
POLK COUNTY, IOWA

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2004

PREPARED BY:

POLK COUNTY AUDITOR'S OFFICE – MICHAEL MAURO

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POLK COUNTY, IOWA

**Comprehensive Annual Financial Report
For the Year Ended June 30, 2004
Table of Contents**

	Page
INTRODUCTORY SECTION	
Table of Contents	1
Letter of Transmittal	3
Officials	9
Organizational Chart	10
Certificate of Achievement for Excellence in Financial Reporting	11
FINANCIAL SECTION	
Independent Auditors' Report	13
Management's Discussion and Analysis	16
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	28
Statement of Activities	29
Fund Financial Statements	
Balance Sheet - Governmental Funds	32
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets	33
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	34
Reconciliation of the Statement of Revenues, Expenditures, and Fund Balances of Governmental Funds to the Statement of Activities	35
Statement of Net Assets - Proprietary Funds	36
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	37
Statement of Cash Flows - Proprietary Funds	38
Statement of Net Assets - Fiduciary Funds	42
Notes to the Financial Statements	43
Required Supplementary Information	
Budgetary Comparison Schedule - General Fund	69
Budgetary Comparison Schedule - MH/MR/DD Services Fund	70
Notes to the Required Supplementary Information	71
Supplementary Information	
Nonmajor Governmental Funds	
Combining Balance Sheet	76
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	80
Budgetary Comparison Schedule - Nonmajor Special Revenue Funds	84
Budgetary Comparison Schedule - Nonmajor Capital Projects Funds	85
Budgetary Comparison Schedule - Nonmajor Debt Service Funds	86
Nonmajor Enterprise Funds	
Combining Statement of Net Assets	88
Combining Statement of Revenues, Expenses, and Changes in Net Assets	89
Combining Statement of Cash Flows	90
Internal Service Funds	
Combining Statement of Net Assets	94
Combining Statement of Revenues, Expenses, and Changes in Net Assets	95
Combining Statement of Cash Flows	96
Agency Funds	
Combining Statement of Assets and Liabilities	98
Combining Statement of Changes in Assets and Liabilities	102

(continued)

POLK COUNTY, IOWA

**Comprehensive Annual Financial Report
For the Year Ended June 30, 2004
Table of Contents**

	Page
Capital Assets Used in the Operation of Governmental Funds	
Capital Assets by Source	104
Schedule of Changes by Function	105
Schedule by Function	106
STATISTICAL SECTION	
General Governmental Revenues by Source	110
General Governmental Expenditures by Function	112
Property Tax Levies and Collections	114
Assessed and Actual Value of Taxable Property	115
Property Tax Rates-Direct and Overlapping Governments	116
Legal Debt Margin	118
Ratio of Net General Bonded Debt to Assessed Value and Net General Bonded Debt per Capita	119
Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Governmental Expenditures	120
Summary of Direct and Overlapping Debt	121
Demographic Statistics	122
Property Value, Construction and Bank Deposits	123
Ten Largest Taxpayers	124
Miscellaneous Statistical Data	125
REPORTS TO COMPLY WITH THE SINGLE AUDIT ACT	
Schedule of Expenditures of Federal Awards	127
Notes to Schedule of Expenditures of Federal Awards	130
Independent Auditors' Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based Upon the Audit Performed in Accordance with <i>Government Auditing Standards</i>	131
Independent Auditors' Report on Compliance and Internal Control Over Compliance Applicable to Each Major Federal Award Program	133
Schedule of Findings and Questioned Costs	135

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

MICHAEL A. MAURO
COUNTY AUDITOR
COMMISSIONER OF ELECTIONS

ADMINISTRATION BUILDING
111 COURT AVE.
286-3079

December 14, 2004

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

State law requires that all local governments publish a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (generally accepted accounting principles or GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report of Polk County (the "County") for the fiscal year ended June 30, 2004.

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

The County's financial statements have been audited by Deloitte & Touche LLP, a firm of licensed certified public accountants. The purpose of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended June 30, 2004, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor issued an unqualified opinion on the County's financial statements for the fiscal year ended June 30, 2004, indicating that they were fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

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

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

Profile of Polk County

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

The County currently occupies a land area of 592 square miles and serves a population of 388,606. Polk County is empowered to levy a property tax on real properties located within its boundaries.

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

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

In addition, the County is financially accountable for a legally separate mental health planning agency, Polk County Health Services, Inc. ("PCHS"), which is reported separately within Polk County's financial statements as a discretely presented component unit. Additional information on this legally separate entity can be found in Note 1, A in the notes to the financial statements.

The annual budget serves as the foundation for the County's financial planning and control. The budget department is responsible for developing a budget proposal to the Board of Supervisors. The proposed budget is presented to the Board in January and February of each year. The Board is required to hold public hearings on the proposed budget and to adopt the original budget by no later than March 15 for the fiscal year beginning the following July first. The Board approves and publishes the final amended budget by May 31st of the respective fiscal year. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated budget has been adopted. For the general fund and major special revenue funds this comparison is presented as required supplementary information. For governmental funds with appropriated annual budgets, other than the general fund and major special revenue funds, this comparison is presented in the other supplementary information section of this report.

Factors Affecting Financial Condition

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

Local Economy

The current general economic condition of the County is vibrant. The population continues to grow at a moderate pace, up approximately 14.5% since 1990, to 388,606 in 2004. Unemployment is approximately 3.5%, lower than state and national levels. Other economic indicators are also strong although effects of the national recession are being felt. The County remains the primary center of economic activity in central Iowa and the State although adjoining counties, especially Dallas County to the west, are also experiencing significant new development.

A series of major projects are planned or underway in Des Moines totaling over \$1.6 billion in public and private investment. Most of these projects are located in the downtown area and represent a tremendous stage in the revitalization of Des Moines. The Capital City Vision Project composed of the Iowa Events Center/Iowa Hall of Pride and the Science Center of Iowa, Des Moines downtown library, Pappajohn Higher Educational Center, and the World Food Prize, which total approximately \$340 million, are a central component of this development.

In downtown Des Moines, a new housing development in the Court Avenue area is under construction, and proposals to renovate the Court Avenue business district are being considered. The City has completed the clearing of land in the Gateway West project area. While some older structures are being retained, and a new downtown library is under construction, a number of square blocks of open space will be included as green space in the Gateway West project. The new approximately \$137 million corporate headquarters and parking facilities for Allied Insurance Company is complete. Construction of the new approximately \$70 million headquarters of Wells Fargo Financial was completed during 2003, and Wells Fargo Financial is continuing to expand by constructing another office facility in the downtown area.

A renewal of activity in the older section of downtown will bring new life at the foot of the Capitol with the construction of the Water Street Brownstones, Vine Street Lofts, and White Line Lofts. Other projects underway in the downtown area consist of the 10th Street Lofts, East Village Square Development, the Asian Garden, renovation of the Federal Building, and the 3rd Street re-alignment.

Principal Financial Group (the "Principal") has started construction for a new Riverwalk development linking the Iowa Events Center on the north to the junction of the Raccoon and Des Moines Rivers on the south. This approximately \$26-28 million project will provide a variety of amenities associated with the riverfront and further connect the east and west sides of the river. Improvements include walkways, lighting, benches, pedestrian bridges and other enhancements. Funding for this project has been received from Vision Iowa, Winefest Des Moines, The Jordan Creek Town Center, the Capital Striders, and many other private donors. Completion is expected in 2007.

Adjacent to the Principal Riverwalk, Principal, the City of Des Moines, and the Iowa Cubs are renovating and enhancing the former Sec Taylor Stadium, home of the AAA affiliate of the Chicago Cubs. Renamed "Principal Park", the \$4.5 million project will create a wonderful outdoor entertainment arena for the community.

In southern Des Moines, new business parks near the airport are attracting businesses. In the past five years, 20 projects worth more than \$160 million have begun and future private investment of \$700 million is hoped for. The Des Moines International Airport, the 37th largest cargo airport in the U.S., is constructing a new runway and related facilities. UPS has expanded their facility at the Des Moines International Airport turning it into a packaging distribution hub.

Suburban growth is also continuing rapidly. Ankeny is seeing significant commercial growth along the I-35 corridor and Altoona and Pleasant Hill have steady growth in retail and housing developments. The Polk County Board of Supervisors has established an initiative for balanced growth. Planned construction of the beltway will provide a true beltway around the metro area. The County has selected an independent consultant to prepare a Comprehensive Plan to guide Polk County through continued growth and improvement efforts.

Numerous transportation improvements are underway in the area. A study has been approved to consider a beltway within Polk County, interchange at NW Morningstar Drive and an interchange at IA 945. Des Moines has completed

construction of the new downtown Martin Luther King bypass that links major central arteries and has greatly improved the potential of the downtown core area. The State is progressing in the reconstruction of I-235 that runs through the heart of the metropolitan area. This approximately \$450 million project will expand the vehicle lanes, make many safety improvements, and is expected to be completed in 2006.

At the Ankeny Airport, the construction of a cross-wind runway and expansion of runways and hangers will help this facility continue its development. This airport is among the fastest growing general aviation airports in the Midwest. Easy access, convenience and friendly air transportation for businesses has attributed to the airport's ranking of fourth in the State in terms of number of flights.

Construction of the Iowa Events Center Project is well underway. This \$217 million Project consists of a new state-of-the-art arena; a new exhibit hall connected to the County's Veterans Memorial Auditorium, and includes space for the Iowa Hall of Pride, to be operated by the Iowa High School Athletic Association. Hy Vee Hall, with 100,000 square feet of exhibit space and 14,400 square feet of meeting space, opened in October 2004. The 17,000 seat Wells Fargo Arena will open in June 2005. Among other events, Wells Fargo Arena will serve as the home for American Hockey League's Iowa Stars, the top development team for National Hockey League's Dallas Stars. The Events Center Project will expand recreational activities in central Iowa, improve facilities for convention and trade shows, and greatly enhance the attractiveness of downtown Des Moines. The Iowa Events Center will host more than 150 statewide, national and regional events annually, welcoming an estimated 1.2 million visitors. The Events Center will be the northwest anchor of the Des Moines Riverwalk Project.

The Polk County Board of Supervisors is moving forward on building a new jail. The consultant's study has been completed and options have been provided to the Board of Supervisors. A referendum will be voted on in 2005 and will determine whether a new jail will be constructed. The new jail will be significant in reducing the pressure on the County budget and public safety as a new jail facility will be more efficient to operate.

The Board is in discussions with South-East Polk Rural Water District for Polk County to relieve the Water District's \$13 million in outstanding debt. Under the agreement, Polk County would assume fiscal and management responsibilities from the Water District. This agreement would encourage development in the area by offering lower water rates and increased water flow for fire protection.

In October 2004, Polk County has applied to the Federal Government for New Market Tax Credits. Upon approval, Polk County would be able to distribute these tax credits to qualified businesses. The tax benefits derived from the credits would encourage increased economic development.

Long-term Financial Planning

Operationally, the County is continuing to develop strategies for improving service quality and efficiency. The Board has developed and implemented a long term fiscal policy. The Board has embarked upon a strategic planning process that includes establishing a strategic planning committee, identifying mandated functions and defining core services. One strategic priority of the County is to develop a multi-year capital improvement plan which will assist the Board in budgeting for capital expenditures.

The compatibility of individual programs is being objectively evaluated with our mission. During the year ending June 30, 2004, the Board merged the Planning and Development Department with the Public Works Department. In addition, the Board located alternative funding for three social services programs. This alternative funding will be implemented July 1, 2004 which will result in a \$2 million savings of General Fund dollars.

The Board continues to improve efficiency by enhancing intergovernmental communications through its membership in the Metropolitan Advisory Council. The council consists of mayors, council people and County supervisors within the metropolitan area who meet to discuss such issues as shared services, planning and infrastructure.

Cash Management Policies and Practices

Cash temporarily idle during the year was invested in commercial paper, certificates of deposit, authorized money market mutual funds and discount notes. Maturities of investments may range from 1 day to 13 months for operating funds and range from 1 day upward in the case of bond funds according to when cash is needed for the project. The average yield on investments was 1.03%. The investment policy adopted by the County stresses the safety and preservation of principal as the foremost investment objective. Maintaining the necessary liquidity to match expected liabilities is the second investment objective. The third objective is obtaining a reasonable rate of return, after meeting the first two objectives. The policy directives intend on minimizing the credit and market risks while maintaining a reasonable rate of return.

When investing assets in excess of \$100,000 for a term longer than one month, the County Treasurer requests competitive investment proposals for comparable credit and term investments from a minimum of three investment providers. All deposits up to \$100,000 per institution are FDIC insured and held in a financial institution approved by the Board. Amounts in excess of FDIC insurance are covered by the State of Iowa's sinking fund pool and collateralization program. All investments are subject to the County's investment policy quality guidelines and diversification goals.

Assets of Polk County may be invested in: a) Interest bearing savings accounts, money market accounts, and interest bearing checking accounts that meet the State of Iowa code requirements b) U.S. Government securities c) Certificates of deposit approved and secured by FDIC depository institutions d) Prime bankers' acceptances that are eligible for purchase by the federal reserve bank e) Commercial paper that is rated with a classification (A1,P1) f) Open-end management investment company registered with the SEC (money market mutual fund) g) 28E Joint Investment Trusts rated within the two highest classifications or registered with the SEC h) Repurchase agreements provided the pledged collateral consists of obligations of the U.S. Government and the County takes delivery of collateral either directly or through an authorized custodian. Collateral shall be marked-to-market daily to cover the cash value of the investment. i) Investment contracts or tax exempt bonds, as authorized by Iowa Code Section 12C.9.

All assets subject to Iowa Code Section 12B.10C shall be secured and held by a third party custodian pursuant to a public funds custodial agreement. The agreement shall require delivery versus payment.

The County Treasurer compiles a monthly performance evaluation report which will summarize the current portfolio in terms of investment type, maturity, rate of return; average daily assets invested, and will reflect a weighted rate of return for the reporting period. The County Treasurer compiles a daily diversification report that summarizes the current portfolio by investment type within each financial institution and investment type overall.

Awards and Acknowledgements

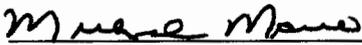
The Government Finance Officers Association of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to Polk County for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2003. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

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

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

Respectfully submitted,



Michael Mauro, Polk County Auditor



Mary Maloney, Polk County Treasurer



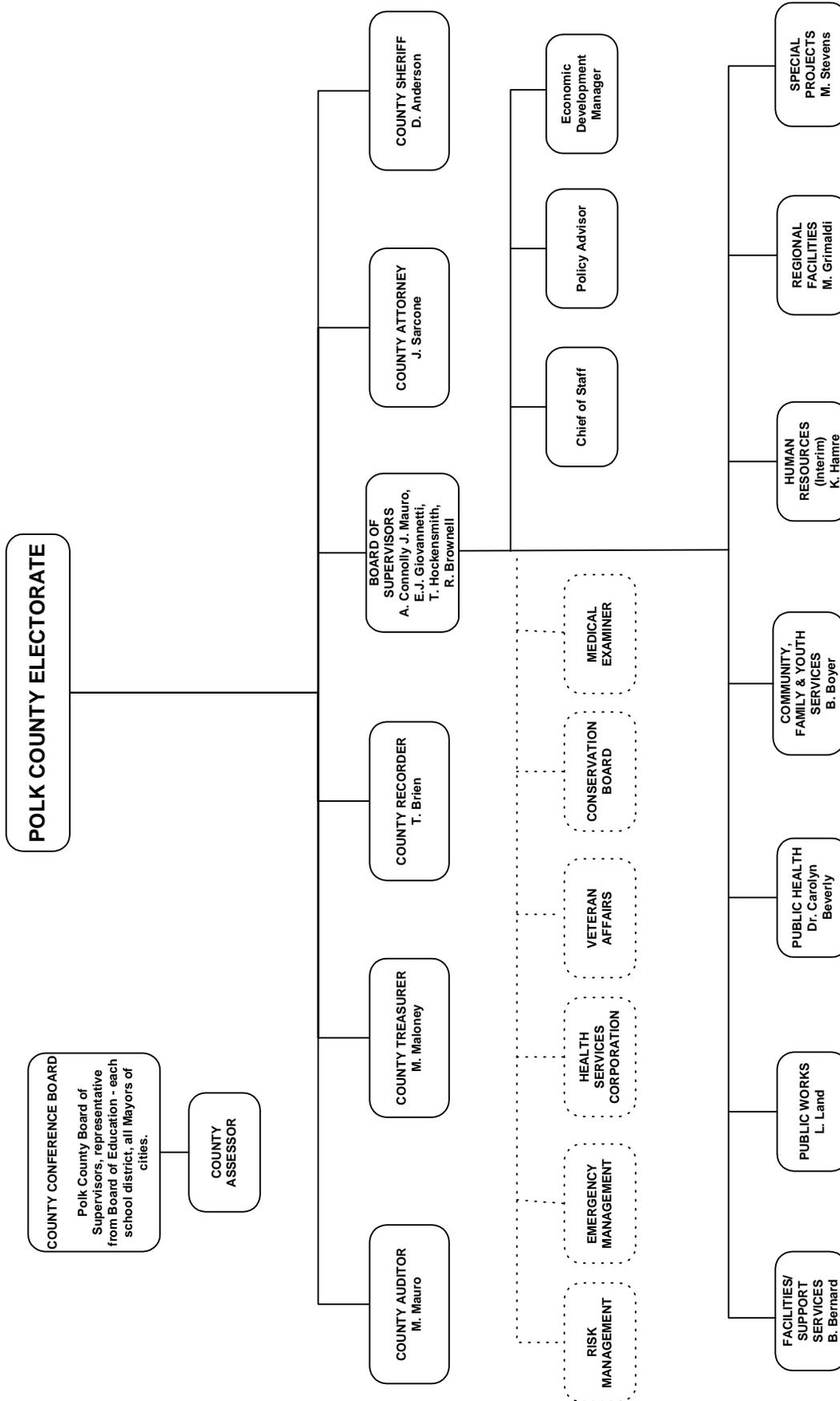
Mike Freilinger, Chief of Staff

POLK COUNTY, IOWA

OFFICIALS

Name	Title	Term Expires
Michael Mauro	County Auditor	2004
Mary Maloney	County Treasurer	2006
Tim Brien	County Recorder	2006
Dennis Anderson	County Sheriff	2004
John Sarcone	County Attorney	2006
Jim Maloney	County Assessor	2004
Angela Connolly	Board of Supervisors	2006
John Mauro	Board of Supervisors	2006
E.J. Giovannetti	Board of Supervisors	2004
Tom Hockensmith	Board of Supervisors	2006
Robert Brownell	Board of Supervisors	2004

POLK COUNTY ORGANIZATION



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Polk County,
Iowa

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Zjelke

President

Jeffrey R. Enos

Executive Director

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INDEPENDENT AUDITORS' REPORT

Board of Supervisors
Polk County, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Polk County, Iowa, (the "County") as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on the respective financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and Chapter 11 of the Code of Iowa. Those standards and Chapter 11 of the Code of Iowa require that we plan and perform the audit to obtain reasonable assurance about whether the respective financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, discretely presented component unit, each major fund, and aggregate remaining fund information of the County as of June 30, 2004, and the respective changes in financial position and respective cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules and notes thereto listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the County's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

Our audit was conducted for the purpose of forming an opinion on the County's respective financial statements that collectively comprise the County's basic financial statements. The introductory section, combining nonmajor fund financial statements, additional budgetary comparison schedules, statistical tables and capital assets used in the operation of governmental funds sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards as listed in the table of contents is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. These financial statements, schedules and supplementary information are also the responsibility of the County's management. The combining nonmajor fund financial statements, additional budgetary comparison schedules, and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section, statistical tables and capital assets used in the operation of governmental funds section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2004, on our consideration of the County's internal control over financial reporting and our tests of its compliance and other matters. The purpose of that report is to describe the scope of our testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Deloitte & Touche LLP

Des Moines, Iowa
December 14, 2004

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POLK COUNTY, IOWA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2004

This section of Polk County's (the "County") annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year that ended June 30, 2004. Please read this section in conjunction with the transmittal letter at the front of this report and with the County's financial statements, which follow this section. All amounts, unless indicated otherwise, are rounded to the nearest hundred thousand dollars.

FINANCIAL HIGHLIGHTS

- The County's total net assets increased \$40 million (15%) to \$301.9 million primarily due to construction of the Iowa Events Center.
- Net assets of the County's governmental activities increased \$9.2 million (8%) and business-type activities increased \$30.8 million (22%).
- In the County's governmental funds, revenues increased \$4.6 million (3%) while expenditures decreased \$6.8 million (4%).
- In the County's business-type activities, operating revenues increased \$7.4 million (23%) while operating expenses increased \$2.5 million (16%). The increase in revenues is primarily due to a \$5.3 million state legislature tax rate change payment and a \$4.8 million lease amendment for the Prairie Meadows Racetrack/Casino. Expenses increased primarily due to start up costs associated with the Iowa Events Center.
- In the County's governmental funds, expenditures were 11% lower than the final amended budgeted expenditures primarily due to delaying major capital improvement projects that had been budgeted and a lower than anticipated cost for adult and juvenile corrections.

OVERVIEW OF THE FINANCIAL STATEMENTS

The County's basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This discussion and analysis is intended to serve as an introduction to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements – The government-wide financial statements are designed to provide readers with a broad overview of County finances, in a manner similar to private-sector business.

The government-wide financial statements of the County are divided into three categories:

- **Governmental Activities** – Most of the County's basic services are included here, such as public safety, mental health, social services, county environment, roads and transportation, and administration services. Property taxes and state and federal grants finance the majority of these activities.
- **Business-Type Activities** – The County charges fees to customers to help it cover the costs of certain services. The County's racetrack/casino and events center are included here.
- **Component Unit** – The County includes Polk County Health Services, Inc ("PCHS") in its report. Although legally separate, this "component unit" is included as the County is financially accountable for it.

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

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

Fund Financial Statements

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

The County has three kinds of funds:

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

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

The County maintains two individual major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the MH/MR/DD Services Fund, both of which are considered to be major funds. Data from the other 20 governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The County adopts an annual appropriated budget for its general, special revenue, debt service, and capital projects funds. A budgetary comparison schedule has been provided for these funds to demonstrate compliance with this budget. For additional information see Note 2 in the notes to the financial statements.

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

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

presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

- **Fiduciary funds** – The County is the agent, or *fiduciary*, for resources held for the benefit of parties outside the government. All of the County’s fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in assets and liabilities. These activities are excluded from the County’s government-wide financial statements because the County cannot use these assets to finance its operations. The accounting used for fiduciary funds is similar to that used for proprietary funds. The County reports individual fund data for the agency funds within other supplementary information.

Notes to the Financial Statements – The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements.

Other information – In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* which includes the budgetary comparison schedules for the general fund and major special revenue funds. The combining statements referred to earlier in connection with nonmajor governmental, proprietary, internal service, and fiduciary funds are presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets. The County’s *combined* net assets increased \$40 million (15%) primarily due to two factors. The first one is due to an increase in capital contributions in the fiscal year ended June 30, 2004. This increase can be attributed to \$7.9 million capital contributions in the governmental activities and \$16.4 million capital contributions in business-type activities. The second factor is attributed to an increase in business-type capital assets due to continued construction of the Iowa Events Center.

Net Assets (In Millions)

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Current and other assets	\$ 183.4	\$ 171.9	\$ 113.2	\$ 166.9	\$ 296.6	\$ 338.8
Capital assets, net of accumulated depreciation	90.1	86.9	233.0	151.7	323.1	238.6
Total assets	<u>273.5</u>	<u>258.8</u>	<u>346.2</u>	<u>318.6</u>	<u>619.7</u>	<u>577.4</u>
Long-term liabilities outstanding	32.5	33.9	163.4	167.4	195.9	201.3
Other liabilities	110.3	103.5	11.5	10.8	121.8	114.3
Total liabilities	<u>142.8</u>	<u>137.4</u>	<u>174.9</u>	<u>178.2</u>	<u>317.7</u>	<u>315.6</u>
Net assets						
Invested in capital assets, net of related debt	85.2	81.0	74.9	(11.2)	160.1	69.8
Restricted	26.0	24.6	-	-	26.0	24.6
Unrestricted	19.4	15.8	96.4	151.7	115.8	167.5
Total net assets	<u>\$ 130.6</u>	<u>\$ 121.4</u>	<u>\$ 171.3</u>	<u>\$ 140.5</u>	<u>\$ 301.9</u>	<u>\$ 261.9</u>

Net assets of the County’s governmental activities increased \$9.2 million (8%) to \$130.6 million at June 30, 2004. Approximately 85% of these assets are invested in capital assets (buildings, roads, bridges, etc) or restricted as to the purposes for which they can be used.

The net assets of business-type activities increased \$30.8 million (22%) to \$171.3 million at June 30, 2004. Approximately 44% of these assets are invested in capital assets (buildings, land, infrastructure, etc).

