
POLK COUNTY, IOWA

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2005

PREPARED BY:

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POLK COUNTY, IOWA

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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

November 18, 2005

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, 2005.

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 McGladrey & Pullen, 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, 2005, 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, 2005, 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 397,152. 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. The State of Iowa requires passage of an annual budget of total County operating expenditures by major program service areas. Activities of the general fund, special revenue funds, capital projects funds and debt service funds are included in the annual appropriated budget. The legal level of budgetary control is at the total program service area level.

Factors Affecting Financial Condition

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

Local Economy

The current general economic condition of the County is vibrant. The population continues to grow at a moderate pace, up approximately 13.6% since 1996, to 397,152 in 2005. Unemployment is approximately 4.8%, the same as state but lower than national levels. Other economic indicators are also strong. 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, and the Robert D. Ray Asian Garden.

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 was completed in July, 2005. 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. 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 was approved by the voter in March, 2005 and determined the need for a new jail. 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 Southeast Polk Rural Water District for Polk County to relieve the Water District's \$13 million in outstanding debt. Under the agreement, Polk County would assist Des Moines Water Works in retiring the federal debt of the Southeast Polk Rural Water District, encouraging development in the area, lowering the cost of services to customers by 50%, and increasing water flow for fire protection.

In September 2005, 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 County, consistent with fiscal policy, will develop a five year budget. Through this process, management will be able to identify fiscal threats enabling them sufficient time to make adjustments in revenue and expenditures.

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. The Board of Supervisors and the Des Moines City Council have been meeting since November of 2004 to look at areas for cost efficiencies and service improvements between the two governments.

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 2.22%. 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, 2004. 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.

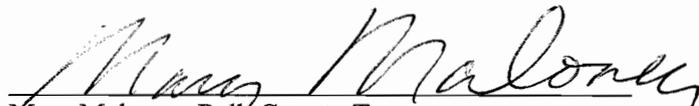
A Certificate of Achievement is valid for a period of one year only. Polk County has received a Certificate of Achievement for the last eleven consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA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

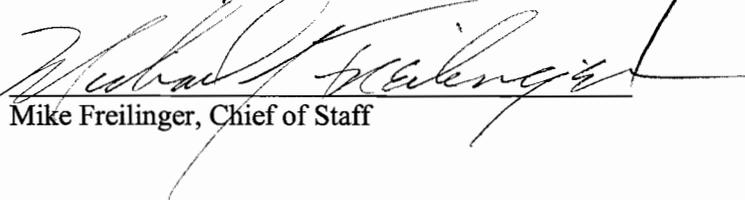
Respectfully submitted,



Michael Mauro, Polk County Auditor



Mary Maloney, Polk County Treasurer



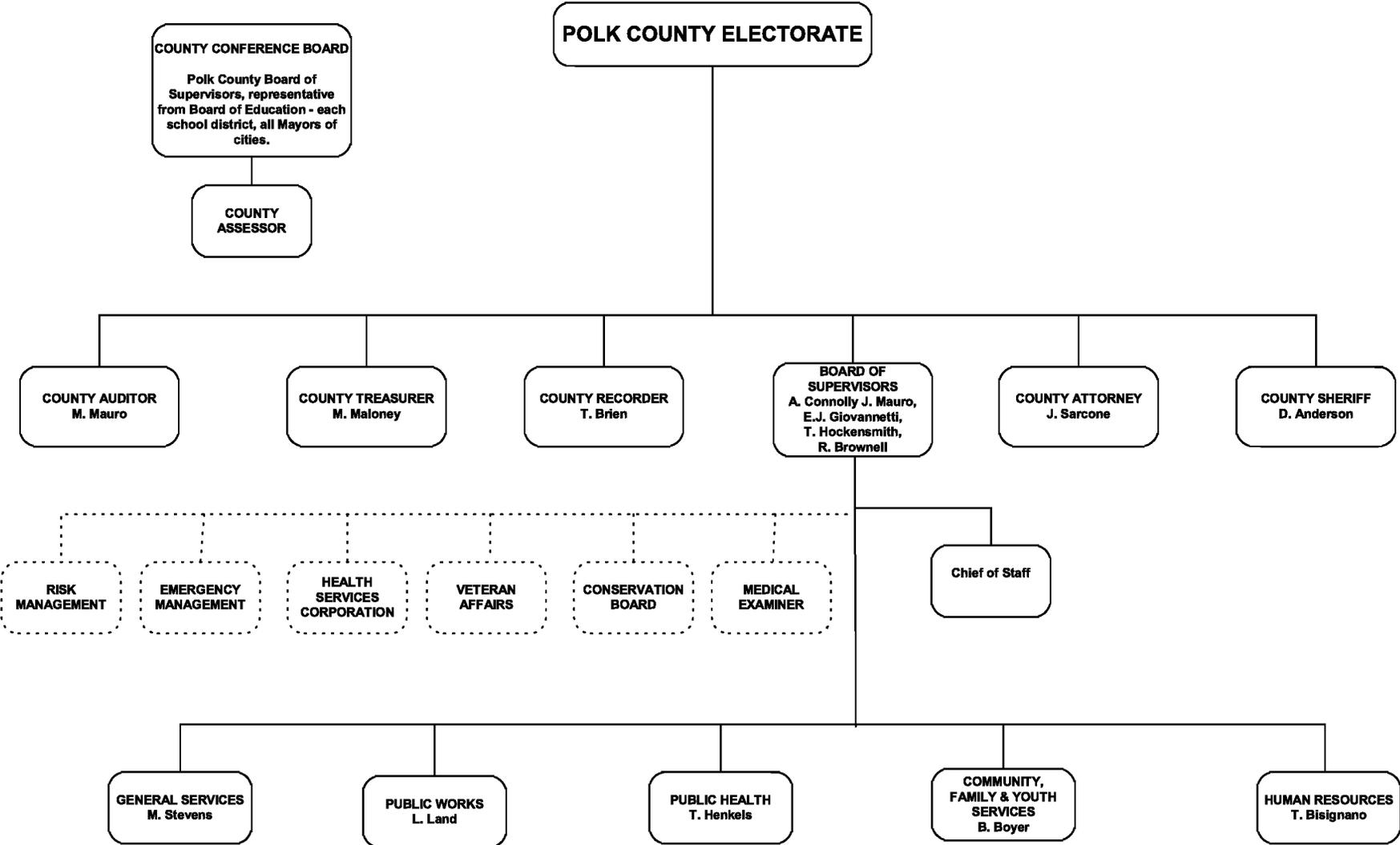
Mike Freilinger, Chief of Staff

POLK COUNTY, IOWA

OFFICIALS

Name	Title	Term Expires
Michael Mauro	County Auditor	2008
Mary Maloney	County Treasurer	2006
Tim Brien	County Recorder	2006
Dennis Anderson	County Sheriff	2008
John Sarcone	County Attorney	2006
Jim Maloney	County Assessor	2009
Angela Connolly	Board of Supervisors	2006
John Mauro	Board of Supervisors	2006
E.J. Giovannetti	Board of Supervisors	2008
Tom Hockensmith	Board of Supervisors	2006
Robert Brownell	Board of Supervisors	2008

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, 2004

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. Ziehl

President

Jeffrey R. Enow

Executive Director

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McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

To the Board of Supervisors
Polk County, Iowa
Des Moines, 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 as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Polk County, Iowa's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Polk County, Iowa as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2005, on our consideration of Polk County, Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 16 through 25, and budgetary comparison information on pages 69 and 70 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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 the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Polk County, Iowa's basic financial statements. The combining and individual nonmajor fund financial statements and other schedules, listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards 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 Nonprofit Organizations*, and is not a required part of the basic financial statements. Such information for the year ended June 30, 2005 has been subjected to the auditing procedures applied 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 accompanying introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we express no opinion on them.

