement requires governments to disclose information about their own tax abatements separately from information about tax abatements that are entered into by other governments and reduce the reporting government's tax revenues. The disclosures about the government's own tax abatement agreements includes the purpose of the tax abatement program, the tax being abated, the amount of tax being abated, the provisions of recapturing abated taxes, the types of commitments made by tax abatement recipients, and other commitments made by government in tax abatement agreements. The disclosures about tax abatements that are entered into by other governments and reduce the reporting government's tax revenues includes the name of the government entering into the abatement agreement, the tax being abated, and the amount of the reporting government's tax being abated.

- GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, issued December 2015, will be effective for the County beginning with its fiscal year ending June 30, 2017. The Statement provides guidance to governments that participate in certain private or federally sponsored multiple-employer defined benefit pension plans. This Statement assists these governments by focusing employer accounting and financial reporting requirements for those pension plans on obtainable information. In lieu of the existing requirements under Statement 68, the new guidance establishes separate requirements for employers that participate in these pension plans. This Statement establishes the criteria for identifying the applicable pension plans and addresses: (a) measurement and recognition of pension liabilities, expense, and expenditures; (b) note disclosures of descriptive information about the plan, benefit terms, and contribution terms; and (c) required supplementary information presenting required contribution amounts for the past 10 fiscal years.

- GASB Statement No. 80, *Blending Requirements for Certain Component Units*, issued February 2016, will be effective for County beginning with its fiscal year ending June 30, 2017. Statement No. 80 clarifies the display requirements in GASB Statement No. 14, *The Financial Reporting Entity*, by requiring component units incorporated as not-for-profit corporations to be blended into the primary state or local government's financial statements in a manner similar to a department or activity of the primary government. The guidance addresses diversity in practice regarding the presentation of not-for-profit corporations in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, issued March 2016, will be effective for the County beginning with its fiscal year ending June 30, 2018. Statement No. 81 requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

- GASB Statement No. 82, *Pension Issues*, issued April 2016, will be effective for the County beginning with its fiscal year ending June 30, 2017. This Statement is designed to improve consistency in the application of the pension standards by clarifying or amending related areas of existing guidance with respect to Statement No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measurers in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The County's management has not yet determined the effect these Statements will have on the County's financial statements, although GASB Statement No. 75 will have a material impact.