Changes In Net Assets
(In Millions)

	Governmental Activities		Business-type Activities		Total		Variance Change	Percent Change
	2004	2003	2004	2003	2004	2003		
Revenues:								
Program revenues:								
Charges for services	\$ 23.3	\$ 22.0	\$ 32.9	\$ 30.6	\$ 56.2	\$ 52.6	\$ 3.6	7%
Operating grants and contributions	34.7	34.4	0.6	0.6	35.3	35.0	0.3	1%
Capital grants and contributions	7.9	8.6	16.4	49.8	24.3	58.4	(34.1)	-58%
General revenues:								
Property taxes	80.2	76.4	-	-	80.2	76.4	3.8	5%
Other County taxes	5.0	4.5	-	-	5.0	4.5	0.5	11%
Penalties and interest	1.0	1.0	-	-	1.0	1.0	-	-
State replacements	3.0	4.2	-	-	3.0	4.2	(1.2)	-29%
Use of money and property	1.7	2.0	1.3	1.3	3.0	3.3	(0.3)	-9%
Miscellaneous	2.1	2.6	8.7	0.7	10.8	3.3	7.5	227%
Total revenues	158.9	155.7	59.9	83.0	218.8	238.7	(19.9)	-8%
Expenses:								
Public safety and legal services	41.2	40.4	-	-	41.2	40.4	0.8	2%
Physical health and social services	26.3	27.7	-	-	26.3	27.7	(1.4)	-5%
Mental health	35.9	38.0	-	-	35.9	38.0	(2.1)	-6%
County environment and education	13.9	18.1	-	-	13.9	18.1	(4.2)	-23%
Roads and transportation	15.5	14.4	-	-	15.5	14.4	1.1	8%
Government services to residents	5.1	4.8	-	-	5.1	4.8	0.3	6%
Administration	21.3	23.1	-	-	21.3	23.1	(1.8)	-8%
Interest on long-term debt	0.7	0.7	-	-	0.7	0.7	-	-
Air Pollution	-	-	0.8	0.8	0.8	0.8	-	-
Convention Complex	-	-	3.0	2.8	3.0	2.8	0.2	7%
Veterans Memorial Auditorium	-	-	4.8	4.8	4.8	4.8	-	-
Sanitary Treatment Works	-	-	0.7	0.6	0.7	0.6	0.1	17%
Prairie Meadows Racetrack/Casino	-	-	6.3	5.8	6.3	5.8	0.5	9%
Jester Park Golf Course	-	-	1.5	1.3	1.5	1.3	0.2	15%
Hamilton Urban Drainage District	-	-	0.3	0.2	0.3	0.2	0.1	50%
Iowa Events Center	-	-	1.5	0.2	1.5	0.2	1.3	650%
Total expenses	159.9	167.2	18.9	16.5	178.8	183.7	(4.9)	-3%
Excess (deficiency) before transfers	(1.0)	(11.5)	41.0	66.5	40.0	55.0	(15.0)	-27%
Transfers	10.2	5.6	(10.2)	(5.6)	-	-	-	-
Increase (decrease) in net assets	9.2	(5.9)	30.8	60.9	40.0	55.0	(15.0)	-27%
Net assets - beginning	121.4	127.3	140.5	79.6	261.9	206.9	55.0	27%
Net assets - ending	\$ 130.6	\$ 121.4	\$ 171.3	\$ 140.5	\$ 301.9	\$ 261.9	\$ 40.0	15%

Statement of Activities - Changes in Net Assets The County's total revenues decreased \$19.9 million (8%). The decrease includes a decline of \$23.1 million in business-type revenues and an increase of \$3.2 million in government-type revenues.

The business-type revenues fell primarily due to \$34.1 million less capital contributions and miscellaneous revenues for the Prairie Meadows Racetrack. During the previous year, the County received \$37.5 million of leasehold improvements (capital contributions) at the Racetrack pursuant to lease provisions which required title to leasehold improvements to revert to the County on December 31, 2002. The FY 03/04 decrease in leasehold improvements (capital contributions) is offset by a one-time \$4.8 million lease payment (charges for services) and a one-time payment of \$5.3 million (miscellaneous revenue). The one-time payment of \$5.3 million is due to resolution of a lawsuit and revised state legislation which lowered the tax rate for gaming receipts for Prairie Meadows Racetrack. See Note 18 for further information. Additionally, during FY 03/04, the County sold a portion of its sanitary sewer capacity to the City of Altoona, increasing business-type revenues by \$3.3 million.

Government-type revenues increased \$3.8 million due to increased property valuations, and \$1.3 million due to charges for services which escalated as recording of mortgage refinancings increased. State replacements for property taxes fell \$1.2 million due to state funding reductions which eliminated the personal property tax replacement.

The fact that 50% of total governmental revenues are derived from property taxes illustrates the County's continued dependence on property taxes to finance its general functions. State and federal funding represents 22% and charges for services represents 15% of the total governmental revenues, respectively.

The County's total expenses decreased \$4.9 million (3%) primarily due to decreases in the County environment and education and mental health service areas. County environment and education expenditures dropped because a \$3.8 million commitment to Allied Insurance Company was completed in FY 02/03 and because the County's contractual obligation to fund the Science Center of Iowa declined \$0.5 million in FY 03/04. In the mental health service area, expenditures decreased \$2.1 million due to a decrease in the County's Medicaid match rate and a decrease in vouchers payable due to resolution of disputed claims with the state of Iowa.

The County's expenses cover a range of services, with about 65% relating to public safety, mental health, and social services activities.

Governmental Activities Revenues for the County's governmental activities increased 2%, while expenses decreased 4%. Key elements of these changes include the following:

- The County maintained property tax rates at the same level as FY 02/03, however, a 4.5% increase in property valuations resulted in a 5% increase in property tax revenues.
- Charges for services revenue increased 6% mainly due to low interest rates which spurred mortgage refinancings and caused a greater number of mortgage documents to be filed with the Recorder's Office.
- In contrast, revenues from state tax replacements decreased 29% due to decreased funding from the State of Iowa.
- Mental health expenditures decreased 6% primarily due to a 3% increase in the federal payment rate for Medicaid and more services becoming eligible under Medicaid. Additionally, \$1.3 million in vouchers payable were written off during FY 03/04 due to resolution of pending claims with the state.
- Physical health and social services expenditures decreased 5% due to reorganization of the social services department, less costly treatment services for delinquent youth, and referral to outside services for veterans.
- County environment and education expenditures decreased 23% due to fulfillment of a \$3.8 million economic development obligation in FY 02/03 and a reduced funding requirement for the Science Center of Iowa in FY 03/04.
- Roads and transportation expenditures increased 8% primarily due to increased repair and maintenance projects (seal coats).

Business-type Activities Revenues for the County’s business-type activities decreased 28% or \$23.1 million, while expenses increased 15% or \$2.4 million. Key elements of these changes include the following:

- Capital grants and contributions decreased \$33.4 million primarily due to \$37.5 million in leasehold improvements that reverted to the County after the expiration of the Racing Association of Central Iowa (“RACI”) lease for the Prairie Meadows Racetrack/Casino Fund in the prior fiscal year. See Note 18 for further information. In addition, \$3 million of capital contributions were received from the Iowa High School Athletic Association for the Iowa Hall of Pride exhibit in the Iowa Events Center which is currently under construction. See Note 19 for further information.
- Miscellaneous revenue increased primarily due to a \$5.3 million tax rate change payment from RACI for the Prairie Meadows Racetrack/Casino Fund and a \$3.3 million sale of investment in joint venture for the Sanitary Sewer Fund.
- Iowa Events Center Fund expenses increased \$1.3 million primarily due to costs associated with obtaining a new operating lease with an external management company and other start-up costs (marketing and consulting).

FINANCIAL ANALYSIS OF THE COUNTY’S FUNDS

Governmental Funds As the County completed the current fiscal year; its governmental funds reported a *combined fund* balance of \$65.5 million at June 30, 2004, which is \$7.2 million more than the prior year. Included in this year’s total change in fund balance is an increase of \$6.6 million in the County’s General Fund. The primary reasons for the General Fund’s increase mirror those highlighted in the analysis of governmental activities. Additional changes of note include:

- The Economic Development Fund balance increased \$2.4 million primarily due to the sale of sanitary sewer capacity to the City of Altoona. The sale proceeds were transferred into the Economic Development Fund from the Sanitary Sewer Fund with the intent of expending the proceeds on development projects during future years.
- The Housing Development Fund balance decreased \$2.6 million due to the unexpended portion of the 2002 General Obligation bond proceeds being expended in FY 03/04. The County had issued bonds in FY 02/03 to fulfill two years’ worth of housing commitments, intending to expend the bond proceeds over a two-year time frame.

Proprietary Funds Operating revenues of the County’s business-type activities increased \$7.4 million (23%) to \$38.9 million, and operating expenses increased \$2.5 million (16%). The increase in revenues is primarily due to a \$5.3 million state legislature tax rate change payment and a \$4.8 million lease amendment for the Prairie Meadows Racetrack/Casino. Expenses increased primarily due to start up costs associated with the Iowa Events Center.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The County’s capital assets for its governmental and business-type activities as of June 30, 2004, amounts to \$323.1 million (net of accumulated depreciation). These capital assets include land, buildings, improvements other than buildings, leasehold improvements, infrastructure, equipment, vehicles and construction in progress. Polk County’s capital assets increased \$84.5 million (35%).

Capital assets for the governmental and business-type activities at June 30, 2004 are as follows:

Capital Assets
(In Millions)

	Governmental Activities		Business-Type Activities		Totals	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Land	\$ 8.1	\$ 8.1	\$ 14.9	\$ 13.8	\$ 23.0	\$ 21.9
Buildings	61.4	61.1	54.7	54.7	116.1	115.8
Improvements other than buildings	0.8	0.6	8.9	8.9	9.7	9.5
Leasehold improvements	-	-	37.5	37.5	37.5	37.5
Infrastructure	76.1	58.6	16.0	15.7	92.1	74.3
Equipment	12.2	14.1	2.5	2.7	14.7	16.8
Vehicles	6.8	6.6	0.1	0.1	6.9	6.7
Construction in progress	0.6	7.8	133.1	48.6	133.7	56.4
Total	<u>166.0</u>	<u>156.9</u>	<u>267.7</u>	<u>182.0</u>	<u>433.7</u>	<u>338.9</u>
Less: accumulated depreciation	<u>(75.9)</u>	<u>(70.0)</u>	<u>(34.7)</u>	<u>(30.3)</u>	<u>(110.6)</u>	<u>(100.3)</u>
Total	<u>\$ 90.1</u>	<u>\$ 86.9</u>	<u>\$ 233.0</u>	<u>\$ 151.7</u>	<u>\$ 323.1</u>	<u>\$ 238.6</u>

Additional information on Polk County's capital assets can be found in Note 8 in the notes to the financial statements.

Major capital asset additions for the year ended June 30, 2004 are as follows:

- The County acquired twenty-nine miles of state highways for exchanging Northwest Saylorville Drive with the Iowa Department of Transportation - \$10.2 million
- The County completed several road and bridge construction projects during the year - \$7.6 million
- Construction in progress of the sanitary sewer system - \$1.1 million
- Construction in progress of the Iowa Events Center - \$83.4 million

The County's FY 04/05 capital budget projects spending another \$1 million for capital projects, principally for the costs of equipment, repairs, replacements and improvements to County-owned facilities.

Long-Term Debt

At June 30, 2004, the County had \$183.9 million in bonds and notes outstanding, a decrease of \$5.9 million compared to FY 02/03. The decrease in debt resulted from principal repayments, refundings, and limited new debt issuance. Three large outstanding obligations pertain to the Iowa Events Center. The Iowa Events Center consists of construction of a new arena and exhibit hall along with renovation of the existing Veterans Memorial Auditorium. During FY 03/04, principal repayments of \$4.3 million were made on the Iowa Events Center debt, reducing the outstanding obligation from \$154.3 million to \$149.9 million.

Refunding of debt issued for the Convention Complex and Veterans Memorial Auditorium, combined with scheduled principal payments, reduced the outstanding obligation for these facilities by approximately \$1 million. Additionally, principal repayments on various other debt obligations reduced outstanding principal by \$3.4 million.

These principal reductions are offset by Polk County’s issuance of \$2.8 million of new debt during the fiscal year ending June 30, 2004. The new debt financed the County’s annual capital improvement program, renovations at the Convention Complex, and sanitary sewer improvements.

During FY 04/05, Polk County plans to issue \$3.8 million in additional general obligation debt. This includes \$2.8 million for housing programs and \$1.0 million for capital improvements.

Polk County is well below the statutory debt capacity limitation. The debt capacity is controlled by the constitutional debt limit which is an amount equal to 5% of the actual value of taxable property within the County limits. The County’s unused legal debt capability as of June 30, 2004, was \$608.8 million.

Outstanding Debt
(In Millions)

	Governmental Activities		Business-type Activities		Total		Percentage Change 2003-2004
	2004	2003	2004	2003	2004	2003	
General obligation bonds	\$20.9	\$22.2	\$158.9	\$162.9	\$179.8	\$185.1	-2.9%
Notes payable	0.7	0.7	3.4	4.0	4.1	4.7	-12.8%
Total	<u>\$21.6</u>	<u>\$22.9</u>	<u>\$162.3</u>	<u>\$166.9</u>	<u>\$183.9</u>	<u>\$189.8</u>	-3.1%

Additional information on Polk County’s outstanding debt can be found in Note 9 in the notes to the financial statements.

BUDGETARY HIGHLIGHTS

Over the course of the year, the Board of Supervisors amended the County budget twice to reflect a variety of actions taken since certifying the original budget. Adjustments included such items as re-appropriating special project funds, grant awards, position changes, and amendments based on revised expenditure and revenue estimates. Additionally, because unexpended appropriations do not carry forward from year to year, the County was required to amend the budget to fulfill commitments from the previous year.

Even with these adjustments, actual General Fund expenditures were \$4.9 million below and actual General Fund revenues were \$0.3 million above final budget amounts. Significant variances included:

- Appropriations for public safety and legal services exceeded expenditures by \$1.5 million. This discrepancy included adult correction expenditures of \$1.2 million less than budget due to a decreased prisoner population and increased double-bunking which reduced outside housing costs. The prison population varies greatly based upon arrests in the community, and it is difficult to accurately estimate adult correction costs. Additionally, expenditures for sheriff communications were \$0.2 million below budget. Due to ongoing negotiations with the City of Des Moines and the potential to share data processing equipment, the Sheriff’s Office has delayed equipment purchases until the City and County develop a plan for sharing data processing services.
- Appropriations for physical health and social services exceeded expenditures by \$1.6 million. This discrepancy included youth guidance expenditures of \$0.6 million less than budget due to greater use of detention alternatives and opening of a new school for delinquent juveniles. The detention alternatives and school enabled Polk County to serve juveniles without placing them in detention, thereby reducing youth guidance expenses. Polk County also reduced expenditures for Child Care Resource and Referral by not filling vacated positions. This intentional attrition occurred because the County planned to divest of the program at the end of the fiscal year. Additionally, Polk County’s ineligibility for reimbursement through a breast and cervical cancer grant induced the County to restrict healthcare services and lower expenditures.

- Appropriations for county environment and education exceeded expenditures by \$0.4 million. This discrepancy included conservation expenditures of \$0.1 million less than budgeted due to rain delays on construction projects and public works expenditures of \$0.2 million less than budgeted due to reduced lot clean-up, nuisance abatement, and weatherization projects.
- Appropriations for administration exceeded expenditures by \$1.1 million. This discrepancy included delayed payments for telephone and central service maintenance agreements, lower than anticipated central printing expenditures, decreased tort claims, and delayed distribution of Hotel/Motel tax receipts.
- Revenues from property taxes exceeded budget by \$0.3 million. This discrepancy included increases resulting from property revaluations throughout the fiscal year and a higher than anticipated collection rate for delinquent taxes.
- Revenues from intergovernmental sources fell short of budget by \$1.0 million. This discrepancy included \$0.8 million less than anticipated for a public health nurses grant due to delayed reimbursement from the state because of implementation of a new state software system. The shortfall also included \$0.2 million less than anticipated from the Department of Health and Human Services for a breast and cervical cancer grant and \$0.2 million less than anticipated from the Department of Health and Human Services due to delayed payment of the Service Delivery Area grant for child care.
- Revenues from charges for services exceeded budget by \$0.8 million. This discrepancy included increased collections for filing of documents with the Recorder's Office. Due to low interest rates, mortgage refinancings increased the amount of filing fees received.
- Revenues from use of money and property exceeded budget by \$0.2 million. This discrepancy included an increase of \$0.1 million due to higher than anticipated interest rates and \$0.1 million for increased jail telephone commissions due to consolidated jail booking area and renegotiated telephone contract.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The financial condition of the County remains strong. Growth in the tax base and continued revenues from Prairie Meadows Racetrack and Casino has allowed the County to avoid many of the financial problems facing local governments. Fiscal pressures are increasing, however, with reductions in state aid and growth in certain County expenditures. The Board of Supervisors is continuing to address fiscal problems and is maintaining efforts to restrict expenses.

In January 2003, the Board of Supervisors approved a new eight year lease with the Racing Association of Central Iowa for Prairie Meadows Racetrack and Casino. This lease provides for \$15.6 million in annual payments to the County plus another \$4.4 million annually for the first five years. In November 2003, the voters approved the continuation of slot machine games at Prairie Meadows through 2010 and in Spring 2004, the Iowa Legislature authorized expansion of gaming facilities to include table games. Pursuant to a Supreme Court case and Polk County's lease with Prairie Meadows, Polk County will receive approximately 4% of net revenue increases, in addition to the base lease amounts of \$15.6 million and \$4.4 million. For calendar year 2003, the amount of this 4% net revenue share was \$5.2 million.

In the FY 04/05 budget, governmental fund revenues excluding transfers are budgeted to increase 2.6% compared to actual revenues in FY 04/05 with net current property taxes comprising 47% of revenues and net transfers. Certified assessed valuations increased 6% over the preceding year, and the tax levy rate remained constant. Budgeted increases of \$4.7 million in property tax revenues due to the valuation change account for the majority of the revenue increase.

Expenditures are budgeted to increase 10.2% to \$178.2 million. The largest increases are \$3.1 million in capital expenditures, \$5.2 million in mental health services, and \$6.5 million in county environment and education. The increase in capital expenditures results from the delay of capital projects from FY 03/04 to FY 04/05. Mental health service expenditures are budgeted to increase due to the elimination of the waiting list and a decreased federal Medicaid contribution. County environment and education will increase primarily due to a large one-time expenditure in the Economic Development Special Revenue Fund for a road project in conjunction with the Iowa Department of Transportation.

With FY 04/05 revenues and transfers in budgeted at \$180.3 million and expenditures and transfers out budgeted at \$189.7 million, the County anticipates a balance utilization of \$9.4 million from governmental funds. A large portion of this (\$5.3 million) is planned balance utilization for a road project in conjunction with the Iowa Department of Transportation. Ending fund balances are estimated to exceed 29% of expenditures and other uses.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Polk County Auditor's Office, 111 Court Avenue, Suite 315, Des Moines, IA 50309.

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POLK COUNTY, IOWA

**Statement of Net Assets
June 30, 2004**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	PCHS
ASSETS				
Cash and cash equivalents	\$ 69,592,447	\$ 95,689,926	\$ 165,282,373	\$ 3,087,097
Receivables (net of allowance for uncollectibles)	11,334,946	1,396,864	12,731,810	186,274
Advances to component unit	6,005,079	-	6,005,079	-
Internal balances	2,670,322	(2,670,322)	-	-
Inventories	1,340,916	109,866	1,450,782	-
Prepaid items	591,743	10,000	601,743	19,244
Lease/debt origination costs	45,059	572,914	617,973	50,598
Succeeding year property taxes receivable	91,786,427	-	91,786,427	-
Net investment in direct financing lease	-	-	-	2,959,842
Investment in joint venture	-	18,086,909	18,086,909	-
Capital assets, net	90,154,906	232,993,565	323,148,471	5,189,705
TOTAL ASSETS	273,521,845	346,189,722	619,711,567	11,492,760
LIABILITIES				
Accounts payable and other current liabilities	18,122,710	10,569,729	28,692,439	277,413
Interest payable	71,174	600,603	671,777	55,854
Deferred revenues	298,675	-	298,675	262,458
Advance deposits and ticket sales	-	374,599	374,599	-
Succeeding year property taxes deferred revenue	91,786,427	-	91,786,427	-
Due within one year:				
General obligation bonds payable	2,500,540	11,231,715	13,732,255	120,000
Notes payable	32,000	353,201	385,201	-
Capital leases payable	300,281	-	300,281	-
Compensated absences payable	852,956	54,444	907,400	-
Estimated liability for claims and judgments	1,741,770	623,796	2,365,566	-
Advances from primary government	-	-	-	618,198
Due in more than one year:				
General obligation bonds payable	18,369,117	147,618,236	165,987,353	2,270,000
Notes payable	650,000	3,033,165	3,683,165	-
Capital leases payable	493,541	-	493,541	-
Compensated absences payable	7,101,614	477,483	7,579,097	-
Estimated liability for claims and judgments	507,880	-	507,880	-
Advances from primary government	-	-	-	5,386,881
TOTAL LIABILITIES	142,828,685	174,936,971	317,765,656	8,990,804
NET ASSETS				
Invested in capital assets, net of related debt	85,216,029	74,864,786	160,080,815	(234,009)
Restricted for:				
Debt service	5,958,074	-	5,958,074	355,598
Capital improvements	3,592,801	-	3,592,801	-
Other purposes (state statutes, bond covenants)	16,537,359	-	16,537,359	-
Unrestricted	19,388,897	96,387,965	115,776,862	2,380,367
TOTAL NET ASSETS	\$ 130,693,160	\$ 171,252,751	\$ 301,945,911	\$ 2,501,956

The notes to the financial statements are an integral part of this statement.

POLK COUNTY, IOWA

Statement of Activities
For the Year Ended June 30, 2004

Function/Program	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS			Component Unit	
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total		PCHS
Primary government:									
Governmental activities:									
Public safety and legal services	\$ 41,242,228	\$ 6,572,418	\$ 1,913,041	\$ -	\$ (32,756,769)	\$ -	\$ (32,756,769)	\$ -	
Physical health and social services	26,343,547	1,311,539	8,542,675	-	(16,489,333)	-	(16,489,333)	-	
Mental health	35,871,973	5,199,260	20,078,315	-	(10,594,398)	-	(10,594,398)	-	
County environment and education	13,851,729	744,504	173,737	-	(12,933,488)	-	(12,933,488)	-	
Roads and transportation	15,469,578	446,904	4,016,277	7,919,206	(3,087,191)	-	(3,087,191)	-	
Government services to residents	5,079,335	7,717,311	-	-	2,637,976	-	2,637,976	-	
Administration	21,325,551	1,264,511	-	-	(20,061,040)	-	(20,061,040)	-	
Interest on long-term debt	715,335	-	-	-	(715,335)	-	(715,335)	-	
Total governmental activities	159,899,276	23,256,447	34,724,045	7,919,206	(93,999,578)	-	(93,999,578)	-	
Business-type activities:									
Air Pollution	824,969	267,758	624,372	-	-	67,161	67,161	-	
Convention Complex	3,046,810	2,753,773	-	-	-	(293,037)	(293,037)	-	
Veterans Memorial Auditorium	4,824,978	3,100,190	-	-	-	(1,724,788)	(1,724,788)	-	
Sanitary Treatment Works	663,311	490,660	-	332,069	-	159,418	159,418	-	
Prairie Meadows Racetrack/Casino	6,322,144	24,840,877	-	-	-	18,518,733	18,518,733	-	
Jester Park Golf Course	1,527,129	1,301,554	-	-	-	(225,575)	(225,575)	-	
Hamilton Urban Drainage District	256,019	122,750	-	-	-	(133,269)	(133,269)	-	
Iowa Events Center	1,450,814	-	-	16,032,297	-	14,581,483	14,581,483	-	
Total business-type activities	18,916,174	32,877,562	624,372	16,364,366	-	30,950,126	30,950,126	-	
Total primary government	\$ 178,815,450	\$ 56,134,009	\$ 35,348,417	\$ 24,283,572	(93,999,578)	30,950,126	(63,049,452)	-	
Component unit:									
PCHS	\$ 3,342,240	\$ 1,410,865	\$ 2,287,946	-	-	-	356,571	-	
General revenues:									
Property taxes					80,195,570	-	80,195,570	-	
Other county taxes					5,007,702	-	5,007,702	-	
Penalties and interest					1,050,605	-	1,050,605	-	
State replacements					2,982,019	-	2,982,019	-	
Use of money and property					1,709,951	1,343,852	3,053,803	38,166	
Miscellaneous					2,102,807	8,684,720	10,787,527	183,581	
Transfers					10,214,305	(10,214,305)	-	-	
Total general revenues and transfers					103,262,959	(185,733)	103,077,226	221,747	
Change in net assets					9,263,381	30,764,393	40,027,774	578,318	
Net assets - beginning					121,429,779	140,488,358	261,918,137	1,923,638	
Net assets - ending					\$ 130,693,160	\$ 171,252,751	\$ 301,945,911	\$ 2,501,956	

The notes to the financial statements are an integral part of this statement.

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POLK COUNTY, IOWA

**Balance Sheet
Governmental Funds
June 30, 2004**

	General	MH/MR/DD Services	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 28,965,317	\$ 11,812,647	\$ 24,081,549	\$ 64,859,513
Receivables (net of allowances for uncollectibles):				
Taxes	425,250	43,983	34,676	503,909
Succeeding year property taxes	69,080,090	14,439,175	8,267,162	91,786,427
Special assessments	15,024	-	5,081	20,105
Accounts	256,755	140,745	6,199	403,699
Notes	-	-	3,475,432	3,475,432
Accrued interest	68,468	-	402	68,870
Due from other funds	2,956,709	59,944	35,521	3,052,174
Due from other governments	4,790,445	944,870	593,637	6,328,952
Advances to other funds	61,600	-	-	61,600
Advances to component unit	-	1,040,786	4,964,293	6,005,079
Inventories	568,952	-	771,964	1,340,916
Prepaid items	325,794	-	-	325,794
TOTAL ASSETS	\$ 107,514,404	\$ 28,482,150	\$ 42,235,916	\$ 178,232,470
LIABILITIES AND FUND BALANCES				
Liabilities:				
Vouchers payable	\$ 2,075,641	\$ 8,251,206	\$ 4,448,727	\$ 14,775,574
Wages payable	2,474,317	12,578	191,809	2,678,704
Payroll taxes payable	560,774	2,595	42,853	606,222
Interest payable	-	-	1,913	1,913
Estimated liability for claims and judgments	704,016	-	-	704,016
Due to other funds	4,161	-	-	4,161
Deferred revenues	1,881,720	101,434	205,191	2,188,345
Succeeding year property taxes deferred revenue	69,080,090	14,439,175	8,267,162	91,786,427
TOTAL LIABILITIES	76,780,719	22,806,988	13,157,655	112,745,362
Fund balances:				
Reserved for advances to other funds	61,600	-	-	61,600
Reserved for advances to component unit	-	1,040,786	4,964,293	6,005,079
Reserved for noncurrent notes receivable	-	-	2,691,781	2,691,781
Reserved for inventory of supplies	270,277	-	771,964	1,042,241
Reserved for supplemental levy purposes	10,289,216	-	1,436,719	11,725,935
Reserved for prepaid items	325,794	-	-	325,794
Unreserved, undesignated reported in general fund	19,786,798	-	-	19,786,798
Unreserved, designated reported in special revenue funds	-	-	16,920,295	16,920,295
Unreserved, undesignated reported in special revenue funds	-	4,634,376	(2,293,373)	2,341,003
Unreserved, undesignated reported in capital projects funds	-	-	3,592,801	3,592,801
Unreserved, undesignated reported in debt service funds	-	-	993,781	993,781
TOTAL FUND BALANCES	30,733,685	5,675,162	29,078,261	65,487,108
TOTAL LIABILITIES AND FUND BALANCES	\$ 107,514,404	\$ 28,482,150	\$ 42,235,916	\$ 178,232,470

The notes to the financial statements are an integral part of this statement.