McGladrey & Pullen, LLP

Des Moines, Iowa
November 18, 2005

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POLK COUNTY, IOWA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2005

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, 2005. 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 \$4.8 million (2%) to \$306.8 million primarily due to construction of the Iowa Events Center and offset against increased governmental expenses.
- Net assets of the County's governmental activities decreased \$9 million (7%) and business-type activities increased \$13.8 million (8%).
- In the County's governmental activities, total revenues increased \$1.8 million (1%) and total expenditures increased \$17.8 million (11%).
- In the County's business-type activities, total revenues decreased \$1.7 million (3%) while total expenses increased \$2.9 million (15%). The decrease in revenues is primarily due to dissolution of the Sanitary Sewer WRA agreement which resulted in a decrease of \$3.3 million in net joint venture activity. Expenses increased primarily due to increased expenses due to the opening of the Hy-Vee Exhibit Hall in December 2004 and related pre-opening expenses at the Iowa Events Center.
- In the County's governmental funds, expenditures were 9% 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. Additionally, grants to assist with a road project and an economic development loan were not finalized and paid out as anticipated in FY 04/05.

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

- **Proprietary funds** – The County maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its air pollution, convention/entertainment/arena, sanitary treatment, race track/casino, golf course, and sewer/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 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, Iowa Events Center and Wells Fargo Arena, all of which are considered to be major funds of the County. Data from the other seven 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 schedule for the governmental 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 \$4.8 million (2%) primarily 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	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 182.5	\$ 183.4	\$ 36.3	\$ 113.2	\$ 218.8	\$ 296.6
Capital assets, net of accumulated depreciation	88.1	90.2	312.9	233.0	401.0	323.2
Total assets	<u>270.6</u>	<u>273.6</u>	<u>349.2</u>	<u>346.2</u>	<u>619.8</u>	<u>619.8</u>
Long-term liabilities outstanding	34.6	32.5	148.3	163.4	182.9	195.9
Other liabilities	114.4	110.3	15.8	11.5	130.2	121.8
Total liabilities	<u>149.0</u>	<u>142.8</u>	<u>164.1</u>	<u>174.9</u>	<u>313.1</u>	<u>317.7</u>
Net assets						
Invested in capital assets, net of related debt	83.4	85.2	166.2	74.9	249.6	160.1
Restricted	17.4	26.1	-	-	17.4	26.1
Unrestricted	20.9	19.4	18.9	96.4	39.8	115.8
Total net assets	<u>\$ 121.7</u>	<u>\$ 130.7</u>	<u>\$ 185.1</u>	<u>\$ 171.3</u>	<u>\$ 306.8</u>	<u>\$ 302.0</u>

Net assets of the County’s governmental activities decreased \$9 million (7%) to \$121.7 million at June 30, 2005. Approximately 83% 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 \$13.8 million (8%) to \$185.1 million at June 30, 2005. Approximately 90% 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
	2005	2004	2005	2004	2005	2004		
Revenues:								
Program revenues:								
Charges for services	\$ 23.3	\$ 23.3	\$ 35.3	\$ 32.9	\$ 58.6	\$ 56.2	\$ 2.4	4%
Operating grants and contributions	33.6	34.7	0.7	0.6	34.3	35.3	(1.0)	-3%
Capital grants and contributions	4.4	7.9	20.4	16.4	24.8	24.3	0.5	2%
General revenues:								
Property taxes	85.3	80.2	-	-	85.3	80.2	5.1	6%
Other County taxes	4.8	5.0	-	-	4.8	5.0	(0.2)	-4%
Interest on property taxes	1.1	1.1	-	-	1.1	1.1	-	-
State replacements	2.7	3.0	-	-	2.7	3.0	(0.3)	-10%
Use of money and property	3.2	1.7	1.7	1.3	4.9	3.0	1.9	63%
Miscellaneous	2.4	2.1	0.1	8.7	2.5	10.8	(8.3)	-77%
Total revenues	160.8	159.0	58.2	59.9	219.0	218.9	0.1	0%
Expenses:								
Public safety and legal services	43.9	41.2	-	-	43.9	41.2	2.7	7%
Physical health and social services	25.5	26.3	-	-	25.5	26.3	(0.8)	-3%
Mental health	44.9	35.9	-	-	44.9	35.9	9.0	25%
County environment and education	13.6	13.9	-	-	13.6	13.9	(0.3)	-2%
Roads and transportation	15.5	15.5	-	-	15.5	15.5	-	0%
Government services to residents	5.6	5.1	-	-	5.6	5.1	0.5	10%
Administration	27.9	21.3	-	-	27.9	21.3	6.6	31%
Interest on long-term debt	0.8	0.7	-	-	0.8	0.7	0.1	14%
Air Pollution	-	-	0.9	0.8	0.9	0.8	0.1	13%
Convention Complex	-	-	-	3.0	-	3.0	(3.0)	-100%
Veterans Memorial Auditorium	-	-	-	4.8	-	4.8	(4.8)	-100%
Sanitary Treatment Works	-	-	1.3	0.7	1.3	0.7	0.6	86%
Prairie Meadows Racetrack/Casino	-	-	6.4	6.3	6.4	6.3	0.1	2%
Jester Park Golf Course	-	-	1.3	1.5	1.3	1.5	(0.2)	-13%
Hamilton Urban Drainage District	-	-	0.3	0.3	0.3	0.3	-	-
Iowa Events Center	-	-	11.1	1.5	11.1	1.5	9.6	640%
Wells Fargo Arena	-	-	0.5	-	0.5	-	0.5	-
Total expenses	177.7	159.9	21.8	18.9	199.5	178.8	20.7	12%
Excess (deficiency) before transfers	(16.9)	(0.9)	36.4	41.0	19.5	40.1	(20.6)	-51%
Special item-contribution expense WRA Sewer	-	-	(14.7)	-	(14.7)	-	(14.7)	-
Transfers	7.9	10.2	(7.9)	(10.2)	-	-	-	-
Increase (decrease) in net assets	(9.0)	9.3	13.8	30.8	4.8	40.1	(35.3)	-88%
Net assets - beginning	130.7	121.4	171.3	140.5	302.0	261.9	40.1	15%
Net assets - ending	\$ 121.7	\$ 130.7	\$ 185.1	\$ 171.3	\$ 306.8	\$ 302.0	\$ 4.8	2%

Statement of Activities - Changes in Net Assets

The governmental-type change in net assets decreased \$18.3 million primarily due to a \$17.7 million increase in expenses for the various governmental activities. The business-type change in net assets decreased \$17 million primarily due to a \$14.7 million special item relating to the dissolution of the Sanitary Sewer WRA- Joint Venture agreement.

Government-type revenues increased 1% primarily from increased property tax collections. The County maintained property tax rates at the same level as FY 03/04, however, a 6% increase in property valuations resulted in a 6% increase in property tax revenue.

The fact that 53% 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 21% and charges for services represents 14% of the total governmental revenues, respectively.

Government-type expenses increased 11%, including a 25% increase in the mental health service area due to service/caseload increases and early debt retirement. Administration expenses increased 31%, a change in large part attributable to an accounting adjustment. And public safety and legal services expenses increased 7% due to the rising prison population.

The County's expenses cover a range of services, with the largest expenditures relating to mental health (25% of total government-type expenditures) and public safety and legal services (25% of total government-type expenditures).

Governmental Activities Revenues for the County's governmental activities increased \$1.9 million (1%), while expenses increased \$17.8 million (11%). Key elements of these changes include the following:

- \$5.1 million (6%) increase in property tax revenues arising from increased valuations and shifting of the levy rate to the debt service fund
- \$2.3 million (5%) decrease in intergovernmental revenue due to a \$1.0 million change in accounting procedures which shortened the applicable time period for recording accounts receivable. Intergovernmental revenue also decreased \$0.6 million due to federal/state grants being moved to the Community Betterment from the General Basic Fund and decreased an additional \$0.5 million due to privatization of the SDA federal grant program during the current year.
- \$1.5 million (86%) increase in use of money and property revenue due to rising interest rates and interest earnings. The average interest rate for FY 04/05 was 2.28% on an average daily investment of \$86.5 million. Comparatively, the average interest rate for FY 03/04 was 1.07% on an average daily investment of \$75.8 million.
- \$2.7 million (7%) increase in public safety and legal services expenditures mainly attributable to a rising jail population. This service area experienced increased costs for prisoner housing, transportation and medical services as well as increased uniform patrol expenses.
- \$0.8 million (3%) decrease in physical health and social services expenditures with a decrease of \$0.8 million resulting from the discontinuation of two child care programs and a decrease of \$0.2 million resulting from utilization of less costly alternatives to youth detention.
- \$9.0 million (25%) increase in mental health expenditures due to expanded mental health/mental retardation/developmental disability services and caseloads as well as defeasance of outstanding debt previously issued to purchase group homes.
- \$6.6 million (31%) increase in administration expenditures due, in part, to reclassification of account coding for community grants. In addition, \$2.4 million of community grants were reclassified from county environment and education expenditures to administration expenditures during the current fiscal year.

Business-type Activities Revenues for the County's business-type activities decreased \$1.7 million (3%), while expenses increased \$2.8 million (15%). Key elements of these changes include the following:

- Capital grants and contributions increased \$4 million due to increases from Vision Iowa grant monies for the Iowa Events Center and Wells Fargo Arena.
- Charges for Services increased \$2.4 million primarily due to a \$1 million increase in project income from the Prairie Meadow's tax rate change payment received from RACI. In addition, an increase of \$0.8 million was due to receiving naming rights for the Iowa Events Center and Wells Fargo Arena.
- Miscellaneous revenue decreased primarily due to dissolution of the Sanitary Sewer WRA agreement which resulted in a decrease of \$3.3 million in net joint venture activity compared to prior year. In addition, the decrease can be attributed to a one-time \$4.8 million Prairie Meadow's lease payment received in the prior year.
- Expenses increased \$2.8 million primarily due to the opening of the Hy-Vee Exhibit Hall in December 2004 and related pre-opening expenses at the Iowa Events Center.

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 \$56.0 million at June 30, 2005, which is \$9.5 million less than the prior year. Included in this year's total change in fund balance is a decrease of \$1.6 million in the County's General Fund. The primary reasons for the General Fund's decrease mirror those highlighted in the analysis of governmental activities. Additional changes of note include:

- The Economic Development Fund balance decreased \$0.4 million due to the transfer of \$430,000 to the Family Services Fund to pay for three grants previously paid out of the Economic Development Fund.
- The MH/MR/DD Services Fund balance decreased \$5.3 million primarily due to an increase in mental health services and participants.
- The Equipment Reserve Fund balance decreased \$1.4 million primarily due to an increase in the number of project expenditures and planned balance utilization.

Proprietary Funds Prairie Meadows Racetrack/Casino net assets decreased \$7.5 million due to increased transfers out to the Iowa Event Center for construction costs. Iowa Events Center net assets decreased \$3.9 million due to operational losses caused by the opening of Hy-Vee Exhibit Hall in December 2004 and changes in the facility management structure in October 2004. Wells Fargo Arena net assets increased \$41.1 million due to capital contributions from other funds and the Vision Iowa grant program. In addition, other enterprise funds net assets decreased \$15.9 million due to contribution expense relating to the dissolution of the Sanitary Sewer WRA agreement.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The County's capital assets for its governmental and business-type activities as of June 30, 2005, amount to \$401 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 \$77.9 million (24%).

Capital assets for the governmental and business-type activities at June 30, 2005 are as follows:

Capital Assets
(In Millions)

	Governmental Activities		Business-Type Activities		Totals	
	2005	2004	2005	2004	2005	2004
Land	\$ 8.1	\$ 8.1	\$ 14.9	\$ 14.9	\$ 23.0	\$ 23.0
Buildings	61.8	61.4	144.2	54.7	206.0	116.1
Improvements other than buildings	0.8	0.8	8.7	8.9	9.5	9.7
Leasehold improvements	-	-	37.5	37.5	37.5	37.5
Infrastructure	79.6	76.1	17.6	16.0	97.2	92.1
Equipment	12.0	12.2	0.8	2.5	12.8	14.7
Vehicles	6.8	6.8	0.1	0.1	6.9	6.9
Construction in progress	2.0	0.6	126.5	133.1	128.5	133.7
Total	<u>171.1</u>	<u>166.0</u>	<u>350.3</u>	<u>267.7</u>	<u>521.4</u>	<u>433.7</u>
Less: accumulated depreciation	<u>(83.0)</u>	<u>(75.9)</u>	<u>(37.4)</u>	<u>(34.7)</u>	<u>(120.4)</u>	<u>(110.6)</u>
Total	<u>\$ 88.1</u>	<u>\$ 90.1</u>	<u>\$ 312.9</u>	<u>\$ 233.0</u>	<u>\$ 401.0</u>	<u>\$ 323.1</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, 2005 are as follows:

- The County completed several road construction projects during the year - \$4.0 million
- Construction in progress of road construction projects and new jail facility - \$2.0 million
- Sanitary sewer system infrastructure - \$1.6 million
- The County completed construction of the new Hy-Vee Exhibit Hall - \$91.5 million
- Construction in progress of Wells Fargo Arena - \$4.0 million
- Construction in progress of new Urban Sewer Fund projects - \$0.2 million

The County's FY 05/06 capital budget projects spending another \$10.2 million on the new jail facility, \$1.1 million for capital improvement projects, and \$1.0 million for the purchase of land or building for office space. Capital improvement projects will represent costs of equipment, repairs, replacements and improvements to County-owned facilities. In addition, the County has projected to spend approximately \$3.8 million on urban sewer projects.

Long-Term Debt

At June 30, 2005, the County had \$170.4 million in bonds and notes outstanding, a decrease of \$13.5 million compared to FY 03/04. The decrease in debt resulted from principal repayments, refundings, and limited new debt issuance. Three large outstanding obligations pertain to the Iowa Events Center and Wells Fargo Arena enterprise funds. These consist of construction of a new arena and exhibit hall along with renovation of the existing Veterans Memorial Auditorium. During FY 04/05, principal repayments of \$10.8 million were made on the Iowa Events Center/Wells Fargo Arena debt, reducing the outstanding obligation from \$152.9 million to \$142.1 million.

In addition, restructuring of the Sanitary Sewer WRA joint venture (see Note 7) caused a \$3.4 million decrease in notes payable.

These principal reductions are offset by Polk County's issuance of \$3.8 million of new debt during the fiscal year ending June 30, 2005. The new debt financed the County's annual capital improvement program, housing grants and Neighborhood Finance Corporation funds.