POLK COUNTY, IOWA

**Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds
to Net Assets of Governmental Activities on the Statement of Net Assets
June 30, 2004**

Fund balances - total governmental funds	\$	65,487,108
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Capital assets		166,083,720
Accumulated depreciation		<u>(75,928,814)</u>
		90,154,906
Interest payable on long-term obligations that does not require current financial resources and therefore is not reported in the funds.		
		(69,261)
Internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		
		3,952,939
Deferred revenues that are not available to pay for current period expenditures in the funds		
Property taxes		488,536
Special assessments		19,616
Accounts receivable		45,551
Due from other governments		954,103
Due from other funds (Prairie Meadows property taxes)		381,864
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds payable (includes premium and loss on advance refunding)		(20,869,657)
Notes payable		(682,000)
Bond issuance costs		45,059
Capital leases payable		(793,822)
Compensated absences payable		(7,954,570)
Estimated liability for claims and judgments		<u>(467,212)</u>
Net assets of governmental activities	\$	<u><u>130,693,160</u></u>

The notes to the financial statements are an integral part of this statement.

POLK COUNTY, IOWA

**Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2004**

	General	MH/MR/DD Services	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Property taxes	\$ 60,352,576	\$ 13,319,744	\$ 6,401,240	\$ 80,073,560
Other County taxes	4,109,635	659,720	238,347	5,007,702
Interest and penalties on delinquent taxes	1,050,605	-	-	1,050,605
Intergovernmental	19,675,506	25,775,547	4,935,910	50,386,963
Licenses and permits	846,886	-	43,280	890,166
Charges for services	9,151,935	-	364,228	9,516,163
Use of money and property	1,621,064	32,429	35,389	1,688,882
Miscellaneous	1,294,215	614,800	876,629	2,785,644
TOTAL REVENUES	98,102,422	40,402,240	12,895,023	151,399,685
EXPENDITURES:				
Current:				
Public safety and legal services	38,347,335	-	257,897	38,605,232
Physical health and social services	25,894,497	-	6,730	25,901,227
Mental health	-	35,871,973	-	35,871,973
County environment and education	5,094,939	-	8,086,380	13,181,319
Roads and transportation	-	-	9,263,306	9,263,306
Government services to residents	4,753,442	-	77,625	4,831,067
Administration	19,064,885	-	-	19,064,885
Nonprogram services	-	-	30,110	30,110
Debt service:				
Principal	-	-	2,416,089	2,416,089
Interest	-	-	720,409	720,409
Capital projects:				
Roadway construction	-	-	4,459,987	4,459,987
Conservation land acquisition and development	114,419	-	-	114,419
Other capital projects	-	-	2,709,348	2,709,348
TOTAL EXPENDITURES	93,269,517	35,871,973	28,027,881	157,169,371
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	4,832,905	4,530,267	(15,132,858)	(5,769,686)
OTHER FINANCING SOURCES (USES):				
Transfers in	6,249,218	-	14,713,220	20,962,438
Transfers out	(4,461,813)	-	(4,466,320)	(8,928,133)
Proceeds from issuance of conduit debt	-	-	1,530,000	1,530,000
Payment to refunded bond escrow agent - conduit debt	-	-	(1,511,213)	(1,511,213)
Proceeds from issuance of bonds	-	-	1,025,000	1,025,000
TOTAL OTHER FINANCING SOURCES (USES)	1,787,405	-	11,290,687	13,078,092
NET CHANGE IN FUND BALANCES	6,620,310	4,530,267	(3,842,171)	7,308,406
FUND BALANCE, BEGINNING	24,110,268	1,144,895	32,982,849	58,238,012
Change in inventory reserve	3,107	-	(62,417)	(59,310)
FUND BALANCE, ENDING	\$ 30,733,685	\$ 5,675,162	\$ 29,078,261	\$ 65,487,108

The notes to the financial statements are an integral part of this statement.

POLK COUNTY, IOWA

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2004**

Net change in fund balances - total governmental funds \$ 7,308,406

Amounts reported for governmental activities in the statement of net assets are different because:

Governmental funds report capital outlay as expenditures. In addition, donated capital assets are not recorded in governmental funds. In the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets, net of disposals of \$10,913,589, recorded in the current period.

Capital outlay, net	1,641,584	
Contributed capital assets	7,496,486	9,138,070

Depreciation expense on capital assets, net of disposals is reported in the government-wide statement of activities and changes in net assets but does not require the use of current financial resources. Depreciation expense is not reported as an expenditure in governmental funds. (5,870,687)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.

Change in deferred revenue	306,415
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Expenses in the statement of activities that do not require the use of current financial resources are not reported as expenditures in governmental funds.

Change in estimated liabilities for claims and judgments	2,473
Change in compensated absences	(602,451)
Amortization of bond premium	5,560
Amortization of bond issuance costs	(3,860)

Debt proceeds provide current financial resources to governmental funds. Issuing debt increases long-term liabilities in the government-wide statement of net assets. Repayments are an expenditure in the governmental funds. Repayment reduces long-term liabilities in the government-wide statement of net assets. Also, governmental funds report the effect of issuances costs, premiums, and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Change in capital leases	178,573
Payments on long-term bonds	2,385,089
Payments on long-term notes	31,000
Proceeds on long-term bonds	(1,025,000)
Bond issuance costs	19,931

Interest expense on long-term debt is reported in the government-wide statement of activities.

Interest payable does not require the use of current financial resources. This related interest expense is not reported as an expenditure in the governmental funds.

Change in interest payable on general obligation bonds	5,074
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Internal service funds are used by management to charge the costs of insurance. The net profit(loss) is reported with governmental activities. (2,555,902)

Inventory in the governmental funds has been recorded as an expenditure when paid, however, the statement of activities will not report these items as expenditures until the period when the corresponding net asset is exhausted. (59,310)

Change in net assets of governmental activities \$ 9,263,381

The notes to the financial statements are an integral part of this statement.

POLK COUNTY, IOWA

**Statement of Net Assets
Proprietary Funds
June 30, 2004**

	Business-type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Prairie Meadows Racetrack/ Casino	Iowa Events Center	Other Enterprise Funds	Total	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 21,097,261	\$ 69,997,649	\$ 4,595,016	\$ 95,689,926	\$ 4,732,934
Receivables (net of allowances for uncollectibles):					
Special assessments	-	-	468,264	468,264	-
Accounts	-	-	56,588	56,588	92,996
Accrued interest	15,213	62,722	1,585	79,520	1,535
Due from other funds	-	-	231,976	231,976	-
Due from other governments	-	325,963	238,557	564,520	-
Inventories	-	-	109,866	109,866	-
Prepaid items	-	-	10,000	10,000	265,949
Total current assets	21,112,474	70,386,334	5,711,852	97,210,660	5,093,414
Noncurrent assets:					
Investment in joint venture	-	-	18,086,909	18,086,909	-
Lease/debt origination costs	-	511,626	61,288	572,914	-
Capital assets, net	70,060,162	141,974,956	20,958,447	232,993,565	-
Total noncurrent assets	70,060,162	142,486,582	39,106,644	251,653,388	-
TOTAL ASSETS	91,172,636	212,872,916	44,818,496	348,864,048	5,093,414
LIABILITIES					
Current liabilities:					
Vouchers payable	-	8,075,065	185,642	8,260,707	62,053
Wages payable	-	6,877	177,641	184,518	-
Payroll taxes payable	-	1,633	37,913	39,546	-
Interest payable	-	579,445	21,158	600,603	-
Estimated liability for claims and judgments	-	623,796	-	623,796	1,078,422
Due to other funds	381,864	-	2,292,462	2,674,326	-
Due to other governments	2,084,958	-	-	2,084,958	-
Advance deposits and ticket sales	-	-	374,599	374,599	-
General obligation bonds payable	-	9,728,551	1,503,164	11,231,715	-
Notes payable	-	-	353,201	353,201	-
Compensated absences payable	-	4,894	49,550	54,444	-
Total current liabilities	2,466,822	19,020,261	4,995,330	26,482,413	1,140,475
Noncurrent liabilities:					
General obligation bonds payable	-	144,486,599	3,131,637	147,618,236	-
Notes payable	-	-	3,033,165	3,033,165	-
Compensated absences payable	-	42,926	434,557	477,483	-
Total noncurrent liabilities	-	144,529,525	6,599,359	151,128,884	-
TOTAL LIABILITIES	2,466,822	163,549,786	11,594,689	177,611,297	1,140,475
NET ASSETS					
Invested in capital assets, net of related debt	70,060,162	(12,240,195)	17,044,819	74,864,786	-
Unrestricted	18,645,652	61,563,325	16,178,988	96,387,965	3,952,939
TOTAL NET ASSETS	\$ 88,705,814	\$ 49,323,130	\$ 33,223,807	171,252,751	\$ 3,952,939

The notes to the financial statements are an integral part of this statement.

POLK COUNTY, IOWA

**Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2004**

	Business-type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Prairie Meadows Racetrack/ Casino	Iowa Events Center	Other Enterprise Funds	Total	
OPERATING REVENUES:					
Charges for goods and services:					
Charges for services	\$ 24,840,877	\$ -	\$ 4,336,864	\$ 29,177,741	\$ 9,065,080
Grant revenue, operating	-	-	624,372	624,372	-
Parking income	-	-	564,955	564,955	-
Concession sales	-	-	2,746,247	2,746,247	-
Commissions income	-	-	277,686	277,686	-
PFMS user fee on ticket sales	-	-	110,933	110,933	-
Miscellaneous (see Note 18)	5,291,949	-	77,366	5,369,315	-
Total operating revenues	30,132,826	-	8,738,423	38,871,249	9,065,080
OPERATING EXPENSES:					
Cost of goods and services:					
Personal services	-	-	4,939,321	4,939,321	317,934
Supplies	-	-	683,589	683,589	-
Professional services	650	1,604,475	276,847	1,881,972	-
Other services/charges	2,473,598	49,449	2,077,259	4,600,306	39,697
Insurance	-	-	-	-	9,464,420
Direct event expense	-	-	565,320	565,320	-
Cost of goods sold - concession	-	-	493,568	493,568	-
Management expense	-	-	685,257	685,257	-
Miscellaneous	-	19,593	86,600	106,193	-
Amortization of discount (premium)	-	(222,703)	34,308	(188,395)	-
Depreciation	3,847,896	-	968,651	4,816,547	-
Total operating expenses	6,322,144	1,450,814	10,810,720	18,583,678	9,822,051
OPERATING INCOME (LOSS)	23,810,682	(1,450,814)	(2,072,297)	20,287,571	(756,971)
NONOPERATING REVENUES (EXPENSES):					
Interest revenue	209,792	1,053,664	80,396	1,343,852	21,069
Interest expense	-	-	(332,496)	(332,496)	-
Net joint venture activity	-	-	3,315,405	3,315,405	-
Total nonoperating revenues (expenses)	209,792	1,053,664	3,063,305	4,326,761	21,069
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	24,020,474	(397,150)	991,008	24,614,332	(735,902)
CAPITAL CONTRIBUTIONS AND TRANSFERS:					
Capital contributions from others	-	16,032,297	332,069	16,364,366	-
Transfers in	-	11,854,206	1,878,348	13,732,554	2,029,218
Transfers out	(20,611,459)	-	(3,335,400)	(23,946,859)	(3,849,218)
Total capital contributions and transfers	(20,611,459)	27,886,503	(1,124,983)	6,150,061	(1,820,000)
CHANGE IN NET ASSETS	3,409,015	27,489,353	(133,975)	30,764,393	(2,555,902)
NET ASSETS - BEGINNING	85,296,799	21,833,777	33,357,782	140,488,358	6,508,841
NET ASSETS - ENDING	\$ 88,705,814	\$ 49,323,130	\$ 33,223,807	\$ 171,252,751	\$ 3,952,939

The notes to the financial statements are an integral part of this statement.

POLK COUNTY, IOWA

**Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2004**

	Business-type Activities-Enterprise		
	Prairie Meadows Racetrack/Casino	Iowa Events Center	Other Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ -	\$ (725,963)	\$ 8,044,806
Cash received from operating grants	-	-	567,297
Cash received from racetrack/casino	30,132,826	-	-
Cash paid to suppliers for goods and services	(2,355,592)	490,273	(4,908,741)
Cash paid to employees	-	6,226	(4,881,761)
Net cash flows from operating activities	27,777,234	(229,464)	(1,178,399)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	-	11,854,206	1,878,348
Transfers out	(20,611,459)	-	(3,335,400)
Cash paid to other funds	(3,837)	(1,333)	1,167,112
Cash received from other funds	-	-	(74,456)
Net cash flows from noncapital financing activities	(20,615,296)	11,852,873	(364,396)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds of general obligation debt (net of discount/premium)	-	-	2,241,000
Issuance costs paid on long-term debt	-	-	(38,866)
Payment to refunded bond escrow agent	-	-	(489,366)
Principal paid on long-term debt	-	(4,345,000)	(1,797,640)
Interest paid on long-term debt	-	(156,748)	(326,009)
Capital contributions from others	-	16,032,297	-
Purchase of capital assets	-	(84,388,426)	(1,342,501)
Net cash flows from capital and related financing activities	-	(72,857,877)	(1,753,382)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from the sale of investment in joint venture	-	-	3,335,400
Interest received	209,934	1,116,351	83,698
Net cash flows from investing activities	209,934	1,116,351	3,419,098
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,371,872	(60,118,117)	122,921
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	13,725,389	130,115,766	4,472,095
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 21,097,261	\$ 69,997,649	\$ 4,595,016

Funds		Governmental Activities- Internal Service Funds	
Total			
\$	7,318,843	\$	8,933,420
	567,297		-
	30,132,826		-
	(6,774,060)		(10,005,161)
	(4,875,535)		-
	<u>26,369,371</u>		<u>(1,071,741)</u>
	13,732,554		2,029,218
	(23,946,859)		(3,849,218)
	1,161,942		-
	(74,456)		-
	<u>(9,126,819)</u>		<u>(1,820,000)</u>
	2,241,000		-
	(38,866)		-
	(489,366)		-
	(6,142,640)		-
	(482,757)		-
	16,032,297		-
	(85,730,927)		-
	<u>(74,611,259)</u>		<u>-</u>
	3,335,400		-
	1,409,983		27,136
	<u>4,745,383</u>		<u>27,136</u>
	(52,623,324)		(2,864,605)
	<u>148,313,250</u>		<u>7,597,539</u>
\$	<u>95,689,926</u>	\$	<u>4,732,934</u>

(continued)

POLK COUNTY, IOWA

**Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2004**

	Business-type Activities-Enterprise		
	Prairie Meadows Racetrack/Casino	Iowa Events Center	Other Enterprise Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating income (loss)	\$ 23,810,682	\$ (1,450,814)	\$ (2,072,297)
Components of operating income (loss) not included in operating activities:			
Depreciation	3,847,896	-	968,651
Amortization	-	(222,703)	34,308
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:			
(Increase) decrease in special assessments receivable	-	-	71,388
(Increase) decrease in accounts receivable	-	100,000	98,148
(Increase) decrease in due from other governments	-	(325,963)	(49,676)
(Increase) decrease in inventories	-	-	3,015
(Increase) decrease in prepaid items	-	-	(10,000)
Increase (decrease) in estimated liability for claims and judgments	-	613,796	-
Increase (decrease) in vouchers payable	-	1,549,994	(33,316)
Increase (decrease) in due to other governments	118,656	-	-
Increase (decrease) in wages payable	-	1,121	15,347
Increase (decrease) in payroll taxes payable	-	(80)	(82)
Increase (decrease) in compensated absences payable	-	5,185	42,295
Increase (decrease) in deferred revenue	-	(500,000)	-
Increase (decrease) in advance deposits and ticket sales	-	-	(246,180)
Net cash flows from operating activities	<u>\$ 27,777,234</u>	<u>\$ (229,464)</u>	<u>\$ (1,178,399)</u>

NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:

Net joint venture activity	\$ -	\$ -	\$ (19,995)
Capital contributions from others/developers	-	-	332,069
Disposal of fully depreciated capital assets	-	-	(377,715)
Increased valuation due to trade-in of similiar asset	-	-	16,383

The notes to the financial statements are an integral part of this statement.

Funds	Governmental Activities- Internal Service Funds
Total	

\$ 20,287,571 \$ (756,971)

4,816,547 -
(188,395) -

71,388 -
198,148 (79,807)
(375,639) -
3,015 -
(10,000) -
613,796 (227,246)
1,516,678 (7,717)
118,656 -
16,468 -
(162) -
47,480 -
(500,000) -
(246,180) -
\$ 26,369,371 \$ (1,071,741)

\$ (19,995) \$ -
332,069 -
(377,715) -
16,383 -

(concluded)

POLK COUNTY, IOWA

**Statement of Net Assets
Fiduciary Funds
June 30, 2004**

	Total Agency Funds
ASSETS	
Cash and cash equivalents	\$ 18,300,650
Receivables (net of allowances for uncollectibles):	
Taxes	2,349,790
Special assessments	5,759,868
Accounts	12,814
Accrued interest	200
Due from other funds	3,697
Due from other governments	62,304
Inventories	1,088
Prepaid items	3,259
	<hr/>
TOTAL ASSETS	\$ 26,493,670
LIABILITIES	
Vouchers payable	\$ 99,445
Wages payable	130,908
Payroll taxes payable	27,669
Estimated liability for claims and judgments	221,270
Due to other funds	609,360
Due to other governments	24,226,958
Advances from other funds	61,600
Trusts payable	664,133
Compensated absences payable	452,327
	<hr/>
TOTAL LIABILITIES	\$ 26,493,670

The notes to the financial statements are an integral part of this statement.

POLK COUNTY, IOWA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Polk County (the "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 unit, a legally separate entity for which the County is financially accountable. The discretely presented component unit is reported in a separate column in the County's government-wide financial statements to emphasize they are legally separate from the County.

Discretely Presented Component Unit - Based on the foregoing criteria, 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, 2004, 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 the allocation of approximately \$36 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.

Disclosure has been provided for the notes payable to primary government; however, other disclosures have been deemed unnecessary due to immateriality. Complete financial statements of PCHS can be obtained from their administrative offices at 218 Sixth Avenue, Des Moines, IA 50309.

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 assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

The statement of net assets 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 assets 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.

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. 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 revenue, 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. Fiduciary funds are reported by fund type.

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, use 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 60 days of the end of the current fiscal period. 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 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 and so have been recognized as revenues of the current fiscal period. 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.

MH/MR/DD Services Special Revenue Fund – Accounts for mental health services as mandated by the Code of Iowa.

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, 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 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 on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

The County reports the following major proprietary funds:

Prairie Meadows Racetrack/Casino – Accounts for activity of Prairie Meadows Racetrack and Casino.

Iowa Events Center – Accounts for activity of the Iowa Events Center currently under construction.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. Fiduciary funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The County's only fiduciary funds are agency funds. Agency funds are custodial in nature and do not involve measurement of results of operations. Fiduciary funds are excluded from the government-wide financial statements.

C) Assets, Liabilities, and Nets Assets or Equity

Cash and Cash Equivalents: 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. The County maintains a cash and cash equivalents pool that is available for use by all funds. Each fund's portion of this commingled pool is displayed on the combined balance sheet as "Cash and Cash Equivalents." 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 2003 on the assessed valuation of property located in the County as of January 1, 2002, 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, 2003. Taxes were receivable in two installments on September 30, 2003, and March 31, 2004. 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.

In accordance with Governmental Accounting Standards Board Statement No. 33, "*Accounting and Financial Reporting for Non-exchange Transactions*," effective in fiscal year 2001, 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 deferred and will not be recognized as revenue until the year for which it is levied.

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.

Advances To/From Other Funds: The noncurrent portion of long-term interfund loans are reported as advances on the balance sheet. In governmental fund types, advances are equally offset by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

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

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 fund balance reserve, or deferred 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 buildings, improvements other than buildings, leasehold improvements, equipment, 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 estimated fair 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 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	\$ 10,000	\$ 10,000
Buildings	100,000	100,000
Improvements other than buildings	25,000	15,000
Infrastructure	200,000	100,000
Equipment	10,000	10,000
Vehicles	10,000	10,000

Assets are depreciated over the following estimated useful lives using the straight-line method:

Buildings	30 years
Improvements other than buildings	10-30 years
Leasehold Improvements	25 years
Infrastructure other than roads	40-50 years
Infrastructure - roads:	
Developer projects	20 years
Full depth	16 years
Resurfacing	12 years
Equipment	7 years
Equipment: Conservation/Secondary Roads	10 years
Vehicles	7 years

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/Ticket Sales: Advance deposits represent rent deposits, advance payments for electric and telephone usage and ticket sales paid by customers for future events.

Deferred Revenues: Deferred revenue arises when assets are recognized before the revenue recognition criteria have been satisfied. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred.

Deferred revenues also occur when resources are received before they have been earned, as when grant monies are received prior to the incurrence of qualifying expenditures. Deferred revenues consist of property taxes receivable and other receivables not collected within sixty days after year end, unearned grant advances and undistributed food commodities.

Bond Discounts (Premiums)/Issuance Costs: In the government-wide financial statements, and proprietary fund types in the fund financial statements, bond discounts (premiums) as well as issuance costs, are deferred and amortized over the term of the related debt using the straight-line amortization method since the results are not significantly different from 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 well as bond issuance costs, as an expenditure (revenue) during the current period. The face amount of the debt issued or the face value of the debt plus premium is reported as other financing sources. Discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

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 1,500 hours. Payment of sick leave is limited to 20% to 40% of the accumulation (not to exceed \$4,000) on termination of employment based on length of service. Payouts of sick leave accrual upon termination of employment are not capped for management and supervisory employees. Upon termination, an employee must have at least four years of service in order to be paid for sick leave.

Employees who are fifty-five years old, have at least fifteen years of service and a minimum of 750 hours of accumulated sick leave may convert their unused sick leave balance to a bank for the purpose of purchasing health insurance after retirement. The sick leave balance is converted according to the following schedule:

750 up to and including 1,000 hours:	75% of value
Over 1,000 hours up to 1,500 hours:	100% of value

The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. A liability is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements.

Net Assets: Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets. Net assets are 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 applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Equity: In the fund financial statements, governmental funds report reservations of fund balance for amounts that have been legally segregated for specific purposes or are not appropriable for expenditure. Designated fund balances represent tentative plans for financial resource utilization in a future period.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary and Appropriation Data: In accordance with the Code of Iowa and provisions of the Iowa Administrative Code, annual budgets are adopted for the General, Special Revenue, Capital Projects, and Debt Service Funds on the cash basis (budgetary basis) by the Board of Supervisors, following required public notice and hearing. The Board of Supervisors then appropriates by resolution the amounts by program service area deemed necessary for each of the different County offices and departments. Appropriations as adopted or amended lapse at the end of the fiscal year. Thus, no encumbrances exist at year end.

A budget amendment must be prepared and adopted in the same manner as the original budget. The County budget was amended as prescribed and the original and final amended amounts are shown in the budgetary schedules. Supplemental appropriations are provided when unanticipated revenues become available or when unanticipated program expenditures are needed. These supplemental appropriations were not material in relation to the originally adopted amounts.

County management may amend detail line-item budgets as long as the total budget for each program service area does not exceed the budgeted level of authorized expenditures.

The legal level of control (the level of which expenditures may not legally exceed appropriations) is program service area for budgeted governmental funds in total, rather than by individual fund type. Formal and legal budgetary control is based on 10 major classes of expenditures known as program service areas. These 10 program service areas are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration, non-program services, debt service and capital projects. Legal budgetary control is also based upon the appropriation to each office or department, in accordance with State of Iowa statute.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office, by the County Agricultural Extension Council; for Joint Disaster Services, by the Joint Disaster Services Administration; and for the County Assessor, by the County Assessor Conference Board.

The following table, which includes all General, Special Revenue, Capital Projects, and Debt Service Funds, demonstrates legal compliance:

Program Service Area	Amended Budget	Expenditures (Budgetary Basis)	Variance
Public Safety and Legal Services	\$ 39,871,476	\$ 38,334,365	\$ 1,537,111
Physical Health and Social Services	26,481,470	24,922,423	1,559,047
County Environment and Education	19,302,372	13,417,182	5,885,190
Mental Health	37,026,115	36,733,493	292,622
Government Services to Residents	5,068,666	4,826,411	242,255
Administration	21,165,733	20,017,130	1,148,603
Roads and Transportation	8,378,516	8,232,300	146,216
Nonprogram services	6,697,886	1,540,320	5,157,566
Debt Service	7,351,938	7,351,908	30
Capital Projects	8,472,746	6,435,647	2,037,099
Total	\$ <u>179,816,918</u>	\$ <u>161,811,179</u>	\$ <u>18,005,739</u>

FUND BALANCE DEFICITS

Individual fund balance deficits for the year ended June 30, 2004 are as follows:

Special Revenue:
 Secondary Roads \$ (3,216,088)

The deficit of the Secondary Roads Fund is expected to be eliminated through future operating transfers from other funds.

3. CASH AND CASH EQUIVALENTS

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 cash equivalents pool that is available for use by all funds. These monies are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Each fund's portion of this commingled pool is displayed on the combined balance sheet as "Cash and Cash Equivalents." Monies that are not required for immediate obligations are invested under the management of the County Treasurer.

As of June 30, 2004, the cash and cash equivalents of the County consisted of:

Cash and cash items in vault	\$	72,790
Cash on hand not yet deposited		56,899
Cash held by trustee		500,246
Bank account deposits		60,793,022
Short-term investments		<u>122,160,066</u>
Total	\$	<u><u>183,583,023</u></u>

Deposits:

The County's bank account deposits at June 30, 2004 was entirely covered by Federal depository insurance, or by a collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County elected to maintain a non-interest bearing certificate of deposit with Bank of America and Banker's Trust in the average total of \$7,811,754 in order to avoid banking service charges. This is considered a compensating balance.

4. DUE FROM/TO OTHER FUNDS

Amounts due from/to other funds at June 30, 2004, were as follows:

	Due To					
	General Fund	MH/MR/DD Services	Nonmajor Governmental	Nonmajor Enterprise	Fiduciary	Total
Due from						
General Fund	\$ -	\$ -	\$ -	\$ 4,004	\$ 157	\$ 4,161
Prairie Meadows Racetrack/Casino	287,138	59,944	34,782	-	-	381,864
Nonmajor Enterprise	2,292,462	-	-	-	-	2,292,462
Fiduciary	<u>377,109</u>	<u>-</u>	<u>739</u>	<u>227,972</u>	<u>3,540</u>	<u>609,360</u>
Total	\$ <u><u>2,956,709</u></u>	\$ <u><u>59,944</u></u>	\$ <u><u>35,521</u></u>	\$ <u><u>231,976</u></u>	\$ <u><u>3,697</u></u>	\$ <u><u>3,287,847</u></u>

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

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

Cash overdrafts owed to the General Fund from Veterans Memorial Enterprise Fund	\$ 2,287,462
June 2004 monthly activity owed to various funds from various Elected Officials Agency Funds	604,883
Property taxes owed to various funds from Prairie Meadows Racetrack/Casino Enterprise Fund	381,864

5. ADVANCES TO/FROM OTHER FUNDS

Advances to/from other funds result from established long-term interfund loans, as evidenced by existing agreements. Such agreements bear interest at rates ranging from 0% to 6%. The long-term portion of individual fund loan balances at June 30, 2004, were as follows:

General fund interfund loans receivable from the following funds:	
Drainage Districts	\$ 61,600

The schedule of annual principal maturities for interfund loans is as follows:

	Drainage Districts
During the year ending June 30:	
2005	\$ 7,700
2006	7,700
2007	7,700
2008	7,700
2009	7,700
2010-2014	<u>23,100</u>
Total	\$ <u><u>61,600</u></u>

6. ADVANCES TO COMPONENT UNIT

At June 30, 2004, the County, the primary government, has seven notes receivables totaling \$6,005,079 from Polk County Health Services, Inc. (PCHS) a component unit of the County. Such agreements bear interest at rates ranging from 0% to 5% and require semi-annual repayments. Advances to component unit has been recorded in the following funds at June 30, 2004, based on where related underlying debt will be paid:

MH/MR/DD Services Fund	
Purchase of mental health homes	\$ 1,040,786
Debt Service Fund	
1998A Polk County Health Services	2,971,365
1998B Polk County Health Services	<u>1,992,928</u>
	<u>4,964,293</u>
Total	\$ <u><u>6,005,079</u></u>

The advance to component unit shown in the Debt Service Fund is offset by a reserve in the Fund Balance section due to the noncurrent nature of the advance.

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

	Principal	Interest
During the year ending June 30:		
2005	\$ 618,198	\$ 243,171
2006	619,842	237,560
2007	647,537	209,932
2008	679,264	181,059
2009	702,068	150,751
2010-2014	2,342,906	309,419
2015-2019	259,530	42,250
2020-2024	<u>135,734</u>	<u>6,964</u>
Total	\$ <u><u>6,005,079</u></u>	\$ <u><u>1,381,106</u></u>

7. INVESTMENT IN JOINT VENTURE

Polk County is a participating member of a joint venture with the City of Des Moines whereby the City issued general obligation bonds to finance construction and operation of a Wastewater Reclamation Authority ("WRA") sewer system to serve the greater Des Moines metropolitan area. The County is responsible for the costs of the WRA project associated with serving the unincorporated area of the County. A user charge system has been established by the County to provide funds to construct and maintain the County's sanitary treatment works. Complete financial statements of the WRA can be obtained from the City of Des Moines, East First and Locust, Des Moines, Iowa 50309.

On November 3, 2003, the City of Altoona purchased the County's right to 3,270,000 gallons per day of treatment plant capacity which the County owned in the WRA Regional Wastewater Treatment Plant. Altoona purchased this capacity for \$3,335,400. This sale represents a decrease in the County's investment in joint venture in Sanitary Treatment Works Enterprise Fund.

At June 30, 2004, WRA's equity in the project was \$271,168,048, of which 6.67% or \$18,086,909 is the County's equity portion in the project. The financial statements of the Sanitary Treatment Works Enterprise Fund of the County include the County's interest in the joint venture.

The County also has WRA related debt outstanding as part of the joint venture. It is anticipated that gaming revenues from the Prairie Meadows Racetrack/Casino Enterprise Fund will be utilized to service the majority of the debt in future years.

The County's share of WRA principal outstanding at June 30, 2004 totaled \$3,386,366. At June 30, 2004, the County's share of combined annual debt maturities for all WRA issues is as follows:

	Principal	Interest	Total
During the year ending June 30:			
2005	\$ 353,201	\$ 157,967	\$ 511,168
2006	369,107	141,739	510,846
2007	385,487	124,658	510,145
2008	404,276	106,695	510,971
2009	421,902	87,737	509,639
2010-2014	1,273,526	167,886	1,441,412
2015-2019	<u>178,867</u>	<u>15,930</u>	<u>194,797</u>
Total	\$ <u><u>3,386,366</u></u>	\$ <u><u>802,612</u></u>	\$ <u><u>4,188,978</u></u>

8. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2004, was as follows:

	Balance 7/1/2003	Additions	Disposals	Balance 6/30/2004
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 8,086,136	\$ 32,604	\$ -	\$ 8,118,740
Construction in progress	<u>7,820,137</u>	<u>633,094</u>	<u>(7,820,137)</u>	<u>633,094</u>
Total capital assets, not being depreciated	<u>15,906,273</u>	<u>665,698</u>	<u>(7,820,137)</u>	<u>8,751,834</u>
Capital assets, being depreciated:				
Buildings	61,105,903	311,927	-	61,417,830
Improvements other than buildings	566,703	191,593	-	758,296
Infrastructure	58,598,805	17,831,148	(300,092)	76,129,861
Equipment	14,133,379	442,253	(2,364,774)	12,210,858
Vehicles	<u>6,634,587</u>	<u>609,040</u>	<u>(428,586)</u>	<u>6,815,041</u>
Total capital assets being depreciated	141,039,377	19,385,961	(3,093,452)	157,331,886
Less accumulated depreciation for:				
Buildings	(28,901,604)	(1,857,807)	-	(30,759,411)
Improvements other than buildings	(374,629)	(23,995)	-	(398,624)
Infrastructure	(27,384,686)	(4,318,496)	6,002	(31,697,180)
Equipment	(9,035,493)	(1,579,132)	2,443,713	(8,170,912)
Vehicles	<u>(4,361,715)</u>	<u>(969,558)</u>	<u>428,586</u>	<u>(4,902,687)</u>
Total accumulated depreciation	<u>(70,058,127)</u>	<u>(8,748,988)</u>	<u>2,878,301</u>	<u>(75,928,814)</u>
Total capital assets being depreciated, net	<u>70,981,250</u>	<u>10,636,973</u>	<u>(215,151)</u>	<u>81,403,072</u>
Governmental activities capital assets, net	<u>\$ 86,887,523</u>	<u>\$ 11,302,671</u>	<u>\$ (8,035,288)</u>	<u>\$ 90,154,906</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 13,796,014	\$ 1,056,955	\$ -	\$ 14,852,969
Construction in progress	<u>48,601,383</u>	<u>84,511,179</u>	<u>-</u>	<u>133,112,562</u>
Total capital assets, not being depreciated	<u>62,397,397</u>	<u>85,568,134</u>	<u>-</u>	<u>147,965,531</u>
Capital assets, being depreciated:				
Buildings	54,661,029	-	-	54,661,029
Improvements other than buildings	8,924,673	-	-	8,924,673
Leasehold improvements (Note 18)	37,487,588	-	-	37,487,588
Infrastructure	15,654,235	332,069	-	15,986,304
Equipment	2,739,992	146,415	(365,600)	2,520,807
Vehicles	<u>138,187</u>	<u>32,762</u>	<u>(28,498)</u>	<u>142,451</u>
Total capital assets being depreciated	<u>119,605,704</u>	<u>511,246</u>	<u>(394,098)</u>	<u>119,722,852</u>
Less accumulated depreciation for:				
Buildings	(16,452,868)	(1,801,990)	-	(18,254,858)
Improvements other than buildings	(6,906,508)	(876,145)	-	(7,782,653)
Leasehold improvements	(749,752)	(1,499,504)	-	(2,249,256)
Infrastructure	(3,762,654)	(399,658)	-	(4,162,312)
Equipment	(2,280,303)	(223,173)	349,217	(2,154,259)
Vehicles	<u>(103,900)</u>	<u>(16,077)</u>	<u>28,498</u>	<u>(91,479)</u>
Total accumulated depreciation	<u>(30,255,985)</u>	<u>(4,816,547)</u>	<u>377,715</u>	<u>(34,694,817)</u>
Total capital assets being depreciated, net	<u>89,349,719</u>	<u>(4,305,301)</u>	<u>(16,383)</u>	<u>85,028,035</u>
Business-type activities capital assets, net	<u>\$ 151,747,116</u>	<u>\$ 81,262,833</u>	<u>\$ (16,383)</u>	<u>\$ 232,993,566</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Government activities:	
Public safety and legal services	\$ 1,710,732
Physical health and social services	333,829
County environment and education	302,126
Roads and transportation	5,142,497
Government services to residents	195,018
Administration	<u>1,064,786</u>
Total depreciation expense - governmental activities	<u>\$ 8,748,988</u>
Business-type activities:	
Air Pollution	\$ 23,339
Convention Complex	75,224
Veterans Memorial Auditorium	314,540
Sanitary Treatment Works	169,742
Prairie Meadows Racetrack/Casino	3,847,896
Jester Park Golf Course	155,890
Hamilton Urban Drainage District	<u>229,916</u>
Total depreciation expense - business-type activities	<u>\$ 4,816,547</u>

The following infrastructure additions were also recorded as capital grants and contributions on the government-wide statement of activities:

- Farm-to-Market (FM) projects consist of three road and two bridge projects - \$3.8 million
- One road was constructed by a developer - \$0.4 million
- In August 2003, the County acquired \$10.2 million in roads by exchanging Northwest Saylorville Drive with the DOT. The exchange resulted in the County recording an additional \$2.8 million in capital contributions.

9. LONG-TERM LIABILITIES

The following is a summary of long-term liability activity for the year ended June 30, 2004:

	Balance			Balance	
	July 1, 2003	Additions	Deletions	June 30, 2004	Due Within One Year
Governmental activities:					
General obligation bonds payable	\$ 22,179,931	\$ 1,025,000	\$ (2,385,089)	\$ 20,819,842	\$ 2,494,980
Add: unamortized premium	55,375	-	(5,560)	49,815	5,560
Notes payable	713,000	-	(31,000)	682,000	32,000
Capital leases payable	972,395	231,218	(409,791)	793,822	300,281
Accrued compensated absences	7,352,119	5,720,225	(5,117,774)	7,954,570	852,956
Estimated liability for claims and judgements	<u>2,645,447</u>	<u>864,055</u>	<u>(1,259,852)</u>	<u>2,249,650</u>	<u>1,741,770</u>
Total	<u>\$ 33,918,267</u>	<u>\$ 7,840,498</u>	<u>\$ (9,209,066)</u>	<u>\$ 32,549,699</u>	<u>\$ 5,427,547</u>
Business-type activities:					
General obligation bonds payable	\$ 158,340,000	\$ 4,225,000	\$ (7,930,000)	\$ 154,635,000	\$ 11,005,000
Add: unamortized premium (discount)	4,515,294	-	(237,279)	4,278,015	258,247
Less: loss on advance refunding	-	(78,830)	15,766	(63,064)	(31,532)
Notes payable	3,999,006	-	(612,640)	3,386,366	353,201
Accrued compensated absences	484,447	356,699	(309,219)	531,927	54,444
Estimated liability for claims and judgements	<u>10,000</u>	<u>613,796</u>	<u>-</u>	<u>623,796</u>	<u>623,796</u>
Total	<u>\$ 167,348,747</u>	<u>\$ 5,116,665</u>	<u>\$ (9,073,372)</u>	<u>\$ 163,392,040</u>	<u>\$ 12,263,156</u>

General Obligation Bonds Payable

	Original Amount	Date Issued	Interest Rates	Due Date	Amount Outstanding
Governmental activities					
General Purpose	\$ 2,715,000	12/1/1994	5.50-5.75%	6/1/2005	\$ 185,000
General Purpose	5,065,000	5/1/1998	4.5-4.875%	6/1/2011	2,959,842
General Purpose	2,850,000	5/1/1998	4.625-5%	6/1/2014	1,985,000
General Purpose	4,780,000	12/1/1999	4.3-5%	6/1/2010	3,135,000
General Purpose	7,200,000	6/1/2001	3.8-4.625%	6/1/2012	5,980,000
General Purpose	6,200,000	12/15/2002	3-4%	6/1/2013	5,550,000
General Purpose	1,025,000	12/15/2003	2.4-3.55%	6/1/2014	<u>1,025,000</u>
Total					\$ <u>20,819,842</u>

	Original Amount	Date Issued	Interest Rates	Due Date	Amount Outstanding
Business-type activities					
Convention Complex	\$ 515,000	12/15/2003	2.15-2.4%	6/1/2008	\$ 515,000
Convention Complex	496,000	12/15/2003	1.25-1.7%	6/1/2006	493,000
Veterans Auditorium	1,984,000	12/15/2003	1.25-1.7%	6/1/2006	1,972,000
Sanitary Treatment	700,000	6/1/2001	3.8-4.45%	6/1/2011	490,000
Sanitary Treatment	1,230,000	12/15/2003	2.15-3.55%	6/1/2014	1,230,000
Iowa Events Center	45,000,000	12/1/2001	4-5%	6/1/2017	40,200,000
Iowa Events Center	73,000,000	12/15/2002	5%	6/1/2021	68,935,000
Iowa Events Center	40,900,000	12/15/2002	4-5.2%	6/1/2017	<u>40,800,000</u>
Total					\$ <u>154,635,000</u>

Refunding of General Obligation Bonds

On December 15, 2003 the County issued \$4,010,000 of general obligation bonds for the purpose of refunding the County's outstanding general obligation bonds dated December 1, 1996 in the amount of \$2,400,000 and general obligation capital loan note dated August 22, 1995 (Broadlawns Medical Center conduit debt) in the amount of \$1,480,000. The refunding bonds were issued to reduce future debt service payments. The refunding issue consisted of the following:

	Refunded Amount	Refunded Interest Rate	Redeemed Amount	Redeemed Interest Rate
96 General Obligation Bond (Convention Complex)	\$ 496,000	1.25-1.7%	\$ 480,793	4.3-4.6%
96 General Obligation Bond (Veterans Auditorium)	\$ 1,984,000	1.25-1.7%	\$ 1,919,207	4.3-4.6%
95 Capital Loan Note (Broadlawns Medical Center)	\$ 1,530,000	4.5-4.875%	\$ 1,480,000	5-5.15%

As a result of this combined refunding, the County reduced its debt service requirements by \$109,820 over the life of the debt with a present value savings of \$107,873.

Notes Payable

	Original Amount	Date Issued	Interest Rates	Due Date	Amount Outstanding
Governmental activities					
General Purpose	\$ 800,000	8/9/2000	3.53%	12/1/2019	\$ <u>682,000</u>
Business-type activities					
Sanitary Treatment WRA	\$ N/A	12/1/1984	Various	6/1/2018	\$ <u>3,386,366</u>

Sanitary Treatment WRA represents debt relating to the County's investment in joint venture. Note 7 further describes the County's investment in joint venture and illustrates the annual debt maturities at June 30, 2004.

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:					
2005	\$ 2,494,980	\$ 871,750	\$ 32,000	\$ 23,510	\$ 3,422,240
2006	2,390,893	770,611	34,000	22,345	3,217,849
2007	2,481,807	676,347	35,000	21,127	3,214,281
2008	2,631,698	576,418	36,000	19,874	3,263,990
2009	2,632,611	467,501	37,000	18,585	3,155,697
2010-2014	8,187,853	798,205	207,000	71,853	9,264,911
2015-2019	-	-	246,000	32,052	278,052
2020-2024	-	-	55,000	971	55,971
Total	<u>20,819,842</u>	<u>4,160,832</u>	<u>682,000</u>	<u>210,317</u>	<u>25,872,991</u>
Add: unamortized premium	49,815	-	-	-	49,815
Total	<u>\$ 20,869,657</u>	<u>\$ 4,160,832</u>	<u>\$ 682,000</u>	<u>\$ 210,317</u>	<u>\$ 25,922,806</u>
Business-type activities					
During the year ending June 30:					
2005	\$ 11,005,000	\$ 7,401,340	\$ 353,201	\$ 157,967	\$ 18,917,508
2006	8,815,000	6,940,095	369,107	141,739	16,265,941
2007	7,945,000	6,590,655	385,487	124,658	15,045,800
2008	8,300,000	6,233,785	404,276	106,695	15,044,756
2009	8,990,000	5,860,050	421,902	87,737	15,359,689
2010-2014	52,380,000	22,388,928	1,273,526	167,886	76,210,340
2015-2019	46,730,000	8,592,850	178,867	15,930	55,517,647
2020-2024	10,470,000	791,500	-	-	11,261,500
Total	<u>154,635,000</u>	<u>64,799,203</u>	<u>3,386,366</u>	<u>802,612</u>	<u>223,623,181</u>
Add: unamortized premium	4,278,015	-	-	-	4,278,015
Less: loss on advance refunding	<u>(63,064)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(63,064)</u>
Total	<u>\$ 158,849,951</u>	<u>\$ 64,799,203</u>	<u>\$ 3,386,366</u>	<u>\$ 802,612</u>	<u>\$ 227,838,132</u>

There were no due and unredeemed bonds or notes at June 30, 2004. In addition, there was no special assessment debt outstanding at June 30, 2004. Management does not believe an arbitrage liability exists at June 30, 2004.

Polk County Health Services, Inc. (PCHS) Component Unit

Changes in debt for PCHS for the year ended June 30, 2004 are as follows:

	Balance 7/1/2003	Additions	Deletions	Balance 6/30/2004	Due Within One Year
Bonds payable	\$ 2,500,000	\$ -	\$ (110,000)	\$ 2,390,000	\$ 120,000
Advances from primary government	<u>6,572,732</u>	<u>-</u>	<u>(567,653)</u>	<u>6,005,079</u>	<u>618,199</u>
Total	<u>\$ 9,072,732</u>	<u>\$ -</u>	<u>\$ (677,653)</u>	<u>\$ 8,395,079</u>	<u>\$ 738,199</u>

10. CONDUIT DEBT OBLIGATIONS

As of June 30, 2004, there were various conduit debt obligations outstanding. The aggregate principal amount payable for such debt was \$5,975,158.

Broadlawns Medical Center - General Obligation Bonds and Notes Payable

During the year ended June 30, 1998, the County issued \$5,065,000 thirteen-year general obligation refunding bonds. Of the proceeds of these bonds, \$1,035,000 was issued on behalf of Broadlawns Medical Center refunding the callable portion of the 1992 general obligation notes issued during the year ended June 30, 1993.

Also, during the year ended June 30, 1998, the County issued \$775,000 in the form of ten-year general obligation capital loan notes on behalf of Broadlawns Medical Center to provide funds for renovations and improvements.

During the year ended June 30, 2001, the County issued \$4,200,000 in the form of twelve-year general obligation capital loan notes on behalf of Broadlawns Medical Center to provide funds for various capital improvements.

During the year ended June 30, 2004, the County issued \$1,530,000 in the form of three-year general obligation refunding bonds. These proceeds were used for the purpose of refunding the 1996 general obligation notes issued during the year ended June 30, 1997.

Broadlawns will repay all of the above loans with interest in amounts equal to and on the same payment schedule as the payments the County will make on the above debt obligations.

Although the debt obligations bear the name of the County, the County has no obligation for such debt beyond the resources provided by the loans with Broadlawns Medical Center on whose behalf they are issued. Accordingly, obligations are not recorded as liabilities in the accompanying financial statements.

Camp Township

During the year ended June 30, 1996, the County borrowed \$165,000 in the form of ten-year general obligation capital loan notes on the behalf of Camp Township to provide funds to purchase a fire truck and related equipment. The loan will be served by a property tax levy. Camp Township will repay the loan with interest in amounts equal to and on the same payment schedule as the payments the County will make on the general obligation capital loan notes.

Although the general obligation note bears the name of the County, the County has no obligation for such debt beyond the resources provided by Camp Township on whose behalf it is issued. Accordingly, the general obligation note is not reported as a liability in the accompanying financial statements.

Ramark Holdings, L.L.C./Iowa Department of Economic Development

During the year ended June 30, 2001, the County served as a pass-through entity between the Iowa Department of Economic Development (IDED) and Ramark Holdings, L.L.C. to assist Ramark Holdings in creating new jobs. IDED provided Ramark Holdings a \$120,000 seven-year zero percent loan with Community Economic Betterment Account (CEBA) funds via a loan agreement with Polk County and Ramark Holdings. Ramark Holdings is required to repay IDED directly.

Although the note bears the name of the County, the County has no obligation for such debt beyond the resources provided by Ramark Holdings on whose behalf it is issued. Accordingly, the loan is not reported as a liability in the accompanying financial statements.

Other

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, 2004 amounted to \$191,485,000.

11. LEASE COMMITMENTS

Capital Leases

The County has entered into agreements to purchase equipment through capital lease agreements. The historical cost of equipment relating to the outstanding capital leases is \$1,139,936. 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, 2004:

During the year ending June 30:		
2005	\$	337,823
2006		290,783
2007		206,591
2008		22,019
Total minimum lease payments		857,216
Less: amount representing interest		(63,394)
Present value of total minimum lease payments	\$	<u>793,822</u>

Operating Leases

The County leases building facilities for certain County department offices and equipment on a long-term basis. Rental expense for the year ended June 30, 2004 was \$1,671,042. Following is a schedule of minimum future rentals for non-cancelable operating leases in effect at June 30, 2004:

During the year ending June 30:		
2005	\$	1,388,657
2006		842,935
2007		711,245
2008		565,260
2009		559,760
2010-2014		<u>462,787</u>
Total	\$	<u>4,530,644</u>

The above schedule represents operating leases in effect at June 30, 2004. As part of the normal course of business, the County continues to negotiate and/or renegotiate various operating leases.

12. RESERVES/DESIGNATIONS OF FUND BALANCES

Reserved Fund Balances

Reservations or restrictions of equity represent amounts that are not appropriable or are legally segregated for a specific purpose.

Reserved for advances to other funds - This account is used to segregate a portion of fund balance for advances to other funds, the noncurrent portion of interfund loans receivable, to indicate that they do not constitute available financial resources and, therefore, are not available for appropriation.

Reserved for advances to component unit - This account is used to segregate a portion of fund balances for advances to component unit, the noncurrent portion of the advance, to indicate that they do not constitute available financial resources and, therefore, are not available for appropriation.

Reserved for noncurrent notes receivable - This account is used to segregate a portion of fund balance for the noncurrent portion of notes receivable to indicate that they do not constitute available financial resources and, therefore, are not available for appropriation.

Reserved for inventory of supplies - This account is used to segregate a portion of fund balance in the amount of the inventory of supplies carried as an asset, as it does not represent available and spendable resources for the fund's current operations.

Reserved for supplemental levy purposes - This account is used to segregate the fund balances of the General Supplemental Fund (a sub-fund of the General Fund) and the Rural Supplemental Fund (a sub-fund of the Rural Basic Fund) in accordance with Code of Iowa Section 331.424 (1) & (2).

Reserved for prepaid items - This account is used to segregate a portion of fund balance for prepaid items to indicate that they do not constitute available financial resources and, therefore, are not available for appropriation.

Designated Fund Balances

Designations of fund balances represent tentative plans for financial resource utilization in a future period. Designations reflect tentative management plans. Such plans or intent are subject to change and may never be legally authorized or result in expenditures. The following special revenue funds balances are designated at June 30, 2004:

Equipment Reserve Fund	\$	2,420,178
Family Services Fund		20,168
Economic Development Fund (Note 17)		9,479,949
Contingency Reserve Fund		<u>5,000,000</u>
Total	\$	<u><u>16,920,295</u></u>

13. TRANSFER RECONCILIATION

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

Transfer from	Transfer to					Total
	General Fund	Iowa Event Center	Nonmajor Governmental	Nonmajor Enterprise	Internal Service	
General Fund	\$ -	\$ -	\$ 2,432,595	\$ -	\$ 2,029,218	\$ 4,461,813
Prairie Meadows Racetrack/Casino	2,400,000	11,854,206	4,478,905	1,878,348	-	20,611,459
Nonmajor Governmental	-	-	4,466,320	-	-	4,466,320
Nonmajor Enterprise	-	-	3,335,400	-	-	3,335,400
Internal Service	<u>3,849,218</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,849,218</u>
Total	<u>\$ 6,249,218</u>	<u>\$ 11,854,206</u>	<u>\$ 14,713,220</u>	<u>\$ 1,878,348</u>	<u>\$ 2,029,218</u>	<u>\$ 36,724,210</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires 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, 2004, 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.	\$ 20,611,459
Sanitary Treatment Works Enterprise fund made a transfer to the Economic Development Special Revenue fund for future economic development projects.	3,335,400
General fund and Rural Services fund made transfers to Secondary Roads fund in accordance with state statutes.	5,236,903

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 services to the plan nor investment advice for the plan.

15. PENSION AND RETIREMENT BENEFITS

The County contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary, and the County is required to contribute 5.75% of annual covered payroll except for law enforcement employees, in which case the percentages are 4.99% and 7.48%, respectively. Contribution requirements are established by State statute. The County's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$3,263,056, \$3,427,523, and \$3,311,560, respectively, equal to the required contributions for each year.

16. RISK MANAGEMENT

The Polk County Risk Management Program includes the following functions: insurance procurement, loss control, employee safety training, OSHA compliance, 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 coverages with selected conventional insurance coverages. The County self-insures its general liability, property, fleet, law enforcement professionals, public officials' errors and omissions, fidelity, and workers' compensation exposure. Conventionally insured exposure exists for medical professional (malpractice) coverage, with a policy limit of \$1,000,000 per claim and \$3,000,000 aggregate, also non-owned aviation insurance with a \$5,000,000 policy limit.

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 following table displays the self-insurance exposure, policy limits, self-insured retention (SIR) levels, and losses in excess of SIR levels:

Exposure	Policy Limits	Self-Insured Retention	Loss in Excess of Retention
General liability	\$ 10,000,000	\$ 2,000,000	None
Property	148,014,425	100,000	None
Fleet	10,000,000	2,000,000	None
Law enforcement	10,000,000	2,000,000	None
Public officials	10,000,000	2,000,000	None
Fidelity bond	5,000,000	50,000	None
Workers' compensation	Statutory/ 1,000,000	350,000	None
Non-owned aviation	5,000,000	-	None

In addition, the Veterans Memorial Auditorium, Convention Complex, Jester Park Golf Course, and Iowa Events Center Enterprise Funds and the Conservation Board Agency Fund purchase commercial insurance for property, inland marine, boiler and machinery, fleet, liquor, crime (fidelity), umbrella, special events, flood, builder's risk, contractor's pollution, contractor's professional, excess pollution and professional, excess umbrella, workers' compensation and general liability.

There have been no significant reductions in insurance coverage during the year ended June 30, 2004. No settlements in excess of insurance coverage have occurred in the last three fiscal years.