During FY 05/06, Polk County plans to issue \$83.3 million in additional general obligation debt. This includes \$68.0 million for the new jail facility, \$2.5 for housing programs, \$1.1 million for capital improvements, \$9.7 million for urban sewer projects, \$1.0 million for Convention Complex improvements, and \$1.0 million for the purchase of land or building for office space.

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, 2005, was \$721.4 million.

Outstanding Debt
(In Millions)

	Governmental Activities		Business-type Activities		Total		Percentage Change 2004-2005
	2005	2004	2005	2004	2005	2004	
General obligation bonds	\$22.2	\$20.9	\$147.6	\$158.9	\$169.8	\$179.8	-5.6%
Notes payable	0.6	0.7	0.0	3.4	0.6	4.1	-85.4%
Total	\$22.8	\$21.6	\$147.6	\$162.3	\$170.4	\$183.9	-7.3%

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

BUDGETARY HIGHLIGHTS

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

Even with these adjustments, actual expenditures were \$16.0 million below and actual revenues were \$0.8 million below final budget amounts. Significant variances included:

- Appropriations for public safety and legal services exceeded expenditures by \$0.7 million. This discrepancy included adult correctional services expenditures of \$0.7 million less than budget due to a lower than anticipated 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 correctional costs. In contrast, expenditures for uniform patrol services were \$0.2 million over budget and expenditures for detention services were \$0.1 million over budget.
- Appropriations for physical health and social services exceeded expenditures by \$0.5 million. This discrepancy included administration expenditures of \$0.1 million less than budget due to a lower than anticipated need for temporary extra help. General welfare services expenditures were \$0.2 million less than budget due to a reduced need for utility assistance due to mild weather conditions. Expenditures for services to veterans were \$0.1 million less than budgeted due to referral to alternative assistance programs. And expenditures for services to the elderly were \$0.1 million less than budget due to reduced eligibility for Elderly Waiver funding of the Meals on Wheels program and a change in food service providers.

- County environment and education expenditures were \$7.4 million less than appropriated. This discrepancy included a \$5.3 million grant for a road project not being invoiced as expected during the fiscal year. Additionally, payment of a \$1.3 million grant was delayed pending contract negotiations.
- Appropriations for administration exceeded expenditures by \$0.6. This discrepancy included general services expenditures of \$0.3 million less than budgeted due to delayed payments of postage and utilities, a renegotiated lease, and inventory draw-downs. Additionally, safety of workplace expenditures were \$0.1 million less than appropriated due to lower than anticipated tort liability insurance costs and position vacancies.
- Budgeted revenues from intergovernmental sources exceeded actual by \$1.9 million. This discrepancy included increased reimbursement for care of federal prisoners and receipt of state Empowerment grant funds.
- Revenues from charges for services exceeded budget by \$0.9 million. This discrepancy included increased collections for filing of documents with the Recorder's Office and increased collection of auto registration fees.
- County capital project expenditures were \$6.1 million less than appropriated. This discrepancy included new jail facility expenditures of \$2.1 million less than budgeted due to delay in closing negotiations. In addition, right-of-way acquisitions for the Ankeny to Woodward trail extension project were \$1.3 million less than budgeted due to negotiations with the Union Pacific Railroad. Also, approximately \$1.1 million in various capital projects were completed under projected costs or deferred to a later date.

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 \$5.3 million. For calendar year 2004, the amount of this 4% net revenue share was \$6.3 million.

In the FY 05/06 budget, governmental fund revenues excluding transfers are budgeted to increase 10% compared to actual revenues in FY 04/05 with net current property taxes comprising 49% of revenues. Certified taxable valuations increased 3% over the preceding year, and the tax levy rate remained constant. A budgeted increase of \$3.1 million in property tax revenues due to the valuation change is a significant source of increased revenue. Additionally, proceeds from general long-term debt are budgeted to increase \$9.2 million due to the initial phases of constructing a new Polk County jail.

Expenditures are budgeted to increase 21% to \$207.4 million. The largest increases are \$15.4 million in capital expenditures and \$9.0 million in county environment and education. The increase in capital expenditures includes \$2.4 million for HAVA voting machines, \$1.0 million to carry over the appropriation for various building reserve/capital improvement projects from FY 04/05 to FY 05/06, \$10.2 million for initial expenditures on the new Polk County jail, and \$1.3 million for conservation trails. County environment and education is budgeted to 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. Additionally in FY05/06, Polk County will increase its contribution to selected Vision Iowa projects by \$1.5 million and will award a new economic development grant of \$1.3 million to Kemin Industries.

With FY 05/06 revenues and transfers in budgeted at \$220.0 million and expenditures and transfers out budgeted at \$232.8 million, the County anticipates a balance utilization of \$12.8 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. Planned balance utilization also includes \$2.5 million in the mental health/mental retardation/developmental disability fund and \$2.9 million in the capital improvement reserve account. Ending fund balances are estimated to exceed 24% of expenditures.

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, 2005**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	PCHS
ASSETS				
Cash and cash equivalents	\$ 69,196,331	\$ 34,001,819	\$ 103,198,150	\$ 3,272,939
Receivables (net of allowance for uncollectibles)	10,885,637	1,963,175	12,848,812	160,726
Advances to component unit	5,405,741	-	5,405,741	-
Internal balances	398,075	(398,075)	-	-
Inventories	1,015,351	158,526	1,173,877	-
Prepaid items	592,540	50,876	643,416	29,999
Lease/debt origination costs	86,968	521,311	608,279	-
Succeeding year property taxes receivable	94,961,509	-	94,961,509	-
Net investment in direct financing lease	-	-	-	2,589,862
Capital assets not being depreciated	10,136,667	141,314,214	151,450,881	-
Capital assets being depreciated, net	78,007,169	171,613,220	249,620,389	5,065,751
TOTAL ASSETS	270,685,988	349,225,066	619,911,054	11,119,277
LIABILITIES				
Accounts payable and other current liabilities	19,250,056	15,127,075	34,377,131	298,375
Interest payable	73,174	551,405	624,579	-
Deferred revenues	165,139	-	165,139	240,006
Advance deposits and ticket sales	-	163,259	163,259	-
Succeeding year property taxes deferred revenue	94,961,509	-	94,961,509	-
Due within one year:				
General obligation bonds payable	2,723,785	9,041,714	11,765,499	-
Notes payable	34,000	-	34,000	-
Capital leases payable	271,200	-	271,200	-
Compensated absences payable	1,033,900	21,100	1,055,000	-
Estimated liability for claims and judgments	2,213,609	476,770	2,690,379	-
Advances from primary government	-	-	-	638,701
Due in more than one year:				
General obligation bonds payable	19,438,652	138,576,523	158,015,175	-
Notes payable	616,000	-	616,000	-
Capital leases payable	212,325	-	212,325	-
Compensated absences payable	7,590,708	180,876	7,771,584	-
Estimated liability for claims and judgments	420,129	-	420,129	-
Advances from primary government	-	-	-	4,767,040
TOTAL LIABILITIES	149,004,186	164,138,722	313,142,908	5,944,122
NET ASSETS				
Invested in capital assets, net of related debt	83,433,110	166,183,976	249,617,086	2,259,977
Restricted for:				
Debt service	5,212,009	-	5,212,009	630
Capital improvements	3,149,526	-	3,149,526	-
Other purposes (state statutes, bond covenants)	9,040,453	-	9,040,453	-
Unrestricted	20,846,704	18,902,368	39,749,072	2,914,548
TOTAL NET ASSETS	\$ 121,681,802	\$ 185,086,344	\$ 306,768,146	\$ 5,175,155