Liabilities are reported 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 and amount of payouts and other economic and social factors. All insurance losses are paid from the General Supplemental Self-Insurance Fund (a sub-fund within the General Fund). Early retirement incentives are paid from the General Supplemental Fund (a sub-fund within the General Fund) or Employee Insurance Internal Service Fund depending on the plan chosen.

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, 2004 and 2003 are as follows:

	Year Ended	
	6/30/2004	6/30/2003
Beginning balance	\$ 1,339,779	\$ 761,000
Current year claims and changes in estimates	734,820	1,646,736
Claim payments	<u>(903,371)</u>	<u>(1,067,957)</u>
Ending Balance	\$ <u>1,171,228</u>	\$ <u>1,339,779</u>

Employee Insurance Fund

The County has established an Internal Service Fund to account for its employee medical and dental benefits and other benefits such as early retirement incentives. Changes in the estimated liability for probable losses recorded in the Employee Insurance Service Fund for the years ended June 30, 2004 and 2003 are as follows:

	Year Ended	
	6/30/2004	6/30/2003
Beginning balance	\$ 1,305,668	\$ 2,396,450
Current year claims and changes in estimates	8,266,475	6,544,836
Claim payments	<u>(8,493,721)</u>	<u>(7,635,618)</u>
Ending Balance	\$ <u>1,078,422</u>	\$ <u>1,305,668</u>

Included in the above schedules are early retirement program incentive payments of \$164,038 were made from the General Supplemental Fund (a sub-fund within the General Fund) and \$317,935 were made from the Employee Insurance Fund during the year ended June 30, 2004. In addition, a liability for early retirement incentives payable in the future of \$687,508 and \$146,000, respectively, was recorded as part of the estimated liability for claims and judgments at June 30, 2004.

Iowa Event Center Fund

The Iowa Event Center enterprise fund accounts for workman compensation claims and other tort liabilities while under construction. Changes in the estimated liability for probable losses recorded in the Iowa Event Center Fund for the years ended June 30, 2004 and 2003 are as follows:

	Year Ended	
	6/30/2004	6/30/2003
Beginning balance	\$ 10,000	\$ -
Current year claims and changes in estimates	637,980	10,000
Claim payments	<u>(24,184)</u>	<u>-</u>
Ending Balance	\$ <u>623,796</u>	\$ <u>10,000</u>

17. COMMITMENTS AND CONTINGENCIES

Commitments

The County has made the following commitments of current and future resources, as follows. 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:

Equipment Reserve Special Revenue Fund:		
ERP Project	\$	<u>450,146</u>
Economic Development Special Revenue Fund:		
Drake Stadium Revitalization	\$	1,000,000
Downtown Public Library		1,250,000
Special Olympics		120,000
Urban Greening Project		150,000
Hoyt Sherman Renovation		160,000
NE 66th Intersection Study		5,320,000
Pappajohn Higher Education Center		375,000
Science Center of Iowa		875,000
World Food Prize Center		<u>5,000,000</u>
Total	\$	<u>14,250,000</u>
Housing Development Special Revenue Fund:		
Housing Trust Fund	\$	4,500,000
Neighborhood Finance Corporation		<u>3,800,000</u>
Total	\$	<u>8,300,000</u>
Courthouse Annex Fund:		
New Jail Site Project	\$	<u>3,224,358</u>
Capital Improvements Projects Special Revenue Fund:		
Courthouse Roof Replacement	\$	111,793
Central Maintenance Facility Roof Replacement		300,000
Jester Park Riding Arena		14,417
Main Jail Intercom System Replacement		240,000
NW Community Center		183,968
1900 Carpenter Roof Replacement		<u>63,632</u>
Total	\$	<u>913,810</u>

Contingencies

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

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

18. RACETRACK/CASINO

The County has had agreements with the Racing Association of Central Iowa ("RACI") for several years for the operation of the Prairie Meadows Racetrack facility owned by the County. The Racetrack opened for business on March 1, 1989, as a horse racing facility.

The 1994 Iowa Legislature authorized gambling games at pari-mutuel racetracks, subject to County voter approval. The Code of Iowa requires the gambling games measure to be submitted to voters every eight years at a general election. On May 17, 1994, Polk County voters approved a measure authorizing gambling games at the Prairie Meadows Racetrack. Polk County voters re-approved gambling games in the fall 2002 election. The measure will go before the public again in 2010.

Chapter 99F of the Code of Iowa, as enacted by the 1994 Legislature, defined authorized gambling games as slot machines. During the 2004 Legislative Session, the Iowa Legislature amended the definition of authorized gambling games to include table games. In October 2004, the RACI selected an architectural firm to design an expansion of Prairie Meadows casino. The \$110 million expansion would include room for table games, a 200-room hotel, a parking structure, and multiple restaurants. Expansion plans must be approved by the Polk County Board of Supervisors and the Iowa Racing and Gaming Commission. No expansion plans had been officially submitted to either governing body as of November 1, 2004.

On September 12, 1997, the County entered into a five-year lease with RACI for the time period January 1, 1998, through December 31, 2002. Under the lease, the County received a rental fee of \$1.0 million per month and quarterly distributions of net receipts totaling \$70.2 million over the five-year period. RACI also paid Polk County an additional \$4.8 million in June 2004. This payment was made pursuant to an amendment to the 1998-2003 lease that delayed a prior year's net receipt payment until resolution of a United States Supreme Court case regarding gambling taxation. The lawsuit was resolved June 2004, as described below.

RACI made \$37.5 million worth of improvements to the racetrack/casino facility from the inception of the lease through December 31, 2002. The improvements reverted to the County upon expiration of the lease and have been capitalized as "leasehold improvements" in Note 8.

On May 21, 2002, Polk County and RACI entered into a new lease extending from 2003 through 2010. The new lease provides for monthly rental payments of \$1.3 million throughout the lease term and net receipt distributions of \$4.4 million per year for the first five years. During the final three years of the lease, RACI will distribute net receipts to the County only to the extent horse purses exceed the current \$15.0 million per year.

The new lease also addresses the taxation lawsuit heard by the United States Supreme Court. The Supreme Court found differential taxation of pari-mutuel and riverboat casinos to be unconstitutional. In response, the Iowa Legislature reduced the pari-mutuel gaming receipts taxation rate from 36% to 24%. Polk County's lease with RACI requires RACI to pay Polk County one-third of the resulting improvement in net receipts. In June 2004, Polk County received \$5.3 million due to the tax rate change that Prairie Meadows experienced in calendar year 2003. Future tax-rate-change payments are estimated at approximately \$5.9 million annually.

19. IOWA EVENTS CENTER PROJECT

The County started construction of the Iowa Events Center (the "Project") in 2001. The Project consists of a new arena, exhibit hall and improvements to Veterans Auditorium. The Events Center is budgeted at \$217 million and is financed by a combination of public and private revenues. Polk County has issued \$158.9 million in General Obligation bonds to provide most of the local matching funds for the Project. The County will use gaming revenues from the Racetrack/Casino Enterprise fund to offset the County's debt service costs for building the facility. Other sources to repay debt service include private payments and local municipal contributions.

The private revenues that will be used for the project are from the two facility naming rights sponsors, Wells Fargo and Hy-Vee. These funds will be received for twenty years after the buildings open.

Another major funding source is the State's Vision Iowa Program. In July 2001, the Vision Iowa board awarded a total of \$70 million in a combination grant and forgivable loan to the Capital City Vision Project, which includes the Events Center. \$50 million of the assistance is for the Iowa Events Center and \$5 million is for the Iowa Hall of Pride to be located within the new exhibit hall. The remaining \$15 million of assistance is for construction of a new facility for the Science Center of Iowa. The Board of Supervisors approved the Vision Iowa grant agreement in August 2002. Vision Iowa payments to date have totaled of \$23,712,000 (through June 30, 2004). In June 2004, the Vision Iowa Agreement was amended to provide greater flexibility in the use of gaming revenues for debt service and operations.

The Vision Iowa Agreement also requires County funding in the amount of \$15,000,000 to local projects under the umbrella name Capital City Vision Projects. In March 2003, the Board approved the four Capital City Vision contracts for the grants to the City of Des Moines (downtown library project), Science Center of Iowa, World Food Prize Foundation and the John & Mary Pappajohn Higher Education Collaborative. The grant amounts are paid in installments starting in December 2002 and continuing into 2006. Funding is derived from lease payments the County receives from the Racing Association of Central Iowa.

In December 2001, the County issued \$45,000,000 General Obligation tax-exempt bonds. On December 2002, the County issued \$113,900,000 in general obligation bonds to complete the local long-term debt financing for the Project. This bond issue consisted of \$73,000,000 in tax-exempt bonds and \$40,900,000 in taxable bonds for the Project.

All major construction contracts have been awarded. As of June 30, the following are significant construction contracts still outstanding:

Vendor	Contract Amount As of 9/15/04	Project Spent To Date As of 6/30/04	Remaining Commitment
HOK Sports Facilities Group (design services)	\$ 18,533,765	\$ (16,750,911)	\$ 1,782,854
Weitz/Turner (construction management services)	15,691,994	(10,973,580)	4,718,414
Marsh USA (insurance services)	3,268,997	(2,706,256)	562,741
McAninch (demolition & excavation)	5,941,821	(5,881,078)	60,743
Colasanti (arena concrete)	15,550,000	(14,281,102)	1,268,898
Atlas Foundations (arena & exhibit hall foundations)	1,792,756	(1,701,872)	90,884
Interclad (exterior glass wall)	3,451,794	(1,087,012)	2,364,782
Waldinger Corp. (mechanical)	24,623,815	(16,500,996)	8,122,819
JE Dunn (exhibit hall concrete)	7,555,519	(6,777,478)	778,041
Baker Electric (electric)	17,177,062	(7,906,527)	9,270,535
Havens Steel (steel)	15,882,519	(8,156,977)	7,725,542
Roberts Roofing (arena roof)	2,547,930	(74,537)	2,473,393
Kone Inc. (elevators & escalators)	1,599,535	(346,367)	1,253,168
Drake Williams Steel (stairs & railings)	2,983,683	(536,465)	2,447,218
Kennedy & Co. (arena interiors)	3,673,600	(385,177)	3,288,423
Schroeder/Leverington (arena general work)	6,211,159	(382,695)	5,828,464
Roberts Roofing (exhibit hall & vets audit. roof)	1,826,978	(1,418,635)	408,343
Seedorf Masonry (arena interior masonry)	2,809,896	(590,468)	2,219,428
Schroeder/Leverington (exhibit hall general work)	3,951,467	(1,028,763)	2,922,704
Olympic Wall Systems (exhibit hall interiors)	3,453,750	(983,183)	2,470,567
Forrest & Assoc. (arena/exhibit hall ext. masonry)	3,529,441	(2,066,515)	1,462,926
Architectural Wall Systems (metal panels)	3,425,166	(1,154,420)	2,270,746
Corell Contractor (general sitework)	3,575,636	(1,183,780)	2,391,856
Corell Contractor (3rd street paving)	1,028,831	(510,043)	518,788
Total	\$ 170,087,114	\$ (103,384,837)	\$ 66,702,277

The County has also begun purchasing equipment for the facilities, such as phone/computer systems, furniture, seating, food service equipment, etc. Miscellaneous purchases will be made through facility opening. The exhibit hall will be completed in December 2004 and the arena is scheduled to be complete in July 2005.

On August 23, 2004, the Polk County Board of Supervisors approved a Pre-Opening and Management Services Agreement and a Master Lease Agreement between the County and Global Spectrum, L.P. concerning management and operation of Wells Fargo Arena, Hy-Vee Hall, Veterans Memorial Auditorium and the Polk County Convention Complex. The effective date of these agreements is September 1, 2004. Under the terms of these agreements, Global Spectrum has responsibility and liability for any operating losses at the arena. The County is liable for any operating losses at Hy-Vee Hall, Veterans Memorial Auditorium and the Polk County Convention Complex. The County and Global Spectrum are in the transition process which should be completed by the end of 2004.

20. SUBSEQUENT EVENTS

Closing of the Convention Complex Rescinded

On December 9, 2003, the County authorized the discontinuation of operations at the Convention Complex effective August 1, 2005. The decision to discontinue operations was rescinded effective September 1, 2004, as an amendment to the Pre-Opening and Management Services Agreement noted in Note 19. The amendment states that the County intends to continue operations through June 30, 2006.

Issuance of General Obligation Bonds

On July 13, 2004, the County issued \$3,770,000 in general obligation bonds to provide funds for \$1 million for capital improvements, \$1.5 million for housing grants and \$1.2 million for the Neighborhood Finance Corporation. These bonds will be retired from property taxes to be levied in the future.

Issuance of Conduit Debt

On July 13, 2004, the County issued \$4,710,000 in general obligation capital loan notes on behalf of the Polk County Aviation Authority for refunding Aviation Authority's outstanding revenue bonds, constructing new tee hangers and purchasing land for future runway improvements. The Aviation Authority will repay the loan with interest in amounts equal to and on the same payment schedule as the payments the County will make on the general obligation capital loan notes.

21. NEW ACCOUNTING PRONOUNCEMENTS

In March of 2003, GASB issued Statement No. 40 ("GASB 40"), "*Deposit and Investment Risk Disclosures*." GASB 40, which is required to be adopted by the County in its fiscal year ending June 30, 2005, established new disclosures for investments that have fair values that are highly sensitive to changes in interest rates. The County has not determined the effect this statement will have on the financial position of the County.

In November of 2003, GASB issued Statement No. 42 ("GASB 42"), "*Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*." GASB 42, which is required to be adopted by the County in its fiscal year ending June 30, 2006, established new guidance for accounting and reporting for the impairment of capital assets and for insurance recoveries. The County has not determined the effect this statement will have on the financial position of the County.

In May of 2004, the GASB issued Statement No. 43 ("GASB 43"), "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*." GASB 43, which is required to be adopted by the County in its fiscal year ending June 30, 2007, established uniform financial reporting standards for other postemployment (OPEB) plans. The County has not determined the effect this statement will have on the financial position of the County.

In June of 2004, the GASB issued Statement No. 44 ("GASB 44"), "*Economic Condition Reporting: The Statistical Section*." GASB 44, which is required to be adopted by the County in its fiscal year ending June 30, 2006, established new guidance to enhance and update the statistical section that accompanies a state or local governments' basic financial statements. The County has not determined the effect this statement will have on the financial position of the County.

POLK COUNTY, IOWA

**Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2004**

	Original Budget	Amended Budget	Actual	Variance
REVENUES:				
Property taxes	\$ 60,083,252	\$ 60,082,309	\$ 60,357,933	\$ 275,624
Other County taxes	4,129,789	4,107,802	4,109,744	1,942
Interest and penalty on delinquent taxes	966,700	1,036,700	1,050,605	13,905
Intergovernmental	18,139,199	19,558,457	18,550,531	(1,007,926)
Licenses and permits	725,230	730,730	847,028	116,298
Charges for services	7,043,877	8,864,675	9,632,042	767,367
Use of money and property	2,907,385	2,393,005	2,591,816	198,811
Miscellaneous	950,210	1,229,666	1,121,369	(108,297)
Proceeds from disposal of capital assets	75,000	112,990	131,857	18,867
Total receipts	<u>95,020,642</u>	<u>98,116,334</u>	<u>98,392,925</u>	<u>276,591</u>
EXPENDITURES:				
Current:				
Public safety and legal services	39,795,037	39,566,268	38,079,119	1,487,149
Physical health and social services	27,269,841	26,471,470	24,915,693	1,555,777
County environment and education	4,994,047	5,438,470	5,041,820	396,650
Government services to residents	4,995,493	4,990,666	4,748,786	241,880
Administration	21,447,956	21,165,733	20,017,130	1,148,603
Debt service	975,635	937,705	937,705	-
Capital projects	137,700	199,190	114,419	84,771
Total disbursements	<u>99,615,709</u>	<u>98,769,502</u>	<u>93,854,672</u>	<u>4,914,830</u>
OTHER FINANCING SOURCES (USES):				
Transfers in (out)	<u>(477,168)</u>	<u>1,787,405</u>	<u>1,787,405</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES - BUDGETARY BASIS				
	<u>\$ (5,072,235)</u>	<u>\$ 1,134,237</u>	<u>6,325,658</u>	<u>\$ 5,191,421</u>
RECONCILIATION TO GAAP BASIS:				
Basis differences:				
Increase (decrease) in accrual basis assets			1,031,416	
(Increase) decrease in accrual basis liabilities			<u>(736,764)</u>	
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses - GAAP basis			6,620,310	
Fund balance at beginning of year - GAAP basis			24,110,268	
Changes in inventory reserves			<u>3,107</u>	
Fund balance at end of year - GAAP basis			<u>\$ 30,733,685</u>	

See notes to required supplementary information.

POLK COUNTY, IOWA

**Budgetary Comparison Schedule
MH/MR/DD Services Fund
For the Year Ended June 30, 2004**

	Original Budget	Amended Budget	Actual	Variance
REVENUES:				
Property taxes	\$ 13,254,525	\$ 13,258,888	\$ 13,321,032	\$ 62,144
Other County taxes	668,948	658,949	659,553	604
Intergovernmental	26,089,195	25,073,462	25,569,466	496,004
Use of money and property	87,970	87,970	87,970	-
Miscellaneous	307,942	625,134	531,659	(93,475)
Total receipts	<u>40,408,580</u>	<u>39,704,403</u>	<u>40,169,680</u>	<u>465,277</u>
EXPENDITURES:				
Current:				
Mental health	40,440,267	37,026,115	36,733,493	292,622
Total disbursements	<u>40,440,267</u>	<u>37,026,115</u>	<u>36,733,493</u>	<u>292,622</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES - BUDGETARY BASIS				
	<u>\$ (31,687)</u>	<u>\$ 2,678,288</u>	3,436,187	<u>\$ 172,655</u>
RECONCILIATION TO GAAP BASIS:				
Basis differences:				
Increase (decrease) in accrual basis assets			226,435	
(Increase) decrease in accrual basis liabilities			<u>867,645</u>	
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses - GAAP basis			4,530,267	
Fund balance at beginning of year - GAAP basis			<u>1,144,895</u>	
Fund balance at end of year - GAAP basis			<u><u>\$ 5,675,162</u></u>	

See notes to required supplementary information.

POLK COUNTY, IOWA

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2004**

1. BUDGETARY INFORMATION

The County prepares its budgets on a cash basis. The general fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

State law mandates that annual budgets for the fiscal year beginning July 1 must be certified to the County Auditor no later than March 15, preceding the beginning of the fiscal year. Amendments to the budget are considered when program activities change. The budgeted amounts presented in the financial statements reflect the original and amended budget.

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NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

The Special Revenue Funds account for financial resources that are restricted as to use by the Federal or State governments and special purpose funds established by the County Board of Supervisors.

Rural Services - Accounts for taxes levied to benefit the rural residents of the County.

Sheriff Seized Property (State) - Accounts for state proceeds of property seized through law enforcement activities.

Sheriff Seized Property (Federal) - Accounts for federal proceeds of property seized through law enforcement activities.

Attorney Seized Property - Accounts for property seized through law enforcement activities.

Conservation Land Acquisition Trust - Accounts for the assets held for County conservation land acquisition and capital improvements projects.

Equipment Reserve - Accounts for transfers from other funds earmarked for equipment expenditures.

Family Services - Accounts for transfers from Prairie Meadows Racetrack/Casino Enterprise Fund earmarked for family and human services.

Secondary Roads - Accounts for secondary road services provided by the County. Revenues are derived from State revenues and interfund transfers.

County Recorder Records Management - Accounts for recording fees which are earmarked for records management.

County Recorder Electronic Transaction – Accounts for recording fees earmarked for implementing electronic document recording.

Economic Development - Accounts for various economic development projects.

REAP - Accounts for monies received under the State Resource Enhancement and Protection Act.

Housing Development - Accounts for the revenues earmarked for housing development activities.

Contingency Reserve - Accounts for transfers from Prairie Meadows Racetrack/Casino Enterprise Fund and other revenues earmarked for future contingencies.

Bond Revolving - Accounts for proceeds of general obligation bonds, conduit debt transactions, and future similar debt proceeds that are legally restricted for specific expenditures. This fund serves as a clearing fund for bond proceeds and appropriate expenditures (i.e. bond proceeds relating to construction are transferred to Capital Projects Funds).

(continued)

Capital Projects Funds

The Capital Projects Funds account for resources designated to construct or acquire general fixed assets and major improvements. Revenues are derived primarily from the sale of general obligation bonds and notes, intergovernmental revenues, transfers from other funds and earnings on investments.

Courthouse/Jail - Accounts for capital projects relating to the proposed courthouse annex, the new jail site project and the related task force.

Capital Improvements Projects – Accounts for various capital improvements projects.

Debt Service Funds

The Debt Service Funds account for the payment of interest and principal on general obligation bonds and notes. Debt service revenues are principally derived from property taxes, special assessments and other operating revenues.

NW 84th Water Main Debt Service – Accounts for debt service relating to a Drinking Water State Revolving Fund loan for NW 84th Avenue Water Main project.

Hamilton Drain Debt Service - Accounts for debt service for the Hamilton Drain bond issue supported by property taxes and special assessments.

Debt Service - Accounts for debt service for general obligation bond issues supported by County-wide tax levies.

(concluded)

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POLK COUNTY, IOWA

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2004**

	Rural Services	Sheriff Seized Property (State)	Sheriff Seized Property (Federal)	Attorney Seized Property
ASSETS				
Cash and cash equivalents	\$ 1,984,478	\$ 262,812	\$ 159,244	\$ 319,122
Receivables (net of allowances for uncollectibles):				
Taxes	26,375	-	-	-
Succeeding year property taxes	5,310,925	-	-	-
Special assessments	-	-	-	-
Accounts	-	-	-	-
Notes	-	-	-	-
Accrued interest	-	79	31	63
Due from other funds	22,232	-	-	-
Due from other governments	-	1,700	16,585	7,223
Advances to component unit	-	-	-	-
Inventories	-	-	-	-
TOTAL ASSETS	\$ 7,344,010	\$ 264,591	\$ 175,860	\$ 326,408
LIABILITIES				
Vouchers payable	\$ 60,820	\$ -	\$ -	\$ -
Wages payable	10,995	-	-	2,173
Payroll taxes payable	42,375	-	-	478
Interest payable	-	-	-	-
Deferred revenues	48,114	-	-	-
Succeeding year property taxes deferred revenues	5,310,925	-	-	-
TOTAL LIABILITIES	5,473,229	-	-	2,651
FUND BALANCES				
Reserved for advances to component unit	-	-	-	-
Reserved for noncurrent notes receivable	-	-	-	-
Reserved for inventory of supplies	-	-	-	-
Reserved for supplemental levy purposes	1,436,719	-	-	-
Unreserved, designated	-	-	-	-
Unreserved, undesignated	434,062	264,591	175,860	323,757
TOTAL FUND BALANCES	1,870,781	264,591	175,860	323,757
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,344,010	\$ 264,591	\$ 175,860	\$ 326,408

Special Revenue									
Conservation Land Acquisition Trust	Equipment Reserve	Family Services	Secondary Roads	County Recorder Records Management	Economic Development	County Recorder Electronic Transaction	REAP		
\$ 281,072	\$ 2,512,103	\$ 20,168	\$ 29,388	\$ 80,831	\$ 8,696,298	\$ 22,774	\$ 95,432		
-	-	-	-	-	-	-	-		
-	-	-	-	-	-	-	-		
-	-	-	6,199	-	-	-	-		
-	-	-	-	-	3,475,432	-	-		
-	-	-	-	15	-	4	19		
-	-	-	-	708	-	-	-		
-	-	-	547,354	-	-	14,196	1,358		
-	-	-	-	-	-	-	-		
-	-	-	771,964	-	-	-	-		
\$ 281,072	\$ 2,512,103	\$ 20,168	\$ 1,354,905	\$ 81,554	\$ 12,171,730	\$ 36,974	\$ 96,809		
\$ -	\$ 91,925	\$ -	\$ 4,265,970	\$ -	\$ -	\$ -	\$ -		
-	-	-	178,641	-	-	-	-		
-	-	-	-	-	-	-	-		
-	-	-	126,382	-	-	-	-		
-	-	-	-	-	-	-	-		
-	91,925	-	4,570,993	-	-	-	-		
-	-	-	-	-	-	-	-		
-	-	-	-	-	2,691,781	-	-		
-	-	-	771,964	-	-	-	-		
-	-	-	-	-	-	-	-		
-	2,420,178	20,168	-	-	9,479,949	-	-		
281,072	-	-	(3,988,052)	81,554	-	36,974	96,809		
281,072	2,420,178	20,168	(3,216,088)	81,554	12,171,730	36,974	96,809		
\$ 281,072	\$ 2,512,103	\$ 20,168	\$ 1,354,905	\$ 81,554	\$ 12,171,730	\$ 36,974	\$ 96,809		

(continued)

POLK COUNTY, IOWA

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2004**

	Contingency Reserve	Bond Revolving	Total Special Revenue	Capital Courthouse/ Jail
ASSETS				
Cash and cash equivalents	\$ 5,000,000	\$ 1,003	\$ 19,464,725	\$ 856,786
Receivables (net of allowances for uncollectibles):				
Taxes	-	-	26,375	-
Succeeding year property taxes	-	-	5,310,925	-
Special assessments	-	-	-	-
Accounts	-	-	6,199	-
Notes	-	-	3,475,432	-
Accrued interest	-	-	211	-
Due from other funds	-	-	22,940	-
Due from other governments	-	-	588,416	-
Advances to component unit	-	-	-	-
Inventories	-	-	771,964	-
TOTAL ASSETS	\$ 5,000,000	\$ 1,003	\$ 29,667,187	\$ 856,786
LIABILITIES				
Vouchers payable	\$ -	\$ 1,003	\$ 4,419,718	\$ -
Wages payable	-	-	191,809	-
Payroll taxes payable	-	-	42,853	-
Interest payable	-	-	-	-
Deferred revenues	-	-	174,496	-
Succeeding year property taxes deferred revenues	-	-	5,310,925	-
TOTAL LIABILITIES	-	1,003	10,139,801	-
FUND BALANCES				
Reserved for advances to component unit	-	-	-	-
Reserved for noncurrent notes receivable	-	-	2,691,781	-
Reserved for inventory of supplies	-	-	771,964	-
Reserved for supplemental levy purposes	-	-	1,436,719	-
Unreserved, designated	5,000,000	-	16,920,295	-
Unreserved, undesignated	-	-	(2,293,373)	856,786
TOTAL FUND BALANCES	5,000,000	-	19,527,386	856,786
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,000,000	\$ 1,003	\$ 29,667,187	\$ 856,786

Projects		Debt Service					Total
Capital Improvements Projects	Total Capital Projects	NW 84th Water Main Debt Service	Hamilton Drain Debt Service	Debt Service	Total Debt Service	Total Nonmajor Governmental Funds	
\$ 2,765,024	\$ 3,621,810	\$ 185,077	\$ -	\$ 809,937	\$ 995,014	\$ 24,081,549	
-	-	-	-	8,301	8,301	34,676	
-	-	-	-	2,956,237	2,956,237	8,267,162	
-	-	-	5,081	-	5,081	5,081	
-	-	-	-	-	-	6,199	
-	-	-	-	-	-	3,475,432	
-	-	34	13	144	191	402	
-	-	-	-	12,581	12,581	35,521	
5,221	5,221	-	-	-	-	593,637	
-	-	-	-	4,964,293	4,964,293	4,964,293	
-	-	-	-	-	-	771,964	
\$ 2,770,245	\$ 3,627,031	\$ 185,111	\$ 5,094	\$ 8,751,493	\$ 8,941,698	\$ 42,235,916	
\$ 29,009	\$ 29,009	\$ -	\$ -	\$ -	\$ -	\$ 4,448,727	
-	-	-	-	-	-	191,809	
-	-	-	-	-	-	42,853	
-	-	1,913	-	-	1,913	1,913	
5,221	5,221	-	5,081	20,393	25,474	205,191	
-	-	-	-	2,956,237	2,956,237	8,267,162	
34,230	34,230	1,913	5,081	2,976,630	2,983,624	13,157,655	
-	-	-	-	4,964,293	4,964,293	4,964,293	
-	-	-	-	-	-	2,691,781	
-	-	-	-	-	-	771,964	
-	-	-	-	-	-	1,436,719	
-	-	-	-	-	-	16,920,295	
2,736,015	3,592,801	183,198	13	810,570	993,781	2,293,209	
2,736,015	3,592,801	183,198	13	5,774,863	5,958,074	29,078,261	
\$ 2,770,245	\$ 3,627,031	\$ 185,111	\$ 5,094	\$ 8,751,493	\$ 8,941,698	\$ 42,235,916	

(concluded)

POLK COUNTY, IOWA

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2004**

	Rural Services	Sheriff Seized Property (State)	Sheriff Seized Property (Federal)	Attorney Seized Property
REVENUES:				
Property taxes	\$ 4,853,948	\$ -	\$ -	\$ -
Other County taxes	171,996	-	-	-
Intergovernmental	149,827	-	-	-
Licenses and permits	-	-	-	-
Charges for services	17,057	-	-	-
Use of money and property	-	1,630	681	3,375
Miscellaneous	28,239	260,691	32,832	79,345
TOTAL REVENUES	5,221,067	262,321	33,513	82,720
EXPENDITURES:				
Current:				
Public safety and legal services	-	134,471	41,770	81,656
Physical health and social services	-	-	-	-
County environment and education	1,036,672	-	-	-
Roads and transportation	1,182,619	-	-	-
Government services to residents	-	-	-	-
Nonprogram services	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital projects:				
Roadway construction	-	-	-	-
Other capital projects	-	-	-	-
TOTAL EXPENDITURES	2,219,291	134,471	41,770	81,656
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	3,001,776	127,850	(8,257)	1,064
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	(3,379,908)	-	-	-
Proceeds from issuance of conduit debt	-	-	-	-
Payment to refunded bond escrow agent - conduit debt	-	-	-	-
Proceeds from issuance of debt	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(3,379,908)	-	-	-
NET CHANGE IN FUND BALANCES	(378,132)	127,850	(8,257)	1,064
FUND BALANCE, BEGINNING	2,248,913	136,741	184,117	322,693
Change in inventory reserve	-	-	-	-
FUND BALANCE, ENDING	\$ 1,870,781	\$ 264,591	\$ 175,860	\$ 323,757

Special Revenue							
Conservation Land Acquisition Trust	Equipment Reserve	Family Services	Secondary Roads	County Recorder Records Management	Economic Development	County Recorder Electronic Transaction	REAP
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	4,640,968	-	-	-	94,045
-	-	-	43,280	-	-	-	-
-	-	-	201,654	145,517	-	-	-
2,920	-	-	-	529	-	89	207
72,622	31,181	-	207,545	-	-	36,885	-
75,542	31,181	-	5,093,447	146,046	-	36,974	94,252
-	-	-	-	-	-	-	-
-	-	6,730	-	-	-	-	-
-	-	-	-	-	4,449,708	-	-
-	-	-	8,080,687	-	-	-	-
-	-	-	-	77,625	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	4,459,987	-	-	-	-
-	1,857,999	-	-	-	-	-	-
-	1,857,999	6,730	12,540,674	77,625	4,449,708	-	-
75,542	(1,826,818)	(6,730)	(7,447,227)	68,421	(4,449,708)	36,974	94,252
-	1,225,600	-	5,236,903	-	6,840,400	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	1,225,600	-	5,236,903	-	6,840,400	-	-
75,542	(601,218)	(6,730)	(2,210,324)	68,421	2,390,692	36,974	94,252
205,530	3,021,396	26,898	(943,347)	13,133	9,781,038	-	2,557
-	-	-	(62,417)	-	-	-	-
\$ 281,072	\$ 2,420,178	\$ 20,168	\$ (3,216,088)	\$ 81,554	\$ 12,171,730	\$ 36,974	\$ 96,809

POLK COUNTY, IOWA

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2004**

	Housing Development	Contingency Reserve	Bond Revolving	Total Special Revenues
REVENUES:				
Property taxes	\$ -	\$ -	\$ -	\$ 4,853,948
Other County taxes	-	-	-	171,996
Intergovernmental	-	-	-	4,884,840
Licenses and permits	-	-	-	43,280
Charges for services	-	-	-	364,228
Use of money and property	-	-	1,222	10,653
Miscellaneous	-	-	2,863	752,203
TOTAL REVENUES	-	-	4,085	11,081,148
EXPENDITURES:				
Current:				
Public safety and legal services	-	-	-	257,897
Physical health and social services	-	-	-	6,730
County environment and education	2,600,000	-	-	8,086,380
Roads and transportation	-	-	-	9,263,306
Government services to residents	-	-	-	77,625
Nonprogram services	-	-	30,110	30,110
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital projects:				
Roadway construction	-	-	-	4,459,987
Other capital projects	-	-	-	1,857,999
TOTAL EXPENDITURES	2,600,000	-	30,110	24,040,034
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,600,000)	-	(26,025)	(12,958,886)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	13,302,903
Transfers out	-	-	(1,017,762)	(4,397,670)
Proceeds from issuance of conduit debt	-	-	1,530,000	1,530,000
Payment to refunded bond escrow agent - conduit debt	-	-	(1,511,213)	(1,511,213)
Proceeds from issuance of debt	-	-	1,025,000	1,025,000
TOTAL OTHER FINANCING SOURCES (USES)	-	-	26,025	9,949,020
NET CHANGE IN FUND BALANCES	(2,600,000)	-	-	(3,009,866)
FUND BALANCE, BEGINNING	2,600,000	5,000,000	-	22,599,669
Change in inventory reserve	-	-	-	(62,417)
FUND BALANCE, ENDING	\$ -	\$ 5,000,000	\$ -	\$ 19,527,386

Capital Projects			Debt Service			Total Debt Service	Total Nonmajor Governmental Funds
Courthouse/ Jail	Capital Improvements Projects	Total Capital Projects	NW 84th Water Main Debt Service	Hamilton Drain Debt Service	Debt Service		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,547,292	\$ 1,547,292	\$ 6,401,240
-	-	-	-	-	66,351	66,351	238,347
-	-	-	-	-	51,070	51,070	4,935,910
-	-	-	-	-	-	-	43,280
-	-	-	-	-	-	-	364,228
-	-	-	2,077	580	22,079	24,736	35,389
-	24,087	24,087	33,852	66,487	-	100,339	876,629
-	24,087	24,087	35,929	67,067	1,686,792	1,789,788	12,895,023
-	-	-	-	-	-	-	257,897
-	-	-	-	-	-	-	6,730
-	-	-	-	-	-	-	8,086,380
-	-	-	-	-	-	-	9,263,306
-	-	-	-	-	-	-	77,625
-	-	-	-	-	-	-	30,110
-	-	-	31,000	-	2,385,089	2,416,089	2,416,089
-	-	-	24,891	-	695,518	720,409	720,409
-	-	-	-	-	-	-	4,459,987
203,378	647,971	851,349	-	-	-	-	2,709,348
203,378	647,971	851,349	55,891	-	3,080,607	3,136,498	28,027,881
(203,378)	(623,884)	(827,262)	(19,962)	67,067	(1,393,815)	(1,346,710)	(15,132,858)
-	350,000	350,000	-	-	1,060,317	1,060,317	14,713,220
-	-	-	-	(68,650)	-	(68,650)	(4,466,320)
-	-	-	-	-	-	-	1,530,000
-	-	-	-	-	-	-	(1,511,213)
-	-	-	-	-	-	-	1,025,000
-	350,000	350,000	-	(68,650)	1,060,317	991,667	11,290,687
(203,378)	(273,884)	(477,262)	(19,962)	(1,583)	(333,498)	(355,043)	(3,842,171)
1,060,164	3,009,899	4,070,063	203,160	1,596	6,108,361	6,313,117	32,982,849
-	-	-	-	-	-	-	(62,417)
\$ 856,786	\$ 2,736,015	\$ 3,592,801	\$ 183,198	\$ 13	\$ 5,774,863	\$ 5,958,074	\$ 29,078,261

(concluded)

POLK COUNTY, IOWA

**Budgetary Comparison Schedule
Nonmajor - Special Revenue Funds
For the Year Ended June 30, 2004**

	Original	Amended Budget	Actual	Variance
REVENUES:				
Property taxes	\$ 4,812,390	\$ 4,814,346	\$ 4,854,689	\$ 40,343
Other County taxes	177,285	172,495	171,907	(588)
Intergovernmental	6,816,943	5,021,798	4,830,726	(191,072)
Licenses and permits	3,000	41,000	38,480	(2,520)
Charges for services	285,000	376,000	364,779	(11,221)
Use of money and property	733,394	840,827	835,612	(5,215)
Miscellaneous	430,000	789,757	859,248	69,491
General long-term debt proceeds	1,800,000	11,472,105	2,555,884	(8,916,221)
Proceeds from disposal of capital assets	80,000	48,185	45,065	(3,120)
Total receipts	<u>15,138,012</u>	<u>23,576,513</u>	<u>14,556,390</u>	<u>(9,020,123)</u>
EXPENDITURES:				
Current:				
Public safety and legal services	301,659	305,208	255,246	49,962
Physical health and social services	-	10,000	6,730	3,270
County environment and education	13,188,529	13,863,902	8,375,362	5,488,540
Roads and transportation	8,167,166	8,378,516	8,232,300	146,216
Government services to residents	72,000	78,000	77,625	375
Nonprogram services	50,000	6,697,886	1,540,320	5,157,566
Capital projects	6,348,767	6,962,245	5,479,755	1,482,490
Total disbursements	<u>28,128,121</u>	<u>36,295,757</u>	<u>23,967,338</u>	<u>12,328,419</u>
OTHER FINANCING SOURCES (USES):				
Transfers in (out)	<u>5,047,612</u>	<u>5,553,376</u>	<u>8,905,233</u>	<u>3,351,857</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES - BUDGETARY BASIS				
	<u>\$ (7,942,497)</u>	<u>\$ (7,165,868)</u>	<u>(505,715)</u>	<u>\$ 6,660,153</u>
RECONCILIATION TO GAAP BASIS:				
Basis differences:				
Increase (decrease) in accrual basis assets			(531,464)	
(Increase) decrease in accrual basis liabilities			<u>(1,972,687)</u>	
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses - GAAP basis			(3,009,866)	
Fund balance at beginning of year - GAAP basis			22,599,669	
Changes in inventory reserves			<u>(62,417)</u>	
Fund balance at end of year - GAAP basis			<u>\$ 19,527,386</u>	

POLK COUNTY, IOWA

**Budgetary Comparison Schedule
Nonmajor - Capital Projects Funds
For the Year Ended June 30, 2004**

	Original	Amended Budget	Actual	Variance
REVENUES:				
Miscellaneous	\$ -	\$ 79,674	\$ 72,289	\$ (7,385)
Total receipts	<u>-</u>	<u>79,674</u>	<u>72,289</u>	<u>(7,385)</u>
EXPENDITURES:				
Capital projects	1,000,000	1,311,311	841,473	469,838
Total disbursements	<u>1,000,000</u>	<u>1,311,311</u>	<u>841,473</u>	<u>469,838</u>
OTHER FINANCING SOURCES (USES):				
Transfers in (out)	<u>1,000,000</u>	<u>350,000</u>	<u>350,000</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES - BUDGETARY BASIS				
	<u>\$ -</u>	<u>\$ (881,637)</u>	<u>(419,184)</u>	<u>\$ 469,838</u>
RECONCILIATION TO GAAP BASIS:				
Basis difference:				
Increase (decrease) in accrual basis assets			(42,980)	
(Increase) decrease in accrual basis liabilities			<u>(15,098)</u>	
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses - GAAP basis			(477,262)	
Fund balance at beginning of year - GAAP basis			<u>4,070,063</u>	
Fund balance at end of year - GAAP basis			<u>\$ 3,592,801</u>	

POLK COUNTY, IOWA

**Budgetary Comparison Schedule
Nonmajor - Debt Service Funds
For the Year Ended June 30, 2004**

	Original	Amended Budget	Actual	Variance
REVENUES:				
Property taxes	\$ 1,465,561	\$ 1,450,181	\$ 1,547,654	\$ 97,473
Other County taxes	65,079	65,080	66,281	1,201
Intergovernmental	49,857	52,127	51,070	(1,057)
Use of money and property	1,715,693	3,801,166	3,815,177	14,011
Miscellaneous	37,063	83,000	101,838	18,838
Total receipts	<u>3,333,253</u>	<u>5,451,554</u>	<u>5,582,020</u>	<u>130,466</u>
EXPENDITURES:				
Debt service	<u>4,312,372</u>	<u>6,414,233</u>	<u>6,414,203</u>	30
Total disbursements	<u>4,312,372</u>	<u>6,414,233</u>	<u>6,414,203</u>	30
OTHER FINANCING SOURCES (USES):				
Transfers in (out)	<u>963,711</u>	<u>656,378</u>	<u>991,667</u>	335,289
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES - BUDGETARY BASIS				
	<u>\$ (15,408)</u>	<u>\$ (306,301)</u>	159,484	<u>\$ 465,785</u>
RECONCILIATION TO GAAP BASIS:				
Basis differences:				
Increase (decrease) in accrual basis assets			(561,792)	
(Increase) decrease in accrual basis liabilities			<u>47,265</u>	
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses - GAAP basis			(355,043)	
Fund balance at beginning of year - GAAP basis			<u>6,313,117</u>	
Fund balance at end of year - GAAP basis			<u>\$ 5,958,074</u>	

NONMAJOR ENTERPRISE FUNDS

The Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the government's council is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of net income is appropriate for accountability purposes.

Air Pollution - Accounts for activity of the Air Pollution Program in accordance with requirements imposed by the 1990 Federal Clean Air Act. The Air Pollution Program is primarily financed through user charges (air pollution control permits) and federal grant revenue. The Board of Supervisors has decided that periodic determination of net income is appropriate for accountability purposes.

Convention Complex - Accounts for activity of the Convention Complex facility of the Regional Facilities Department.

Veterans Memorial Auditorium - Accounts for activity of the Veterans Memorial Auditorium facility of the Regional Facilities Department.

Sanitary Treatment Works – Accounts for activity of the Sanitary Treatment Works System.

Jester Park Golf Course - Accounts for activity of the golf course operated by the County Conservation Board.

Hamilton Urban Drainage District - Accounts for storm water utility user fees and related operations and maintenance expenses of the Hamilton Drain Urban Drainage District.

POLK COUNTY, IOWA

Combining Statement of Net Assets
Nonmajor Enterprise Funds
June 30, 2004

	Air Pollution	Convention Complex	Veterans Memorial Auditorium	Sanitary Treatment Works	Jester Park Golf Course	Hamilton Urban Drainage District	Total Nonmajor Enterprise Funds
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 433,135	\$ 985,307	\$ 494,687	\$ 1,638,873	\$ 358,515	\$ 684,499	\$ 4,595,016
Receivables (net of allowances for uncollectibles):							
Special assessments	-	-	-	468,264	-	-	468,264
Accounts	-	22,084	18,930	15,574	-	-	56,588
Accrued interest	91	478	477	333	71	135	1,585
Due from other funds	-	-	-	-	231,976	-	231,976
Due from other governments	213,729	-	-	24,828	-	-	238,557
Inventories	-	41,836	21,057	-	46,973	-	109,866
Prepaid items	-	10,000	-	-	-	-	10,000
Total current assets	646,955	1,059,705	535,151	2,147,872	637,535	684,634	5,711,852
Noncurrent assets:							
Investment in joint venture	-	-	-	18,086,909	-	-	18,086,909
Lease/debt origination costs	-	13,715	22,127	25,446	-	-	61,288
Capital assets, net	77,799	816,230	4,680,742	6,893,193	981,189	7,509,294	20,958,447
Total noncurrent assets	77,799	829,945	4,702,869	25,005,548	981,189	7,509,294	39,106,644
TOTAL ASSETS	724,754	1,889,650	5,238,020	27,153,420	1,618,724	8,193,928	44,818,496
LIABILITIES							
Current liabilities:							
Vouchers payable	26,638	101,773	24,544	1,892	30,774	21	185,642
Wages payable	25,476	38,617	77,825	-	35,723	-	177,641
Payroll taxes payable	5,578	8,040	17,275	-	7,020	-	37,913
Interest payable	-	1,578	2,664	16,916	-	-	21,158
Due to other funds	-	-	2,287,462	-	5,000	-	2,292,462
Advance deposits and ticket sales	-	81,386	285,825	-	7,388	-	374,599
General obligation bonds payable	-	370,242	953,227	179,695	-	-	1,503,164
Notes payable	-	-	-	353,201	-	-	353,201
Compensated absences payable	11,204	9,822	24,624	-	3,899	-	49,550
Total current liabilities	68,896	611,458	3,673,446	551,704	89,804	21	4,995,330
Noncurrent liabilities:							
General obligation bonds payable	-	628,240	965,227	1,538,170	-	-	3,131,637
Notes payable	-	-	-	3,033,165	-	-	3,033,165
Compensated absences payable	98,265	86,141	215,957	-	34,195	-	434,557
Total noncurrent liabilities	98,265	714,381	1,181,184	4,571,335	34,195	-	6,599,359
TOTAL LIABILITIES	167,161	1,325,839	4,854,630	5,123,039	123,999	21	11,594,689
NET ASSETS							
Invested in capital assets, net of related debt	77,799	323,230	2,708,742	5,444,565	981,189	7,509,294	17,044,819
Unrestricted	479,794	240,581	(2,325,352)	16,585,816	513,536	684,613	16,178,988
TOTAL NET ASSETS	\$ 557,593	\$ 563,811	\$ 383,390	\$ 22,030,381	\$ 1,494,725	\$ 8,193,907	\$ 33,223,807

POLK COUNTY, IOWA

Combining Statement of Revenues, Expenses, and Changes in Net Assets
 Nonmajor Enterprise Funds
 For the Year Ended June 30, 2004

	Air Pollution	Convention Complex	Veterans Memorial Auditorium	Sanitary Treatment Works	Jester Park Golf Course	Hamilton Urban Drainage District	Total Nonmajor Enterprise Funds
OPERATING REVENUES:							
Charges for goods and services:							
Charges for services	\$ 267,758	\$ 1,066,654	\$ 1,087,488	\$ 490,660	\$ 1,301,554	\$ 122,750	\$ 4,336,864
Grant revenue, operating	624,372	-	-	-	-	-	624,372
Parking income	-	-	564,955	-	-	-	564,955
Concession sales	-	1,553,303	1,192,944	-	-	-	2,746,247
Commissions income	-	130,686	147,000	-	-	-	277,686
PFMS user fee on ticket sales	-	3,130	107,803	-	-	-	110,933
Miscellaneous	3,277	1,725	19,157	31,442	16,866	4,899	77,366
Total operating revenues	895,407	2,755,498	3,119,347	522,102	1,318,420	127,649	8,738,423
OPERATING EXPENSES:							
Cost of goods and services:							
Personal services	631,133	967,401	2,638,928	13,612	675,029	13,218	4,939,321
Supplies	21,119	122,817	132,788	-	406,865	-	683,589
Professional services	75,274	85,899	88,314	14,231	5,908	7,221	276,847
Other services/charges	73,803	659,006	847,739	255,413	240,235	1,063	2,077,259
Direct event expense	-	99,734	465,586	-	-	-	565,320
Cost of goods sold - concession	-	309,842	183,726	-	-	-	493,568
Management expense	-	685,257	-	-	-	-	685,257
Miscellaneous	301	5,340	21,056	12,100	43,202	4,601	86,600
Amortization of discount (premium)	-	4,837	27,544	1,927	-	-	34,308
Depreciation	23,339	75,224	314,540	169,742	155,890	229,916	968,651
Total operating expenses	824,969	3,015,357	4,720,221	467,025	1,527,129	256,019	10,810,720
OPERATING INCOME (LOSS)	70,438	(259,859)	(1,600,874)	55,077	(208,709)	(128,370)	(2,072,297)
NONOPERATING REVENUES (EXPENSES):							
Interest revenue	5,061	12,687	10,826	38,087	6,797	6,938	80,396
Interest expense	-	(31,453)	(104,757)	(196,286)	-	-	(332,496)
Net joint venture activity	-	-	-	3,315,405	-	-	3,315,405
Total nonoperating revenues (expenses)	5,061	(18,766)	(93,931)	3,157,206	6,797	6,938	3,063,305
INCOME (LOSS) BEFORE TRANSFERS	75,499	(278,625)	(1,694,805)	3,212,283	(201,912)	(121,432)	991,008
TRANSFERS:							
Capital contributions from others	-	-	-	332,069	-	-	332,069
Transfers in	-	252,161	1,006,564	619,623	-	-	1,878,348
Transfers out	-	-	-	(3,335,400)	-	-	(3,335,400)
Total transfers	-	252,161	1,006,564	(2,383,708)	-	-	(1,124,983)
CHANGE IN NET ASSETS	75,499	(26,464)	(688,241)	828,575	(201,912)	(121,432)	(133,975)
TOTAL NET ASSETS - BEGINNING	482,094	590,275	1,071,631	21,201,806	1,696,637	8,315,339	33,357,782
TOTAL NET ASSETS - ENDING	\$ 557,593	\$ 563,811	\$ 383,390	\$ 22,030,381	\$ 1,494,725	\$ 8,193,907	\$ 33,223,807

POLK COUNTY, IOWA

Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2004

	Air Pollution	Convention Complex	Veterans Memorial Auditorium
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 271,035	\$ 2,815,334	\$ 2,884,325
Cash received from operating grants	567,297	-	-
Cash paid to suppliers for goods and services	(185,416)	(1,977,092)	(1,744,321)
Cash paid to employees	(586,875)	(967,750)	(2,630,062)
Net cash flows from operating activities	<u>66,041</u>	<u>(129,508)</u>	<u>(1,490,058)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	-	252,161	1,006,564
Transfers out	-	-	-
Cash paid to other funds	-	-	1,167,112
Cash received from other funds	-	-	1,333
Net cash flows from noncapital financing activities	<u>-</u>	<u>252,161</u>	<u>2,175,009</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds of general obligation debt (net of discount/premium)	-	1,011,000	-
Issuance costs paid on long-term debt	-	(16,094)	-
Payment to refunded bond escrow agent	-	(489,366)	-
Principal paid on long-term debt	-	(223,364)	(891,636)
Interest paid on long-term debt	-	(30,022)	(98,813)
Purchase of capital assets	(32,762)	-	-
Net cash flows from capital and related financing activities	<u>(32,762)</u>	<u>252,154</u>	<u>(990,449)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from the sale of investment in joint venture	-	-	-
Interest received	5,380	13,308	10,997
Net cash flows from investing activities	<u>5,380</u>	<u>13,308</u>	<u>10,997</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	38,659	388,115	(294,501)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>394,476</u>	<u>597,192</u>	<u>789,188</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 433,135</u>	<u>\$ 985,307</u>	<u>\$ 494,687</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating income (loss)	\$ 70,438	\$ (259,859)	\$ (1,600,874)
Components of operating income (loss) not included in operating activities			
Depreciation	23,339	75,224	314,540
Amortization	-	4,837	27,544
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:			
(Increase) decrease in special assessments receivable	-	-	-
(Increase) decrease in accounts receivable	-	75,554	(2,557)
(Increase) decrease in due from other governments	(57,075)	-	-
(Increase) decrease in inventories	-	(6,300)	2,352
(Increase) decrease in prepaid items	-	(10,000)	-
Increase (decrease) in vouchers payable	(14,919)	7,103	(7,464)
Increase (decrease) in wages payable	6,797	5,295	(1,202)
Increase (decrease) in payroll taxes payable	1,216	174	(1,875)
Increase (decrease) in compensated absences payable	36,245	(5,818)	11,943
Increase (decrease) in advance deposits and ticket sales	-	(15,718)	(232,465)
Net cash flows from operating activities	<u>\$ 66,041</u>	<u>\$ (129,508)</u>	<u>\$ (1,490,058)</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:			
Net joint venture activity	\$ -	\$ -	\$ -
Capital contributions from others/developers	-	-	-
Disposal of fully depreciated capital assets	(28,498)	-	(219,685)
Increased valuation due to trade-in of similiar asset	-	-	-

Sanitary Treatment Works	Jester Park Golf Course	Hamilton Urban Drainage District	Total Nonmajor Enterprise Funds
\$ 615,877	\$ 1,320,423	\$ 137,812	\$ 8,044,806
-	-	-	567,297
(293,288)	(693,960)	(14,664)	(4,908,741)
(13,612)	(670,244)	(13,218)	(4,881,761)
308,977	(43,781)	109,930	(1,178,399)
619,623	-	-	1,878,348
(3,335,400)	-	-	(3,335,400)
-	-	-	1,167,112
-	(75,789)	-	(74,456)
(2,715,777)	(75,789)	-	(364,396)
1,230,000	-	-	2,241,000
(22,772)	-	-	(38,866)
-	-	-	(489,366)
(682,640)	-	-	(1,797,640)
(197,174)	-	-	(326,009)
(1,179,707)	(130,032)	-	(1,342,501)
(852,293)	(130,032)	-	(1,753,382)
3,335,400	-	-	3,335,400
39,409	7,254	7,350	83,698
3,374,809	7,254	7,350	3,419,098
115,716	(242,348)	117,280	122,921
1,523,157	600,863	567,219	4,472,095
\$ 1,638,873	\$ 358,515	\$ 684,499	\$ 4,595,016
55,077	(208,709)	(128,370)	(2,072,297)
169,742	155,890	229,916	968,651
1,927	-	-	34,308
71,388	-	-	71,388
25,151	-	-	98,148
(2,764)	-	10,163	(49,676)
-	6,963	-	3,015
-	-	-	(10,000)
(11,544)	(4,713)	(1,779)	(33,316)
-	4,457	-	15,347
-	403	-	(82)
-	(75)	-	42,295
-	2,003	-	(246,180)
\$ 308,977	\$ (43,781)	\$ 109,930	\$ (1,178,399)
\$ (19,995)	\$ -	\$ -	\$ (19,995)
332,069	-	-	332,069
-	(129,532)	-	(377,715)
-	16,383	-	16,383

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INTERNAL SERVICE FUNDS

The Internal Service Funds are used to account for the financing of goods and services provided by one department to other departments of the County and to other governmental units on a cost reimbursement basis.