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, 2005

Function/Program	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS			Component Unit PCHS
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
Primary government:								
Governmental activities:								
Public safety and legal services	\$ 43,906,960	\$ 7,729,226	\$ 1,573,103	\$ -	\$ (34,604,631)	\$ -	\$ (34,604,631)	\$ -
Physical health and social services	25,528,316	1,229,497	6,851,710	-	(17,447,109)	-	(17,447,109)	-
Mental health	44,893,946	4,730,128	20,264,362	-	(19,899,456)	-	(19,899,456)	-
County environment and education	13,611,135	995,812	267,460	-	(12,347,863)	-	(12,347,863)	-
Roads and transportation	15,429,274	463,326	4,451,576	4,378,282	(6,136,090)	-	(6,136,090)	-
Government services to residents	5,625,475	6,918,675	-	-	1,293,200	-	1,293,200	-
Administration	27,880,553	1,186,472	180,225	19,239	(26,494,617)	-	(26,494,617)	-
Interest on long-term debt	778,112	7	-	-	(778,105)	-	(778,105)	-
Total governmental activities	177,653,771	23,253,143	33,588,436	4,397,521	(116,414,671)	-	(116,414,671)	-
Business-type activities:								
Air Pollution	868,170	216,107	659,817	-	-	7,754	7,754	-
Sanitary Treatment Works	1,327,274	516,014	-	-	-	(811,260)	(811,260)	-
Prairie Meadows Racetrack/Casino	6,379,323	26,314,007	-	-	-	19,934,684	19,934,684	-
Jester Park Golf Course	1,343,601	1,388,515	1,000	-	-	45,914	45,914	-
Hamilton Urban Drainage District	257,173	129,326	-	-	-	(127,847)	(127,847)	-
Iowa Events Center	11,052,531	6,446,233	-	8,554,390	-	3,948,092	3,948,092	-
Wells Fargo Arena	511,976	260,000	-	11,813,206	-	11,561,230	11,561,230	-
Total business-type activities	21,740,048	35,270,202	660,817	20,367,596	-	34,558,567	34,558,567	-
Total primary government	\$ 199,393,819	\$ 58,523,345	\$ 34,249,253	\$ 24,765,117	(116,414,671)	34,558,567	(81,856,104)	-
Component unit:								
PCHS	\$ 3,555,569	\$ 1,593,002	\$ 4,517,302					2,554,735
General revenues:								
Property taxes					85,283,346	-	85,283,346	-
Other county taxes					4,809,582	-	4,809,582	-
Interest on property taxes					1,061,401	-	1,061,401	-
State replacements					2,746,785	-	2,746,785	-
Use of money and property					3,210,740	1,679,914	4,890,654	67,362
Miscellaneous					2,401,601	185,513	2,587,114	51,102
Special item - contribution expense WRA Sewer					-	(14,700,543)	(14,700,543)	-
Transfers					7,889,858	(7,889,858)	-	-
Total general revenues, special item, and transfers					107,403,313	(20,724,974)	86,678,339	118,464
Change in net assets					(9,011,358)	13,833,593	4,822,235	2,673,199
Net assets - beginning					130,693,160	171,252,751	301,945,911	2,501,956
Net assets - ending					\$ 121,681,802	\$ 185,086,344	\$ 306,768,146	\$ 5,175,155

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, 2005

	General	MH/MR/DD Services	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 31,253,648	\$ 8,112,392	\$ 23,199,840	\$ 62,565,880
Receivables (net of allowances for uncollectibles):				
Taxes	705,659	43,841	32,272	781,772
Succeeding year property taxes	71,003,715	14,439,175	9,518,619	94,961,509
Special assessments	14,168	-	4,965	19,133
Accounts	165,032	10,329	43,524	218,885
Notes	-	-	3,042,037	3,042,037
Accrued interest	200,398	-	208	200,606
Due from other funds	1,368,241	60,232	40,333	1,468,806
Due from other governments	4,114,659	857,587	376,463	5,348,709
Advances to other funds	53,900	-	44,000	97,900
Advances to component unit	-	983,501	4,422,240	5,405,741
Inventories	410,997	-	604,354	1,015,351
Prepaid items	326,591	-	-	326,591
TOTAL ASSETS	\$ 109,617,008	\$ 24,507,057	\$ 41,328,855	\$ 175,452,920
LIABILITIES AND FUND BALANCES				
Liabilities:				
Vouchers payable	\$ 1,925,119	\$ 9,273,725	\$ 4,633,058	\$ 15,831,902
Wages payable	2,701,229	14,423	212,969	2,928,621
Payroll taxes payable	365,068	1,957	28,026	395,051
Interest payable	-	-	1,823	1,823
Estimated liability for claims and judgments	879,878	-	-	879,878
Due to other funds	5,813	-	363,474	369,287
Deferred revenues	3,568,173	445,937	78,953	4,093,063
Succeeding year property taxes deferred revenue	71,003,715	14,439,175	9,518,619	94,961,509
TOTAL LIABILITIES	80,448,995	24,175,217	14,836,922	119,461,134
Fund balances:				
Reserved for advances to other funds	53,900	-	44,000	97,900
Reserved for advances to component unit	-	983,501	4,422,240	5,405,741
Reserved for noncurrent notes receivable	-	-	2,281,459	2,281,459
Reserved for inventory of supplies	251,187	-	604,354	855,541
Reserved for supplemental levy purposes	7,763,378	-	1,539,791	9,303,169
Reserved for prepaid items	326,591	-	-	326,591
Unreserved, undesignated reported in general fund	20,772,957	-	-	20,772,957
Unreserved, designated reported in special revenue funds	-	-	15,491,382	15,491,382
Unreserved, undesignated reported in special revenue funds	-	(651,661)	(1,830,588)	(2,482,249)
Unreserved, undesignated reported in capital projects funds	-	-	3,149,526	3,149,526
Unreserved, undesignated reported in debt service funds	-	-	789,769	789,769
TOTAL FUND BALANCES	29,168,013	331,840	26,491,933	55,991,786
TOTAL LIABILITIES AND FUND BALANCES	\$ 109,617,008	\$ 24,507,057	\$ 41,328,855	\$ 175,452,920

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, 2005

Fund balances - total governmental funds		\$	55,991,786
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	171,178,426		
Accumulated depreciation	<u>(83,034,590)</u>		88,143,836
Interest payable on long-term obligations that does not require current financial resources and therefore is not reported in the funds.			
			(71,351)
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.			
			6,174,927
Deferred revenues that are not available to pay for current period expenditures in the funds			
Property taxes	778,215		
Special assessments	18,607		
Accounts receivable	57,435		
Due from other governments	2,678,107		
Due from other funds (Prairie Meadows property taxes)	<u>395,560</u>		3,927,924
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)			(22,162,437)
Notes payable			(650,000)
Bond issuance costs			86,968
Capital leases payable			(483,525)
Compensated absences payable			(8,624,608)
Estimated liability for claims and judgments			<u>(651,718)</u>
Net assets of governmental activities		\$	<u>121,681,802</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, 2005