Employee Insurance – This fund is used to account for all self-insured health insurance claim payments and stop-loss premiums.

Risk Management – This fund is used to account for all insurance premiums and claim payments other than health benefits. The County's self-insured workers' compensation insurance is accounted for in this fund.

POLK COUNTY, IOWA

**Combining Statement of Net Assets
Internal Service Funds
June 30, 2004**

	Employee Insurance	Risk Management	Total
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 1,532,688	\$ 3,200,246	\$ 4,732,934
Receivables (net of allowances for uncollectibles):			
Accounts	92,996	-	92,996
Accrued interest	304	1,231	1,535
Prepaid items	265,949	-	265,949
TOTAL ASSETS	1,891,937	3,201,477	5,093,414
LIABILITIES:			
Current liabilities:			
Voucher payable	62,053	-	62,053
Estimated liability for claims and judgments	1,078,422	-	1,078,422
Total current liabilities	1,140,475	-	1,140,475
TOTAL LIABILITIES	1,140,475	-	1,140,475
NET ASSETS			
Unrestricted, designated	751,462	3,201,477	3,952,939
TOTAL NET ASSETS	\$ 751,462	\$ 3,201,477	\$ 3,952,939

POLK COUNTY, IOWA

**Combining Statement of Revenues, Expenses, and
Changes in Net Assets
Internal Service Funds
For the Year Ended June 30, 2004**

	Employee Insurance	Risk Management	Total
REVENUES:			
Charges for services	\$ 9,065,080	\$ -	\$ 9,065,080
Total revenues	9,065,080	-	9,065,080
EXPENSES:			
Personal services	317,934	-	317,934
Other services/charges	39,697	-	39,697
Insurance	9,464,420	-	9,464,420
Total expenses	9,822,051	-	9,822,051
OPERATING INCOME (LOSS)	(756,971)	-	(756,971)
NONOPERATING REVENUES (EXPENSES):			
Interest revenue, net	24,476	(3,407)	21,069
Total nonoperating revenues (expenses)	24,476	(3,407)	21,069
INCOME (LOSS) BEFORE TRANSFERS	(732,495)	(3,407)	(735,902)
TRANSFERS:			
Transfers in	-	2,029,218	2,029,218
Transfers out	(20,000)	(3,829,218)	(3,849,218)
Total transfers	(20,000)	(1,800,000)	(1,820,000)
CHANGE IN NET ASSETS	(752,495)	(1,803,407)	(2,555,902)
NET ASSETS , BEGINNING	1,503,957	5,004,884	6,508,841
NET ASSETS, ENDING	\$ 751,462	\$ 3,201,477	\$ 3,952,939

POLK COUNTY, IOWA

**Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2004**

	Employee Insurance	Risk Management	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 8,933,420	\$ -	\$ 8,933,420
Cash paid to suppliers for goods and services	(10,005,161)	-	(10,005,161)
Net cash flows from operating activities	<u>(1,071,741)</u>	-	<u>(1,071,741)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	-	2,029,218	2,029,218
Transfers out	(20,000)	(3,829,218)	(3,849,218)
Net cash flows from noncapital financing activities	<u>(20,000)</u>	<u>(1,800,000)</u>	<u>(1,820,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	26,890	246	27,136
Net cash flows from investing activities	<u>26,890</u>	<u>246</u>	<u>27,136</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,064,851)	(1,799,754)	(2,864,605)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,597,539</u>	<u>5,000,000</u>	<u>7,597,539</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,532,688</u>	<u>\$ 3,200,246</u>	<u>\$ 4,732,934</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating income (loss)	\$ (756,971)	\$ -	\$ (756,971)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:			
(Increase) decrease in accounts receivable	(79,807)	-	(79,807)
Increase (decrease) in vouchers payable	(7,717)	-	(7,717)
Increase (decrease) in estimated liability for claims and judgments	(227,246)	-	(227,246)
Net cash flows from operating activities	<u>\$ (1,071,741)</u>	<u>\$ -</u>	<u>\$ (1,071,741)</u>

AGENCY FUNDS

Elected Officials

Elected Officials Funds 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.

Attorney - Accounts for funds associated with crime prevention.

Auditor - Accounts for various trusts monitored by the County.

Board of Supervisors - Other - Accounts for the transactions for the following departments: Public Works, Social Services, General Services, and Health. Accounts for the sale of various permits (building, electrical, etc.) and the sale of County owned property.

County Conservation Board - Accounts for the revenues generated from the operation of the various County parks.

Recorder - Accounts for the recording of deeds and mortgages and the sale of various licenses (hunting, fishing, ATV, boat and snowmobile).

Sheriff - Accounts for fees associated with the servicing of papers, purchasing of gun permits and handling of inmate funds.

Other Agency Funds

Other Agency Funds are clearing accounts that account for funds collected by the County on the behalf of individuals and other governmental entities.

Trust & Agency Treasurer
Trust & Agency Trust Funds Held
County Assessor Expense
County Assessor Special Appraisal
County Assessor FICA
County Assessor IPERS
Recorder's Electric Fee
E911 Service
GIMS Implementation
Joint Disaster Services
Relief Clearing
Employee Activities
Community Empowerment – Childhood Services
Seized Funds Unforfeited
Mine Task Force

POLK COUNTY, IOWA

**Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2004**

	Elected Officials				
	Attorney	Auditor	Board of Supervisors - Other	County Conservation Board	Recorder
ASSETS:					
Cash and cash equivalents	\$ 4,694	\$ 101,003	\$ 3,547	\$ 331,787	\$ 473,805
Receivables (net of allowances for uncollectibles):					
Taxes	-	-	-	-	-
Special assessments	-	-	-	-	-
Accounts	-	-	-	-	-
Accrued interest	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due from other governments	-	-	-	-	5,082
Inventories	-	-	-	-	-
Prepays	-	-	-	-	-
TOTAL ASSETS	\$ 4,694	\$ 101,003	\$ 3,547	\$ 331,787	\$ 478,887
LIABILITIES:					
Vouchers payable	\$ -	\$ -	\$ -	\$ -	\$ -
Wages payable	-	-	-	-	-
Payroll taxes payable	-	-	-	-	-
Estimated liability for claims and judgments	-	-	-	-	-
Due to other funds	4,694	4,968	3,547	331,787	6,458
Due to other governments	-	95,229	-	-	472,429
Advances from other funds	-	-	-	-	-
Trusts payable	-	806	-	-	-
Compensated absences payable	-	-	-	-	-
TOTAL LIABILITIES	\$ 4,694	\$ 101,003	\$ 3,547	\$ 331,787	\$ 478,887

Sheriff	Total Elected Officials	Trust & Agency Treasurer	Trust & Agency Trust Funds Held	County Assessor Expense	County Assessor Special Appraisal	County Assessor FICA
\$ 669,431	\$ 1,584,267	\$ 13,573,392	\$ 633,461	\$ 1,007,432	\$ 167,975	\$ -
-	-	2,336,672	-	11,158	1,312	626
-	-	5,744,169	15,699	-	-	-
-	-	-	-	-	-	-
-	-	-	91	-	-	-
157	157	-	-	-	-	-
-	5,082	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
\$ 669,588	\$ 1,589,506	\$ 21,654,233	\$ 649,251	\$ 1,018,590	\$ 169,287	\$ 626
\$ -	\$ -	\$ -	\$ -	\$ 5,481	\$ 11,000	\$ -
-	-	-	-	125,815	-	-
-	-	-	-	26,906	-	-
-	-	-	-	221,270	-	-
253,429	604,883	4,052	-	-	-	-
-	567,658	21,650,181	344,819	193,930	158,287	626
-	-	-	61,600	-	-	-
416,159	416,965	-	242,832	-	-	-
-	-	-	-	445,188	-	-
\$ 669,588	\$ 1,589,506	\$ 21,654,233	\$ 649,251	\$ 1,018,590	\$ 169,287	\$ 626

(continued)

POLK COUNTY, IOWA

Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2004

	Other Agency Funds				
	County Assessor IPERS	Recorder's Electronic Fee	E911 Service	GIMS Implementation	Joint Disaster Services
ASSETS:					
Cash and cash equivalents	\$ -	\$ -	\$ 215,076	\$ 683,524	\$ 1,027
Receivables (net of allowances for uncollectibles):					
Taxes	22	-	-	-	-
Special assessments	-	-	-	-	-
Accounts	-	-	-	-	12,400
Accrued interest	-	11	38	-	-
Due from other funds	-	3,540	-	-	-
Due from other governments	-	-	-	-	57,222
Inventories	-	-	-	-	-
Prepays	-	-	-	-	-
TOTAL ASSETS	\$ 22	\$ 3,551	\$ 215,114	\$ 683,524	\$ 70,649
LIABILITIES:					
Vouchers payable	\$ -	\$ -	\$ 36,266	\$ -	\$ 15,855
Wages payable	-	-	-	-	5,093
Payroll taxes payable	-	-	-	-	763
Estimated liability for claims and judgments	-	-	-	-	-
Due to other funds	-	-	-	-	-
Due to other governments	22	3,551	178,848	683,524	41,799
Advances from other funds	-	-	-	-	-
Trusts payable	-	-	-	-	-
Compensated absences payable	-	-	-	-	7,139
TOTAL LIABILITIES	\$ 22	\$ 3,551	\$ 215,114	\$ 683,524	\$ 70,649

Relief Clearing	Employee Activities	Community Empowerment Childhood Services	Seized Funds Unforfeited	Mine Task Force	Total Other Agency Funds	Total Agency Funds
\$ 3,610	\$ -	\$ 61,640	\$ 150,524	\$ 218,722	\$ 16,716,383	\$ 18,300,650
-	-	-	-	-	2,349,790	2,349,790
-	-	-	-	-	5,759,868	5,759,868
-	414	-	-	-	12,814	12,814
-	-	17	-	43	200	200
-	-	-	-	-	3,540	3,697
-	-	-	-	-	57,222	62,304
-	1,088	-	-	-	1,088	1,088
-	3,259	-	-	-	3,259	3,259
\$ 3,610	\$ 4,761	\$ 61,657	\$ 150,524	\$ 218,765	\$ 24,904,164	\$ 26,493,670
\$ 3,610	\$ -	\$ -	\$ -	\$ 27,233	\$ 99,445	\$ 99,445
-	-	-	-	-	130,908	130,908
-	-	-	-	-	27,669	27,669
-	-	-	-	-	221,270	221,270
-	425	-	-	-	4,477	609,360
-	-	61,657	150,524	191,532	23,659,300	24,226,958
-	-	-	-	-	61,600	61,600
-	4,336	-	-	-	247,168	664,133
-	-	-	-	-	452,327	452,327
\$ 3,610	\$ 4,761	\$ 61,657	\$ 150,524	\$ 218,765	\$ 24,904,164	\$ 26,493,670

(concluded)

POLK COUNTY, IOWA

**Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2004**

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
ELECTED OFFICIALS:				
ASSETS:				
Cash and cash equivalents	\$ 1,576,931	\$ 7,336	\$ -	\$ 1,584,267
Due from other funds	-	157	-	157
Due from other governments	3,276	1,806	-	5,082
TOTAL ASSETS	\$ 1,580,207	\$ 9,299	\$ -	\$ 1,589,506
LIABILITIES:				
Due to other funds	\$ 1,023,585	\$ -	\$ 418,702	\$ 604,883
Due to other governments	474,041	93,617	-	567,658
Trusts payable	82,581	334,384	-	416,965
TOTAL LIABILITIES	\$ 1,580,207	\$ 428,001	\$ 418,702	\$ 1,589,506
OTHER AGENCY FUNDS:				
ASSETS:				
Cash and cash equivalents	\$ 19,031,345	\$ -	\$ 2,314,962	\$ 16,716,383
Receivables:				
Taxes	1,993,347	356,443	-	2,349,790
Special assessments	6,312,488	-	552,620	5,759,868
Accounts	7,712	5,102	-	12,814
Accrued interest	3,670	-	3,470	200
Due from other funds	15,618	-	12,078	3,540
Due from other governments	64,646	-	7,424	57,222
Inventories	5,480	-	4,392	1,088
Prepaid items	3,916	-	657	3,259
TOTAL ASSETS	\$ 27,438,222	\$ 361,545	\$ 2,895,603	\$ 24,904,164
LIABILITIES:				
Vouchers payable	\$ 565,280	\$ -	\$ 465,835	\$ 99,445
Wages payable	115,953	14,955	-	130,908
Payroll taxes payable	26,216	1,453	-	27,669
Estimated liability for claims and judgments	274,830	-	53,560	221,270
Due to other funds	37,857	-	33,380	4,477
Due to other governments	25,629,595	-	1,970,295	23,659,300
Advances from other funds	69,300	-	7,700	61,600
Trusts payable	231,749	15,419	-	247,168
Compensated absences payable	487,442	-	35,115	452,327
TOTAL LIABILITIES	\$ 27,438,222	\$ 31,827	\$ 2,565,885	\$ 24,904,164

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POLK COUNTY, IOWA

Capital Assets Used in the Operation of Governmental Funds Capital Assets by Source June 30, 2004

GOVERNMENTAL FUNDS CAPITAL ASSETS

Land	\$	8,118,740
Buildings		61,417,830
Improvements other than buildings		758,296
Infrastructure		76,129,861
Equipment		12,210,858
Vehicles		6,815,041
Construction in progress		633,094
		<hr/>
TOTAL	\$	<u>166,083,720</u>

INVESTMENT IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE:

General fund	\$	26,431,147
Special revenue funds		80,459,401
Capital projects funds		19,892,220
General obligation bond proceeds		20,586,539
Federal and state grants		1,707,913
Donated funds		1,855,993
Iowa Department of Transportation - Farm-to-Market		15,150,507
		<hr/>
TOTAL	\$	<u>166,083,720</u>

POLK COUNTY, IOWA

**Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function
For the Year Ended June 30, 2004**

	Governmental Funds Capital Assets			
	July 1, 2003	Additions	Deductions	June 30, 2004
Public Safety and Legal Services	\$ 41,803,545	\$ 801,626	\$ (807,117)	\$ 41,798,054
Physical Health and Social Services	9,936,678	168,889	(20,173)	10,085,394
Mental Health	54,768	-	-	54,768
County Environment and Education	5,071,794	332,673	(100,914)	5,303,553
Roads and Transportation	76,407,203	18,772,446	(8,351,152)	86,828,497
Governmental Services to Residents	1,417,453	-	-	1,417,453
Administration	22,254,209	126,885	(1,785,093)	20,596,001
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	\$ 156,945,650	\$ 20,202,519	\$ (11,064,449)	\$ 166,083,720

POLK COUNTY, IOWA

**Capital Assets Used in the Operation of Governmental Funds
Schedule by Function
June 30, 2004**

	Land	Buildings	Improvements Other Than Buildings
Public Safety and Legal Services	\$ -	\$ 37,683,246	\$ 246,011
Physical Health and Social Services	-	9,775,029	-
Mental Health	-	-	-
County Environment and Education	534,083	3,044,947	294,285
Roads and Transportation	48,200	2,363,068	218,000
Governmental Services to Residents Administration	-	-	-
	7,536,457	8,551,540	-
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	\$ 8,118,740	\$ 61,417,830	\$ 758,296

Infrastructure	Equipment	Vehicles	Construction in Progress	Total
\$ -	\$ 1,131,096	\$ 2,737,701	\$ -	\$ 41,798,054
-	-	141,476	168,889	10,085,394
-	54,768	-	-	54,768
-	259,815	1,170,423	-	5,303,553
76,129,861	5,325,680	2,279,483	464,205	86,828,497
-	1,417,453	-	-	1,417,453
-	4,022,046	485,958	-	20,596,001
\$ 76,129,861	\$ 12,210,858	\$ 6,815,041	\$ 633,094	\$ 166,083,720

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POLK COUNTY, IOWA

General Governmental Revenues by Source (a) Last Ten Fiscal Years

Fiscal Year	(b) Property Taxes	Other County Taxes	Interest and Penalties on Delinquent Taxes	Inter- Governmental	Licenses and Permits
1995	\$ 68,751,188	\$ 788,840	\$ 1,175,067	\$ 24,336,721	\$ 600,088
1996	66,253,662	1,132,926	1,017,428	30,726,203	654,476
1997	63,670,089	1,143,218	956,495	34,046,432	669,802
1998	65,455,468	1,215,526	739,202	36,642,560	707,854
1999	68,016,178	1,311,902	811,134	43,852,300	765,201
2000	71,248,333	1,368,612	767,654	45,269,204	745,642
2001	70,565,548	4,509,363	909,208	48,092,123	680,922
2002	73,694,993	4,628,658	1,013,007	50,601,288	512,352
2003	76,432,075	4,522,965	1,036,820	49,871,180	966,497
2004	80,073,560	5,007,702	1,050,605	50,386,963	890,166

(a) General governmental revenues include revenues of the General, Special Revenue, Capital Projects, and Debt Service fund types only.

(b) Property Taxes include Net Current Property Taxes and Delinquent Property Tax Revenues.

(c) Fines, Forfeitures and Defaults were combined with Miscellaneous Revenue due to State of Iowa classification changes effective fiscal year 2004.

Charges for Services	Use of Money and Property	(c) Fines, Forfeitures and Defaults	Miscellaneous	Total
\$ 5,552,935	\$ 3,577,254	\$ 8,975	\$ 1,304,350	\$ 106,095,418
5,163,683	4,034,271	8,410	2,806,907	111,797,966
5,305,746	4,364,251	8,011	1,442,988	111,607,032
6,157,381	7,332,737	9,242	1,635,683	119,895,653
6,343,380	8,287,541	7,332	1,622,540	131,017,508
6,258,525	10,509,159	6,940	2,144,578	138,318,647
6,369,485	8,137,492	13,374	1,480,163	140,757,678
8,448,822	3,263,790	130,337	2,177,523	144,470,770
9,533,000	1,879,148	478,546	2,067,715	146,787,946
9,516,163	1,688,882	-	2,785,644	151,399,685

POLK COUNTY, IOWA

**General Governmental Expenditures by Function (a)
Last Ten Fiscal Years**

Fiscal Year	Public Safety and Legal Services	Physical Health and Social Services	Mental Health	County Environment and Education	Roads and Transportation
1995	\$ 18,623,569	\$ 19,676,388	\$ 27,771,009	\$ 2,624,138	\$ 6,179,781
1996	21,611,917	19,967,985	29,539,969	5,481,459	6,878,644
1997	23,282,352	21,105,875	29,686,857	7,906,198	9,043,300
1998	26,583,989	31,333,266	30,528,863	11,103,434	7,277,105
1999	27,489,156	26,166,478	32,099,383	11,387,322	10,965,171
2000	29,999,345	25,545,783	33,079,339	22,870,923	8,990,844
2001	32,779,981	26,903,349	38,300,218	19,766,095	10,186,787
2002	35,006,444	27,875,862	40,836,250	16,889,973	9,400,596
2003	38,159,485	27,385,372	37,943,410	17,288,250	7,579,979
2004	38,605,232	25,901,227	35,871,973	13,181,319	9,263,306

(a) General governmental expenditures include expenditures of the General, Special Revenue, Capital Projects and Debt Service fund types only. The above schedule has been restated based upon changes in the Code of Iowa chart of accounts effective fiscal year 2003.

	Government Services to Residents	Administration	Nonprogram Services	Debt Service	Capital Projects	Total
\$	2,994,601	\$ 14,921,123	\$ 1,405,522	\$ 6,268,857	\$ 4,230,133	\$ 104,695,121
	3,025,785	17,726,356	340,566	7,094,362	4,883,930	116,550,973
	3,206,862	16,876,311	3,334,047	4,691,456	11,035,521	130,168,779
	3,351,983	22,988,816	1,453,259	3,999,433	4,367,394	142,987,542
	4,707,594	19,259,283	5,525,902	4,536,237	10,087,571	152,224,097
	4,191,042	19,668,185	71,897	4,712,298	8,441,783	157,571,439
	4,326,121	14,811,243	5,085,402	9,422,856	22,550,520	184,132,572
	4,885,442	21,140,609	-	2,080,225	12,452,297	170,567,698
	4,599,552	21,119,416	30,565	2,507,597	7,372,739	163,986,365
	4,831,067	19,064,885	30,110	3,136,498	7,283,754	157,169,371

POLK COUNTY, IOWA

**Property Tax Levies and Collections
Last Ten Fiscal Years**

Collection Year	Taxes Levied	(a) Collections on Current Year Taxes		(b) Total Collections	
		Amount	Percent	Amount	Percent
1994/95	\$ 72,260,253	\$ 71,467,385	98.9%	\$ 71,533,741	99.0%
1995/96	69,547,014	68,756,220	98.9%	68,818,606	99.0%
1996/97	66,849,385	66,318,727	99.2%	66,336,698	99.2%
1997/98	68,344,905	67,703,576	99.1%	67,718,333	99.1%
1998/99	71,172,237	70,953,772	99.7%	71,000,757	99.8%
1999/00	74,349,431	74,238,715	99.9%	74,280,775	99.9%
2000/01	73,826,332	73,606,134	99.7%	73,676,130	99.8%
2001/02	77,002,424	76,663,227	99.6%	76,701,593	99.6%
2002/03	79,465,301	79,087,899	99.5%	79,151,823	99.6%
2003/04	82,823,976	82,559,416	99.7%	82,679,166	99.8%

(a) Current year collection amounts include current tax collections and state replacements of credits against property taxes/levied tax credits (Homestead, Elderly & Disabled Homestead, Agricultural Land, Mobile Home and Family Farm).

(b) Total collections include current year collections (a) plus delinquent tax collections and TIF reimbursements. All collections are on the cash basis.

POLK COUNTY, IOWA

**Assessed and Actual Value of Taxable Property (a)
Last Ten Fiscal Years**

Assessment Year	Actual Value	Taxable Value	Ratio of Taxable to Actual Value
1995	\$ 12,915,852,248	\$ 9,517,224,807	73.69%
1996	13,425,902,710	9,979,408,610	74.33%
1997	14,734,396,166	10,381,674,251	70.46%
1998	15,166,335,008	10,933,555,088	72.09%
1999	15,798,415,236	10,888,407,669	68.92%
2000	16,231,976,254	11,361,678,924	70.00%
2001	17,928,773,997	11,727,145,886	65.41%
2002	18,531,143,332	12,233,198,082	66.01%
2003	20,691,426,164	12,990,939,250	62.78%
2004	N/A (b)	N/A (b)	N/A (b)

(a) Assessed and actual values are net of the valuation of tax incremental financing district properties.

(b) 2004 Calendar Year Assessment is for taxes due in fiscal year 2005/2006 and is not yet available.

POLK COUNTY, IOWA

**Property Tax Rates - Direct and Overlapping Governments (a)(b)
Last Ten Fiscal Years**

Collection Year	(c) County	Broadlawns Hospital	Area XI College	General School	School House	Corporations
1994/95	7.77238	2.22744	0.48398	15.46553	1.47112	16.19909
1995/96	7.19579	2.24835	0.48988	14.91044	1.46336	16.10600
1996/97	6.64274	2.25639	0.50661	14.49680	1.46208	16.18284
1997/98	6.46462	2.39021	0.47230	15.60574	1.44746	16.24935
1998/99	6.46576	2.49033	0.50551	16.26190	1.44550	16.93966
1999/00	6.41923	2.55357	0.52451	15.51587	1.44609	16.81579
2000/01	6.38346	2.55571	0.54506	16.18308	0.76635	16.57304
2001/02	6.38417	2.91153	0.54454	15.75313	1.38734	17.04857
2002/03	6.38515	2.99339	0.54584	15.82583	1.27859	17.04857
2003/04	6.38648	3.05863	0.58184	16.08915	1.27443	17.04806

(a) Tax rates in dollars per thousand dollars of taxable value.

(b) Table shows tax rates for a resident of Polk County living in the City of Des Moines.

(c) Includes rates for Polk County levies, Agricultural Extension levies, and Hamilton Drain levies.

City Assessor	State	Total
0.50230	0.00500	44.12684
0.46572	0.00500	42.88454
0.57619	0.00500	42.12865
0.32527	0.00500	42.95995
0.33081	0.00500	44.44447
0.30594	0.00500	43.58600
0.31454	0.00500	43.32624
0.34318	0.00500	44.37746
0.34363	0.00400	44.42500
0.31715	0.00400	44.75974

POLK COUNTY, IOWA

Legal Debt Margin

Assessed valuation, at 100% of actual valuation (2002)	\$ 18,531,143,332
Multiplied by 5%	<u>5%</u>
Debt limit - 5% of total assessed valuation	926,557,167
Less: Debt applicable to debt limit (Article XI, Constitution of the State of Iowa); Outstanding County indebtedness (a)	<u>317,765,656</u>
Unused legal debt capability	<u>\$ 608,791,511</u>

(a) Constitutional limit in Article XI of the State Constitution refers to "indebted in any manner".