	General	MH/MR/DD Services	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Property taxes	\$ 63,842,810	\$ 13,344,471	\$ 7,792,690	\$ 84,979,971
Other County taxes	3,926,812	602,845	279,925	4,809,582
Interest and penalties on delinquent taxes	1,061,401	-	-	1,061,401
Intergovernmental	17,086,863	25,423,947	5,605,990	48,116,800
Licenses and permits	869,071	-	74,010	943,081
Charges for services	9,287,781	-	331,704	9,619,485
Use of money and property	3,029,269	30,751	85,514	3,145,534
Miscellaneous	1,265,014	148,610	410,693	1,824,317
TOTAL REVENUES	100,369,021	39,550,624	14,580,526	154,500,171
EXPENDITURES:				
Current:				
Public safety and legal services	41,116,826	-	223,293	41,340,119
Physical health and social services	22,410,106	-	2,371,222	24,781,328
Mental health	-	44,893,946	-	44,893,946
County environment and education	5,635,488	-	7,450,703	13,086,191
Roads and transportation	-	-	7,881,246	7,881,246
Government services to residents	5,071,963	-	171,423	5,243,386
Administration	22,628,162	-	2,592,959	25,221,121
Nonprogram services	-	-	70,697	70,697
Debt service:				
Principal	-	-	2,526,980	2,526,980
Interest	-	-	776,022	776,022
Capital projects:				
Roadway construction	-	-	2,768,779	2,768,779
Conservation land acquisition and development	141,722	-	53,602	195,324
Other capital projects	-	-	3,270,594	3,270,594
TOTAL EXPENDITURES	97,004,267	44,893,946	30,157,520	172,055,733
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	3,364,754	(5,343,322)	(15,576,994)	(17,555,562)
OTHER FINANCING SOURCES (USES):				
Transfers in	3,043,950	-	20,234,916	23,278,866
Transfers out	(7,956,436)	-	(10,912,572)	(18,869,008)
Proceeds from issuance of bonds	-	-	3,770,000	3,770,000
Premium on bonds issued	-	-	25,652	25,652
Proceeds from sale of capital assets	1,150	-	40,280	41,430
TOTAL OTHER FINANCING SOURCES (USES)	(4,911,336)	-	13,158,276	8,246,940
NET CHANGE IN FUND BALANCES	(1,546,582)	(5,343,322)	(2,418,718)	(9,308,622)
FUND BALANCE, BEGINNING	30,733,685	5,675,162	29,078,261	65,487,108
Change in inventory reserve	(19,090)	-	(167,610)	(186,700)
FUND BALANCE, ENDING	\$ 29,168,013	\$ 331,840	\$ 26,491,933	\$ 55,991,786

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, 2005**

Net change in fund balances - total governmental funds	\$ (9,308,622)
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 by which depreciation (\$8,512,784) expense exceeded capital outlays (\$2,259,466) and contributed capital assets (\$4,378,282) in the current period.	(1,875,036)
The net effect of various transactions involving capital assets (i.e., sales, trade-ins, and loss on sale) including \$41,430 of proceeds is to decrease net assets.	(136,034)
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	2,038,254
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	(184,506)
Change in compensated absences	(670,038)
Amortization of bond premium	7,892
Amortization of bond issuance costs	(9,481)
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	310,297
Payments on long-term bonds	2,494,980
Payments on long-term notes	32,000
Proceeds on long-term bonds	(3,770,000)
Premium on the issuance of bond	(25,652)
Bond issuance costs	51,390
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	(2,090)
Internal service funds are used by management to charge the costs of insurance. The net profit(loss) is reported with governmental activities.	2,221,988
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.	(186,700)
Change in net assets of governmental activities	<u>\$ (9,011,358)</u>

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

POLK COUNTY, IOWA

Statement of Net Assets
Proprietary Funds
June 30, 2005

	Business-type Activities - Enterprise Funds					Governmental Activities- Internal Service Funds
	Prairie Meadows Racetrack/ Casino	Iowa Events Center	Wells Fargo Arena	Other Enterprise Funds	Total	
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 17,490,828	\$ 8,026,008	\$ 5,338,663	\$ 3,146,320	\$ 34,001,819	\$ 6,630,451
Receivables (net of allowances for uncollectibles):						
Special assessments	-	-	-	310,968	310,968	-
Accounts	-	186,715	280,336	48,640	515,691	468,770
Accrued interest	63,695	35,095	-	305	99,095	568
Due from other funds	-	-	-	247,847	247,847	-
Due from other governments	-	62,500	515,790	211,284	789,574	-
Inventories	-	103,050	-	55,476	158,526	-
Prepaid items	-	50,876	-	-	50,876	265,949
Total current assets	17,554,523	8,464,244	6,134,789	4,020,840	36,174,396	7,365,738
Noncurrent assets:						
Lease/debt origination costs	-	219,846	275,950	25,515	521,311	-
Capital assets not being depreciated	3,129,000	5,866,002	130,977,256	1,341,956	141,314,214	-
Capital assets being depreciated, net	63,083,266	94,616,655	-	13,913,299	171,613,220	-
Total noncurrent assets	66,212,266	100,702,503	131,253,206	15,280,770	313,448,745	-
TOTAL ASSETS	83,766,789	109,166,747	137,387,995	19,301,610	349,623,141	7,365,738
LIABILITIES						
Current liabilities:						
Vouchers payable	-	897,189	5,112,815	214,043	6,224,047	88,669
Contract/retainage payable	-	-	6,594,000	-	6,594,000	-
Wages payable	-	94,532	-	64,439	158,971	-
Payroll taxes payable	-	8,072	-	8,035	16,107	-
Interest payable	-	231,296	316,144	3,965	551,405	-
Estimated liability for claims and judgments	-	-	476,770	-	476,770	1,102,142
Due to other funds	396,825	-	-	1,250	398,075	-
Due to other governments	2,133,950	-	-	-	2,133,950	-
Advance deposits and ticket sales	-	159,485	-	3,774	163,259	-
General obligation bonds payable	-	4,499,159	4,357,860	184,695	9,041,714	-
Compensated absences payable	-	5,095	-	16,005	21,100	-
Total current liabilities	2,530,775	5,894,828	16,857,589	496,206	25,779,398	1,190,811
Noncurrent liabilities:						
General obligation bonds payable	-	57,778,681	79,444,367	1,353,475	138,576,523	-
Compensated absences payable	-	43,674	-	137,202	180,876	-
Total noncurrent liabilities	-	57,822,355	79,444,367	1,490,677	138,757,399	-
TOTAL LIABILITIES	2,530,775	63,717,183	96,301,956	1,986,883	164,536,797	1,190,811
NET ASSETS						
Invested in capital assets, net of related debt	66,212,266	38,028,453	48,200,657	13,742,600	166,183,976	-
Unrestricted	15,023,748	7,421,111	(7,114,618)	3,572,127	18,902,368	6,174,927
TOTAL NET ASSETS	\$ 81,236,014	\$ 45,449,564	\$ 41,086,039	\$ 17,314,727	185,086,344	\$ 6,174,927

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, 2005

	Business-type Activities - Enterprise Funds					Governmental Activities- Internal Service Funds
	Prairie Meadows/ Racetrack/ Casino	Iowa Events Center	Wells Fargo Arena	Other Enterprise Funds	Total	
OPERATING REVENUES:						
Charges for goods and services:						
Charges for services	\$ 20,000,000	\$ 2,173,616	\$ -	\$ 2,249,962	\$ 24,423,578	\$ 9,707,243
Grant revenue, operating	-	-	-	660,817	660,817	-
Project income	6,314,007	500,000	260,000	-	7,074,007	-
Parking income	-	569,367	-	-	569,367	-
Concession sales	-	2,725,318	-	-	2,725,318	-
Commissions income	-	367,244	-	-	367,244	-
PPMS user fee on ticket sales	-	110,688	-	-	110,688	-
Miscellaneous	-	164,260	-	21,253	185,513	-
Total operating revenues	26,314,007	6,610,493	260,000	2,932,032	36,116,532	9,707,243
OPERATING EXPENSES:						
Cost of goods and services:						
Personal services	-	4,066,448	-	1,366,408	5,432,856	158,165
Supplies	-	228,273	-	246,348	474,621	-
Professional services	650	104,604	359,058	628,796	1,093,108	-
Other services/charges	2,530,777	1,860,450	15,418	731,706	5,138,351	68,983
Insurance	-	-	-	-	-	10,803,313
Direct event expense	-	511,634	-	-	511,634	-
Cost of goods sold - concession	-	699,929	-	161,734	861,663	-
Management expense	-	577,646	-	-	577,646	-
Miscellaneous	-	213,972	-	72,946	286,918	-
Amortization of discount (premium)	-	(206,879)	-	3,011	(203,868)	-
Depreciation	3,847,896	2,125,705	-	572,545	6,546,146	-
Total operating expenses	6,379,323	10,181,782	374,476	3,783,494	20,719,075	11,030,461
OPERATING INCOME (LOSS)	19,934,684	(3,571,289)	(114,476)	(851,462)	15,397,457	(1,323,218)
NONOPERATING REVENUES (EXPENSES):						
Interest revenue	616,108	984,908	-	78,898	1,679,914	65,206
Interest expense	-	(83,035)	-	(12,724)	(95,759)	-
Pre-opening expenses	-	(787,714)	(137,500)	-	(925,214)	-
Total nonoperating revenues (expenses)	616,108	114,159	(137,500)	66,174	658,941	65,206
INCOME (LOSS) BEFORE SPECIAL ITEMS, CAPITAL CONTRIBUTIONS AND TRANSFERS	20,550,792	(3,457,130)	(251,976)	(785,288)	16,056,398	(1,258,012)
SPECIAL ITEMS:						
Contribution expense - WRA Sewer	-	-	-	(14,700,543)	(14,700,543)	-
Transferred net assets	-	3,234,663	-	(3,234,663)	-	-
Total special items	-	3,234,663	-	(17,935,206)	(14,700,543)	-
CAPITAL CONTRIBUTIONS AND TRANSFERS:						
Capital contributions from other funds	-	-	28,607,415	-	28,607,415	-
Capital contributions to other funds	-	(28,607,415)	-	-	(28,607,415)	-
Capital contributions from others	-	8,554,390	11,813,206	-	20,367,596	-
Transfers in	-	17,319,320	917,394	2,811,414	21,048,128	5,717,500
Transfers out	(28,020,592)	(917,394)	-	-	(28,937,986)	(2,237,500)
Total capital contributions and transfers	(28,020,592)	(3,651,099)	41,338,015	2,811,414	12,477,738	3,480,000
CHANGE IN NET ASSETS	(7,469,800)	(3,873,566)	41,086,039	(15,909,080)	13,833,593	2,221,988
NET ASSETS - BEGINNING	88,705,814	49,323,130	-	33,223,807	171,252,751	3,952,939
NET ASSETS - ENDING	\$ 81,236,014	\$ 45,449,564	\$ 41,086,039	\$ 17,314,727	\$ 185,086,344	\$ 6,174,927

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, 2005

	Business-type Activities -		
	Prairie Meadows Racetrack/Casino	Iowa Events Center	Wells Fargo Arena
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ -	\$ 6,520,529	\$ (536,126)
Cash received from operating grants	-	-	-
Cash received from racetrack/casino	26,314,007	-	-
Cash paid to suppliers for goods and services	(2,482,435)	(12,205,530)	116,847
Cash paid to employees	-	(4,449,706)	-
Net cash flows from operating activities	23,831,572	(10,134,707)	(419,279)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	-	17,319,320	917,394
Transfers out	(28,020,592)	(917,394)	-
Pre-opening expenses	-	(787,714)	(137,500)
Cash paid to other funds	14,961	-	-
Cash received from other funds	-	1,479,994	-
Net cash flows from noncapital financing activities	(28,005,631)	17,094,206	779,894
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Issuance costs paid on long-term debt	-	-	-
Principal paid on long-term debt	-	(10,825,000)	-
Interest paid on long-term debt	-	(403,894)	-
Capital contributions from others	-	8,554,390	11,813,206
Purchase of capital assets	-	(67,270,126)	(6,835,158)
Net cash flows from capital and related financing activities	-	(69,944,630)	4,978,048
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	567,626	1,013,490	-
Net cash flows from investing activities	567,626	1,013,490	-
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,606,433)	(61,971,641)	5,338,663
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	21,097,261	69,997,649	-
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 17,490,828	\$ 8,026,008	\$ 5,338,663

Enterprise Funds		Governmental Activities- Internal Service Funds
Other Enterprise Funds	Total	
\$ 2,398,754	\$ 8,383,157	\$ 9,115,575
681,167	681,167	-
-	26,314,007	-
(1,866,650)	(16,437,768)	(10,764,231)
(1,362,087)	(5,811,793)	-
<u>(148,816)</u>	<u>13,128,770</u>	<u>(1,648,656)</u>
2,811,414	21,048,128	5,717,500
-	(28,937,986)	(2,237,500)
-	(925,214)	-
(3,771,206)	(3,756,245)	-
(15,871)	1,464,123	-
<u>(975,663)</u>	<u>(11,107,194)</u>	<u>3,480,000</u>
(1,250)	(1,250)	-
(180,000)	(11,005,000)	-
(25,675)	(429,569)	-
-	20,367,596	-
(196,515)	(74,301,799)	-
<u>(403,440)</u>	<u>(65,370,022)</u>	<u>-</u>
79,223	1,660,339	66,173
<u>79,223</u>	<u>1,660,339</u>	<u>66,173</u>
(1,448,696)	(61,688,107)	1,897,517
<u>4,595,016</u>	<u>95,689,926</u>	<u>4,732,934</u>
<u>\$ 3,146,320</u>	<u>\$ 34,001,819</u>	<u>\$ 6,630,451</u>

(continued)

POLK COUNTY, IOWA

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2005

	Business-type Activities -		
	Prairie Meadows Racetrack/Casino	Iowa Events Center	Wells Fargo Arena
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating income (loss)	\$ 19,934,684	\$ (3,571,289)	\$ (114,476)
Components of operating income (loss) not included in operating activities:			
Depreciation	3,847,896	2,125,705	-
Amortization	-	(206,879)	-
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:			
(Increase) decrease in special assessments receivable	-	-	-
(Increase) decrease in accounts receivable	-	(145,701)	(280,336)
(Increase) decrease in due from other governments	-	263,463	(515,790)
(Increase) decrease in inventories	-	(40,157)	-
(Increase) decrease in prepaid items	-	(40,876)	-
Increase (decrease) in estimated liability for claims and judgments	-	(623,796)	476,770
Increase (decrease) in vouchers payable	-	(7,304,193)	14,553
Increase (decrease) in due to other governments	48,992	-	-
Increase (decrease) in wages payable	-	(28,787)	-
Increase (decrease) in payroll taxes payable	-	(18,876)	-
Increase (decrease) in compensated absences payable	-	(335,595)	-
Increase (decrease) in advance deposits and ticket sales	-	(207,726)	-
Net cash flows from operating activities	\$ 23,831,572	\$ (10,134,707)	\$ (419,279)
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:			
Reduction of debt through WRA contribution	\$ -	\$ -	\$ -
Reduction of investment in joint venture through WRA contribution	-	-	-
Disposal of fully depreciated capital assets	-	-	-
Acquisition of capital assets through vouchers payable	-	-	5,098,262
Acquisition of issuance costs through vouchers payable	-	-	-
Acquisition of capital assets through contract/retainage payable	-	-	6,594,000
Acquisition of capital assets through interest payable	-	-	316,144
Transfer of net assets from (to) other funds	-	3,234,663	-
Capital contributions from (to) other funds	-	(28,607,415)	28,607,415