POLK COUNTY, IOWA

**Ratio of Net General Bonded Debt to Assessed Value and
Net General Bonded Debt Per Capita
Last Ten Fiscal Years**

Fiscal Year	(a) Population	Assessed Taxable Value	Gross General Bonded Debt	(b) Less Net Debt Service Funds	Net General Bonded Debt	Ratio of Net General Bonded Debt to Assessed Value	Net General Bonded Debt per Capita
1995	327,140	\$ 8,942,176,395	\$ 55,175,000	\$ 1,919,143	\$ 53,255,857	0.60%	\$ 162.79
1996	349,560	9,262,958,116	48,455,000	735,145	47,719,855	0.52%	136.51
1997	354,150	9,517,224,807	17,102,091	1,002,482	16,099,609	0.17%	45.46
1998	354,150	9,979,408,610	21,284,081	353,969	20,930,112	0.21%	59.10
1999	359,826	10,381,674,251	18,579,136	20,806	18,558,330	0.18%	51.58
2000	364,672	10,933,555,088	20,448,278	264,630	20,183,648	0.18%	55.35
2001	374,601	10,888,407,669	25,179,370	416,572	24,762,798	0.23%	66.10
2002	382,609	11,361,678,924	68,493,380	656,237	67,837,143	0.60%	177.30
2003	382,609	11,727,145,886	185,090,600	836,776	184,253,824	1.57%	481.57
2004	390,615	12,233,198,082	179,719,608	993,781	178,725,827	1.46%	457.55

(a) Source: Greater Des Moines Chamber of Commerce Federation (Per the Greater Des Moines Area Profile).

(b) Net Debt Service Funds are the unreserved equity in the Debt Service Fund.

POLK COUNTY, IOWA

**Ratio of Annual Debt Service Expenditures for General Bonded Debt to
Total General Governmental Expenditures (a)
Last Ten Fiscal Years**

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
1995	\$ 2,400,000	\$ 954,826	\$ 3,354,826	\$ 104,695,121	3.20%
1996	5,325,000	1,044,707	6,369,707	116,550,973	5.47%
1997	3,515,000	676,945	4,191,945	130,168,779	3.22%
1998	2,280,000	805,883	3,085,883	142,987,542	2.16%
1999	2,295,000	1,223,234	3,518,234	152,224,097	2.31%
2000	2,480,000	1,218,522	3,698,522	157,571,439	2.35%
2001	2,058,000	1,209,032	3,267,032	184,132,572	1.77%
2002	1,192,262	887,963	2,080,225	170,567,698	1.22%
2003	1,854,176	653,421	2,507,597	163,986,365	1.53%
2004	2,416,089	720,409	3,136,498	157,169,371	2.00%

(a) Total General Governmental Expenditures includes expenditures of the General, Special Revenue, Capital Projects, and Debt Service fund types only.

POLK COUNTY, IOWA

**Summary of Direct and Overlapping Debt
June 30, 2004**

Name of Governmental Unit	Taxable Valuation Within the County	General Obligation Debt Outstanding	Totals
Polk County	\$ 12,233,198,082	\$ 179,719,608	
Total direct debt			\$ 179,719,608
Cities and towns:			
Alleman	15,354,732	25,000	
Altoona	314,522,608	13,100,000	
Ankeny	1,018,114,564	38,180,000	
Bondurant	43,026,391	1,550,000	
Clive	701,666,839	11,390,000	
Des Moines	4,957,178,819	306,695,000	
Elkhart	7,674,208	255,000	
Grimes	158,454,628	7,305,000	
Johnston	521,366,844	30,116,111	
Mitchellville	34,440,665	320,000	
Pleasant Hill	222,959,546	10,135,000	
Polk City	51,292,268	36,699	
Runnells	7,650,637	-	
Sheldahl	2,297,113	-	
Urbandale	1,460,064,345	31,585,000	
Windsor Heights	164,899,167	9,935,000	
West Des Moines	1,986,285,664	131,300,000	
Total cities and towns		<u>591,927,810</u>	
School districts:			
Ankeny Community	1,192,133,647	23,890,000	
Bondurant - Farrar	136,491,523	1,335,000	
Dallas	235,882,840	16,500,000	
Des Moines Independent	4,981,924,603	1,975,000	
Johnston Community	1,012,560,944	19,200,000	
North Polk Community	165,345,296	3,160,000	
Saydel	404,656,282	4,405,000	
Southeast Polk	733,041,014	4,040,000	
Urbandale Community	794,445,296	8,495,000	
West Des Moines Community	3,069,842,464	12,420,000	
Total school districts		<u>95,420,000</u>	
Other:			
Urbandale Sanitary Sewer	1,352,225,428	8,060,000	
Urbandale/Windsor Heights Sanitary Sewer	274,924,753	-	
Total other		<u>8,060,000</u>	
Total overlapping debt			<u>695,407,810</u>
Total direct and overlapping debt			<u>\$ 875,127,418</u>

NOTE: Fiscal year 2004 is matched to 2002 assessment year

POLK COUNTY, IOWA

Demographic Statistics Last Ten Fiscal Years

Fiscal Year	(a) Estimated Population	(a) Per Capita Income	(b) Median Age	Unemployment Statistics (c)			
				Polk County		State of Iowa	United States
				Labor Force	Rate		
1995	327,140	\$ 20,239	32.4	208,600	3.0%	3.7%	6.1%
1996	349,560	25,946	34.3	209,400	3.0%	3.5%	5.6%
1997	354,150	27,160	34.6	215,200	2.9%	3.8%	5.4%
1998	354,150	22,546	35.0	210,700	2.7%	3.3%	4.9%
1999	359,826	27,403	35.2	212,500	2.2%	2.8%	4.5%
2000	364,672	29,527	35.5	210,700	1.9%	2.5%	4.2%
2001	374,601	31,118	34.6	212,900	2.0%	2.6%	4.0%
2002	382,609	31,347	34.0	216,400	2.6%	3.3%	4.8%
2003	382,609	31,347	34.0	228,700	3.5%	4.0%	5.8%
2004	390,615	24,742	36.0	225,000	4.0%	4.5%	6.0%

(a) Source: Greater Des Moines Chamber of Commerce Federation (Per the Greater Des Moines Area Profile).

(b) Source: Greater Des Moines Chamber of Commerce Federation.

(c) Source: Iowa Department of Employment Services.

POLK COUNTY, IOWA

Property Value, Construction and Bank Deposits Last Ten Fiscal Years

Calendar Year	Assessed Valuation	Construction (a)				(b) Commercial Bank Deposits
		Residential		Commercial and Industrial		
		Number of Permits	Value	Number of Permits	Value	
1994	\$ 9,262,958,116	1,839	\$ 270,905,349	599	\$ 105,836,241	\$ 3,672,633,000
1995	9,517,224,807	1,849	266,671,340	560	148,972,513	3,907,328,000
1996	9,979,408,610	2,013	280,891,698	618	132,751,755	3,935,252,000
1997	10,381,674,251	1,714	238,960,136	645	174,692,565	5,656,126,000
1998	10,933,555,088	2,399	322,647,562	339	250,531,312	4,923,229,000
1999	10,888,407,669	2,390	334,661,868	293	202,902,200	4,893,948,000
2000	11,361,678,924	2,171	287,865,372	352	182,787,127	5,114,000,000
2001	11,727,145,886	3,075	494,873,537	357	207,426,456	6,082,000,000
2002	12,233,198,082	2,319	449,970,294	341	272,334,621	6,451,000,000
2003	12,990,939,250	3,601	701,528,013	292	348,656,956	8,411,000,000

(a) Source: Various governmental building departments (Altoona, Ankeny, Clive, Des Moines, Johnston, Pleasant Hill, Urbandale, West Des Moines, and unincorporated Polk County.)

(b) Source: Iowa Department of Commerce - Banking Division.

POLK COUNTY, IOWA

Ten Largest Taxpayers
2002 Taxable Valuation

Name	Description of Property	Taxable Valuation	Percentage of Total Valuation
Principal Life Insurance Co.	Commercial	\$ 267,485,490	2.2%
Valley West Mall	Commercial	108,916,000	0.9%
R & R Investors	Commercial	105,709,980	0.9%
Knapp, William	Commercial	103,279,590	0.8%
Mid America Investments	Commercial	89,739,880	0.7%
Qwest	Commercial	85,573,316	0.7%
Nationwide Mutual Insurance	Commercial	75,383,110	0.6%
Wells Fargo	Commercial	74,714,220	0.6%
Hubbell Realty Co.	Commercial	69,067,870	0.6%
Polk County	Commercial	67,643,500	0.6%
Total assessed valuation of ten principal taxpayers		1,047,512,956	8.6%
Total assessed valuation of other taxpayers		11,185,685,126	91.4%
Total 2002 assessed valuation for taxes due in 2003/2004		\$ 12,233,198,082	100.0%

POLK COUNTY, IOWA

Miscellaneous Statistical Data

Year of Incorporation:	1846
County Seat:	Des Moines
Land Area:	594 Square Miles
Number of Municipalities:	18

TEN LARGEST EMPLOYERS

Name	Business
Wells Fargo	Financial Services
Principal Life Insurance Co.	Insurance and Financial Services
Central Iowa Hospital Corp.	Health Services
Mercy Hospital Medical Center	Health Services
Hy-Vee Food Stores	Retail Food Chain
Wal-Mart Inc.	Retail
Allied Insurance	Insurance and Financial Services
Nationwide Mutual Insurance Co.	Insurance Services
Pioneer Hi-Bred International Inc.	Biotechnology
Dahl's Supermarkets	Retail Food Chain

Source: Greater Des Moines Chamber of Commerce Federation Area Profile.

ELECTIONS:

Last general election: (as of November 5, 2002)	
Registered voters	242,970
Votes cast	143,200
Percent	58.94%
Last municipal election: (as of November 4, 2003)	
Registered voters	225,590
Votes cast	46,716
Percent	20.71%

COUNTY EMPLOYEES

Number of full-time employees	1,113
Number of part-time employees	34
Number of seasonal employees (summer help)	130

(continued)

POLK COUNTY, IOWA

Miscellaneous Statistical Data

COUNTY SERVICES

Public Safety:	
Number of officers	261
Number of civilian personnel	88
Human Services:	
Number of employees	166
Roads and Engineering:	
Number of employees	74
Administration:	
Number of employees	148

HOSPITALS

Number of hospitals	5
Number of acute care beds	1,325

Source: Greater Des Moines Chamber of Commerce Federation

LEISURE FACILITIES

Area parks	75
Country clubs	10
Golf courses	17
Tennis courts	87
Swimming pools	16
YMCA's	7
YWCA's	1

Other recreational activities and attractions in the area: Iowa Cubs AAA Baseball; Big Twelve Conference basketball, football and wrestling; Missouri Valley Conference basketball; Des Moines Menace soccer, Drake Relays; Des Moines Buccaneers ice hockey; water recreation at Gray's Lake, Saylorville Reservoir, Maffitt Reservoir and Des Moines River; Iowa high school basketball, wrestling and track championships; Iowa State Fair; Prairie Meadows Racetrack/Casino; Blank Park Zoo; Adventureland Theme Park; Living History Farms.

(concluded)

POLK COUNTY, IOWA

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004**

Grantor/Program	CFDA Number	Contract Number	Total Federal Expenditures For Fiscal Year 2004
OFFICE OF NATIONAL DRUG CONTROL POLICY			
Direct Program - Iowa Enforcement Initiative (HIDTA) Grant	07.Unknown	14PMWP556	\$ 36,939
Direct Program - Iowa Enforcement Initiative (HIDTA) Grant	07.Unknown	13PMWP558	36,967
			<u>73,906</u>
DEPARTMENT OF AGRICULTURE			
Direct Program - Commodity Supplemental Food Distribution	10.565	N/A	823,593
Direct Program - Restoration & Seeding of Wetlands-Chichaqua Bottoms	10.072	66-6114-8-8244	11,703
Passed through Iowa Department of Health and Human Services:			
Local Administration Expense Reimbursement	10.561	N/A	232,829
Commodity Supplemental Food Program	10.565	N/A	54,564
Commodity Supplemental Food Program	10.565	N/A	168,971
Passed through Iowa Department of Education:			
National School Breakfast Program	10.553	77-8810	25,863
National School Lunch Program	10.555	77-8810	39,977
Child Care Food Program	10.558	77-8050	369,692
Child Care Food Program	10.558	77-8050	1,071,470
Passed through Aging Resource of Central Iowa:			
Title IIIC-1 - Nutrition	10.570	N/A	93,557
Total Department of Agriculture			<u>2,892,219</u>
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through Iowa Department of Economic Development:			
CDBG: Housing Rehabilitation	14.228	99-HSG-046	40,160
Passed through City of Des Moines:			
Polk Co. Human Service Planning Alliance-Day Care	(b) 14.218	CDBG2003023	35,990
Homeless Shelter Operations	14.231	03-II-77027	11,400
Total Department of Housing and Urban Development			<u>87,550</u>
DEPARTMENT OF JUSTICE			
Direct Program - Local Law Enforcement Block Grant	16.592	2003-LB-BX-0016	27,796
Direct Program - State Criminal Alien Assistance Program	16.606	2004-FO827-IA-AP	23,040
Direct Program - COPS in Schools	16.710	2002SHWX0576	130,788
Direct Program - COPS in Schools	16.710	2002SHWX0167	41,590
Passed through Iowa Department of Human Rights:			
Juvenile Accountability Incentive Block Grant (JAIBG)	16.523	JAB-03-45	26,973
Passed through Iowa Department of Justice:			
Victims of Crime Act (VOCA)	16.575	VA-04-7324	104,090
Passed through Governor's Office of Drug Control Policy:			
Project Safe Neighborhoods (Bomb Dog)	16.609	03-SD08	172
Passed through Governor's Alliance of Substance Abuse:			
Drug Control Grant	16.579	03A-0244	451,107
Drug Control Grant	16.579	02A-0227	26,383
Total Department of Justice			<u>831,939</u>
DEPARTMENT OF TRANSPORTATION			
Passed through Ia. Dept. of Public Safety/Governor's Traffic Safety Bureau:			
Section 402 Highway Safety Grant	20.600	PAP 04-02 Task 14	11,461
Section 402 Highway Safety Grant	20.600	PAP 03-02 Task 14	10,545
Section 402 Highway Safety Grant (OWI Prevention)	20.605	PAP 04-163 Task 58	7,182
Passed through Iowa Department of Public Defense:			
2003 HMEP - Training	20.703	N/A	1,840
2004 HMEP - Training	20.703	N/A	6,723
Passed through Iowa Department of Transportation:			
TraCS (Traffic and Criminal Software)	20.205	DTNH22-02-H-15088	1,519
Highway Bridge Replacement & Rehabilitation Project (#3654)	20.205	BROS-CO77(94)-8J-77	293,204
Highway Bridge Replacement & Rehabilitation Project (#3649)	20.205	BROS-CO77(94)-8J-77	148,756
Total Department of Transportation			<u>481,230</u>

(continued)

POLK COUNTY, IOWA

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004**

Grantor/Program	CFDA Number	Contract Number	Total Federal Expenditures For Fiscal Year 2004
ENVIRONMENTAL PROTECTION AGENCY			
Passed through Iowa Department of Natural Resources:			
Air Pollution Control Implementation Plan Agreement	66.001	2004-7230-02	\$ 224,961
Total Environmental Protection Agency			<u>224,961</u>
DEPARTMENT OF ENERGY			
Direct Program - Rebuild Iowa (Travel) Program	81.041	N/A	698
Passed through Iowa Department of Natural Resources:			
Rebuild Iowa (Polk County) Program	81.041	04-7564-01	7,500
Rebuild Iowa (Polk County) Program	81.041	03-7511-02	56,780
Passed through Iowa Department of Human Rights:			
Low Income Home Energy Assistance	81.042	DOE-04-20S	45,335
Low Income Home Energy Assistance	81.042	DOE-03-20S	150,722
Total Department of Energy			<u>261,035</u>
DEPARTMENT OF EDUCATION			
Passed through Iowa Department of Education and DMACC:			
Iowa New Choices	84.048	N/A	18,543
Total Department of Education			<u>18,543</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through Aging Resource of Central Iowa:			
Title IIIB - Transportation	93.044	N/A	122,000
Title IIIB - Well Elderly Clinic	93.044	N/A	8,915
Title III - Elderly Services Chore	93.044	N/A	2,755
Title IIIB - Advocacy/Counseling	93.044	N/A	18,246
Title IIIC-1 - Nutrition	93.045	N/A	193,428
Passed through Iowa Department of Health and Human Services:			
Projects for Assistance in Transition from Homelessness (PATH)	(a) 93.150	04-444-401-6890-2597-04	101,438
Family Development and Self Sufficiency	93.558	FADSS-04-20-FS	213,398
Home Energy Assistance Program	93.568	HEAP-04-20S	13,724
Home Energy Assistance Program	93.568	HEAP-03-20S	137,624
Child Care Resource and Referral (SDA)	93.575	ACFS-02-043	519,702
Juvenile Justice Summer Law Intern	93.643	BDPS-03-041	1,704
Local Purchase Allocation MH Block Grant	93.667	N/A	1,421,988
Local Administration Expense Reimbursement	93.558	N/A	302,359
Local Administration Expense Reimbursement	93.566	N/A	1,007
Local Administration Expense Reimbursement	93.596	N/A	55,220
Local Administration Expense Reimbursement	93.658	N/A	137,876
Local Administration Expense Reimbursement	93.659	N/A	36,732
Local Administration Expense Reimbursement	93.667	N/A	198,787
Local Administration Expense Reimbursement	93.778	N/A	303,218
Passed through Iowa Department of Public Health:			
EMS System Development	93.003	5884EM72	7,236
Tuberculosis Elimination	93.116	5884TB02	26,087
Tuberculosis Elimination	93.116	5883TB02	93,493
Childhood Lead Poisoning	93.197	5884LP08	67,261
I-4 Project	93.268	5884I457	18,213
I-4 Project	93.268	5883I457	32,318
Bioterrorism Preparedness Planning Program	93.283	5884BT01	104,768
Bioterrorism Preparedness Planning Program	93.283	5884BT07	3,445
Bioterrorism Preparedness Planning Program	93.283	5883BT79	23,976
Bioterrorism Preparedness Planning Program	93.283	5883BT02	19,398
Wisewoman	93.283	5884WW11	45,662

(continued)

POLK COUNTY, IOWA

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004**

Grantor/Program	CFDA Number	Contract Number	Total Federal Expenditures For Fiscal Year 2004
Iowa Breast and Cervical Cancer Early Detection Program	93.283	5884NB20	\$ 135,480
HERR Prevention Project and HEP C	93.283	5884AP13	2,102
Infant Influenza Pilot Project	93.596	MOU-2004-ELC12	9,750
Infant Influenza Pilot Project	93.596	MOU-2004-ELC16	11,790
HIV Counseling, Testing and Referral	93.940	5884AP13	27,012
HIV Counseling, Testing and Referral	93.940	5883AP13	40,699
Chlamydia Urine Screening Project	93.977	5883ST01	70,496
HIV Preventative Health Block Grant	93.991	5883AP13	3,700
HIV Preventative Health Block Grant	93.991	5884AP13	220
Total Department of Health and Human Services			<u>4,533,226</u>
DEPARTMENT OF HOMELAND SECURITY			
Passed through United Way:			
FEMA	97.024	Phase XXII	19,883
Passed through Iowa Department of Public Defense:			
FEMA	97.036	DR-1518-IA	93,699
Iowa Hazard Mitigation Grant Program	97.039	0996-0231	3,105
Total Department of Homeland Security			<u>116,687</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 9,521,295</u>

(a) Represents Polk County Health Services grant awards.

(b) Represents Polk County Human Services Planning Alliance grant award.

See notes to schedule of expenditures of federal awards.

(concluded)

POLK COUNTY, IOWA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2004

1. BASIS OF ACCOUNTING

The schedule of expenditures of federal awards is not prepared on the accrual basis of accounting. Expenditures are recognized when they become a demand on current available financial resources.

2. REPORTING ENTITY

The County, for purposes of the schedule of expenditures of federal awards, includes all the funds of the primary government and its component unit.

3. PASS-THROUGH AWARDS

The County receives certain federal awards from pass-through awards from other entities. The amounts received are commingled by the other entities and cannot be separately identified. The total amount of such pass-through awards is included on the schedule of expenditures of federal awards.

4. NON-CASH AWARDS

The Commodity Supplemental Food Distribution Program - CFDA #10.565 does not involve cash awards. This award is received in donated commodities. The value of commodities distributed during the fiscal year ended June 30, 2004 was \$823,593. At June 30, 2004, the County had commodities on hand with a value of \$298,675.

5. COMPONENT UNIT AWARDS

The schedule of expenditures of federal awards includes awards obtained by Polk County Health Services, Inc., a component unit of Polk County.

6. POLK COUNTY HUMAN SERVICE PLANNING ALLIANCE

Effective April 1, 1999, the County entered into an agreement with the Polk County Human Services Planning Alliance (Planning Alliance) to become its fiscal agent. The Planning Alliance designated the County to act as the fiscal agent for grant moneys and other moneys administered by the Planning Alliance. This agreement indicates that the grant funds of the Planning Alliance will be subject to audit in the same manner and to the same extent as County funds and in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

Included in the Schedule of Expenditures of Federal Awards, the County reflects expenditures under one award obtained by the Planning Alliance. The grant period under this award ended December 31, 2003. It is:

Passed through City of Des Moines:

The Polk County Human Service Planning Alliance - Day Care	CFDA	14.218	\$35,990
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The above agreement between the Planning alliance and Polk County ended on June 30, 2003. United Way of Central Iowa took over fiscal agent responsibility for the Planning Alliance at this time.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS BASED UPON THE AUDIT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Supervisors
Polk County, Iowa

We have audited the financial statements of Polk County, Iowa (the "County"), as of and for the year ended June 30, 2004, and have issued our report thereon dated December 14, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Chapter 11 of the Code of Iowa.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the County in a separate letter dated December 14, 2004.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Supervisors, management, federal awarding agencies, state funding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

Des Moines, Iowa
December 14, 2004

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE APPLICABLE TO EACH MAJOR FEDERAL AWARD PROGRAM

Board of Supervisors
Polk County, Iowa

Compliance

We have audited the compliance of Polk County, Iowa (the "County"), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. The County's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants, applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 11 of the Code of Iowa. Those standards, OMB Circular A-133, and Chapter 11 of the Code of Iowa require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contract, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Supervisors, management, federal awarding agencies, state funding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

Des Moines, Iowa
December 14, 2004

POLK COUNTY, IOWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2004

Part I - Summary of Auditors' Results

1. The independent auditors' report on the financial statements expressed an unqualified opinion.
2. No reportable conditions in internal control over financial reporting were required to be reported.
3. No instance of noncompliance considered material to the financial statements was disclosed by the audit.
4. No reportable conditions in internal control over compliance with requirements applicable to major federal award programs were required to be reported.
5. The independent auditors' report on compliance with requirements applicable to major federal award programs expressed an unqualified opinion.
6. The audit disclosed no findings required to be reported by OMB Circular A-133.
7. The County's major programs were:

TraCS (Traffic and Criminal Software)	CFDA 20.205	\$ 1,519
Highway Bridge Replacement and Rehabilitation Project (#3654)	CFDA 20.205	293,204
Highway Bridge Replacement and Rehabilitation Project (#3649)	CFDA 20.205	<u>148,756</u>
		<u>\$ 443,479</u>
Local Purchase Allocation MH Block Grant	CFDA 93.667	\$ 1,421,988
Local Administration Expense Reimbursement	CFDA 93.667	<u>198,787</u>
		<u>\$ 1,620,775</u>
Bioterrorism Preparedness Planning Program	CFDA 93.283	\$ 104,768
Bioterrorism Preparedness Planning Program	CFDA 93.283	3,445
Bioterrorism Preparedness Planning Program	CFDA 93.283	23,976
Bioterrorism Preparedness Planning Program	CFDA 93.283	19,398
Wisewoman	CFDA 93.283	45,662
Iowa Breast and Cervical Cancer Early Detection Program	CFDA 93.283	135,480
HERR Prevention Project and HEP C	CFDA 93.283	<u>2,102</u>
		<u>\$ 334,831</u>

(continued)

POLK COUNTY, IOWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2004

8. A threshold of \$300,000 was used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133.
9. The County did qualify as a low-risk auditee as that term is defined in OMB Circular A-133.

Part II - Financial Statement Findings Section

None

Part III - Federal Award Findings and Questioned Cost Section

None

Part IV - Other Findings Related to Required Statutory Reporting

1. **Official Depositories** - A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.
2. **Certified Budget** - Disbursements during the year ended June 30, 2004 did not exceed the amounts budgeted.
3. **Questionable Expenditures** - We noted no expenditures for parties, banquets or other entertainment for employees during the year ended June 30, 2004 that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.
4. **Travel Expense** - No expenditures of County money for travel expenses of spouses of County officials or employees were noted for the year ended June 30, 2004.
5. **Business Transactions** - No business transactions between the County and County officials or employees were noted for the year ended June 30, 2004.
6. **Bond Coverage** - Surety bond coverage of County officials and employees is in accordance with statutory provisions.
7. **Board Minutes** - No transactions were found that we believe should have been approved in the Board minutes but were not.

(continued)

POLK COUNTY, IOWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2004

8. **Deposits and Investments** - The County has an approved investment policy. Income earned is included under the use of money and property line item in the basic financial statements. All of the County's investments earned interest at rates at or above the minimum rate of interest set by the State Rate Setting Committee.
9. **Resource Enhancement and Protection Certification** - The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
10. **County Extension Office** - The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This office is administered by an extension council separate and distinct from County operations and, consequently, is not included in the financial statements. The following schedule is presented to show the disposition of County funds paid to the County Extension Office:

Receipts:		
Allocation from County	\$ 473,542	
Interest/receipts from other sources	<u>591,157</u>	\$ 1,064,699
Disbursements:		
Salaries	185,449	
FICA, IPERS, and insurance benefits	42,252	
Travel	6,257	
Facility costs	137,241	
Insurance, legal notice, bond, interest	4,948	
Office supplies	11,485	
Communication	7,964	
Equipment and repair	35,380	
Bank service charges/adjustments	4,909	
Project activity expenses	4,216	
Cost share	42,910	
Fee programs expenses	174,614	
Resale	5,456	
Grant and contract programs	<u>359,506</u>	<u>1,022,587</u>
Excess of receipts over disbursements		42,112
Cash balance at beginning of year		<u>116,039</u>
Cash balance at end of year		<u>\$ 158,151</u>

(continued)

POLK COUNTY, IOWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2004

Total expenditures during the year ended June 30, 2004 for the County Extension Office did not exceed the total amount budgeted. However, on an individual line item basis the following items were identified:

	Actual	Budget
Cost share	\$ 42,910	\$ 42,890
Equipment and repairs	35,380	32,800
Insurance, legal notice, bond, interest	4,948	4,500
Resale	5,456	3,530

11. **Joint Disaster Services Office** - The Joint Disaster Services Office serves as the Emergency Management Services Agency for the County. The office is under the control of a separate Polk County Emergency Management Board, and is reported as an agency fund in the County's basic financial statements. The disbursements for the Joint Disaster Services Office during the year ended June 30, 2004 did not exceed the amounts budgeted.

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