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

Enterprise Funds		Governmental Activities- Internal Service Funds
Other Enterprise Funds	Total	
\$ (851,462)	\$ 15,397,457	\$ (1,323,218)
572,545	6,546,146	-
3,011	(203,868)	-
157,296	157,296	-
(33,066)	(459,103)	(375,774)
27,273	(225,054)	-
(8,503)	(48,660)	-
-	(40,876)	-
-	(147,026)	23,720
(16,617)	(7,306,257)	26,616
-	48,992	-
3,240	(25,547)	-
(4,563)	(23,439)	-
5,644	(329,951)	-
(3,614)	(211,340)	-
<u>\$ (148,816)</u>	<u>\$ 13,128,770</u>	<u>\$ (1,648,656)</u>

\$ (3,386,366)	\$ (3,386,366)	\$ -
18,086,909	18,086,909	-
(54,886)	(54,886)	-
169,810	5,268,072	-
1,525	1,525	-
-	6,594,000	-
-	316,144	-
(3,234,663)	-	-
	-	-

(concluded)

POLK COUNTY, IOWA

**Statement of Net Assets
Fiduciary Funds
June 30, 2005**

	Total Agency Funds
ASSETS	
Cash and cash equivalents	\$ 19,381,966
Receivables (net of allowances for uncollectibles):	
Taxes	3,506,598
Special assessments	6,010,441
Accounts	493,271
Accrued interest	86
Due from other funds	5,813
Due from other governments	446,806
	<hr/>
TOTAL ASSETS	\$ 29,844,981
LIABILITIES	
Vouchers payable	\$ 134,301
Wages payable	157,367
Payroll taxes payable	20,132
Estimated liability for claims and judgments	167,255
Due to other funds	955,104
Due to other governments	27,048,371
Advances from other funds	97,900
Trusts payable	761,864
Compensated absences payable	502,687
	<hr/>
TOTAL LIABILITIES	\$ 29,844,981

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, 2005

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, 2005, 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 \$45 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 Convention Complex, Veteran's Auditorium and Hy-Vee Hall.

Wells Fargo Arena – Accounts for activity of the Wells Fargo Arena that opened in July 2005.

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 2004 on the assessed valuation of property located in the County as of January 1, 2003, 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, 2004. Taxes were receivable in two installments on September 30, 2004, and March 31, 2005. 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	20-30 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 by a method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, as an expenditure (revenue) during the current period. The face amount and related premium of the debt issued are reported as other financing sources. Discounts on debt issuances are reported as other financing uses. 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, 2005. 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 first 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.

Budgetary Policy: As allowed by GASB Statement 41, Budgetary Comparison Schedules – Perspective Differences, the County presents a budgetary comparison schedule on the cash basis as Required Supplementary Information based on the program structure of 10 program service areas as required by State statute for its legally adopted budget.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. FUND BALANCE DEFICITS

Individual fund balance deficits for the year ended June 30, 2005 are as follows:

Special Revenue:	
Family Services	\$ (72,146)
Secondary Roads	(2,923,265)
Capital Projects:	
Jail Facility	\$ (633,804)

The deficits of the above funds are 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, cash held by trustee, 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 statement of net assets as "Cash and Cash Equivalents." Monies that are not required for immediate obligations are invested under the management of the County Treasurer.

The short-term investments represent open-end mutual funds that are valued at amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. These investments do not have a stated maturity date.

As of June 30, 2005, the cash and cash equivalents of the County consist of:

Cash and cash items in vault	\$	82,805
Cash on hand not yet deposited		57,031
Cash held by trustee		1,017,109
Bank account deposits		93,827,881
Short-term investments, mutual funds		<u>27,595,290</u>
Total	\$	<u>122,580,116</u>

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 \$3,453,298 in order to avoid banking service charges. This is considered a compensating balance.

Interest rate risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Operating funds may only be invested with maturities of 397 days or less. Non-operating funds may be invested with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the County. The County's investment policy focuses on the preservation of principal, liquidity, and obtaining a reasonable rate of return.

Credit risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The County's investments in the open-end mutual funds are unrated.

Concentration of credit risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The County's investments at June 30, 2005, are not subject to such risk.

Custodial credit risk. For deposits, this is the risk that in the event of bank failure, the County's deposits may not be returned to it. For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Chapter 12C of the Code of Iowa requires all County funds be deposited into an approved depository and be either insured or collateralized. The County's bank account deposits at June 30, 2005, were entirely covered by Federal depository insurance, or by a collateral pool in accordance with Chapter 12C of the Code of Iowa. As of June 30, 2005, the County had no deposits or investments subject to custodial credit risk.

The County's discretely presented component unit did not own any investments as of June 30, 2005, other than a certificate of deposit. In addition, the component unit had no deposits exposed to custodial credit risk.

4. DUE FROM/TO OTHER FUNDS

Amounts due from/to other funds at June 30, 2005, are as follows:

	Due To					
	General Fund	MH/MR/DD Services	Nonmajor Governmental	Nonmajor Enterprise	Fiduciary	Total
Due from						
General Fund	\$ -	\$ -	\$ -	\$ -	\$ 5,813	\$ 5,813
Prairie Meadows Racetrack/Casino	296,860	60,232	39,733	-	-	396,825
Nonmajor Governmental	363,474	-	-	-	-	363,474
Nonmajor Enterprise	1,250	-	-	-	-	1,250
Fiduciary	<u>706,657</u>	<u>-</u>	<u>600</u>	<u>247,847</u>	<u>-</u>	<u>955,104</u>
Total	<u>\$ 1,368,241</u>	<u>\$ 60,232</u>	<u>\$ 40,333</u>	<u>\$ 247,847</u>	<u>\$ 5,813</u>	<u>\$ 1,722,466</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 other funds	\$ 733,103
June 2005 monthly activity owed to various funds from various Elected Officials Agency Funds	582,106
Property taxes owed to various funds from Prairie Meadows Racetrack/Casino Enterprise Fund	396,825

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, 2005, is as follows:

Drainage District fund interfund loans payable to the following funds:	
General Fund	\$ 53,900
Special Revenue: Economic Development Fund	<u>44,000</u>
Total	<u>\$ 97,900</u>

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

	Drainage Districts
During the year ending June 30:	
2006	\$ 49,700
2007	9,700
2008	7,700
2009	7,700
2010	<u>23,100</u>
Total	\$ <u>97,900</u>

6. ADVANCES TO COMPONENT UNIT

At June 30, 2005, the County, the primary government, has seven notes receivables totaling \$5,405,741 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, 2005, based on where related underlying debt will be paid:

MH/MR/DD Services Fund	
Purchase of mental health homes	\$ 983,501
Debt Service Fund	
1998A Polk County Health Services	2,599,967
1998B Polk County Health Services	<u>1,822,273</u>
	<u>4,422,240</u>
Total	\$ <u>5,405,741</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:		
2006	\$ 638,701	\$ 218,700
2007	647,538	209,932
2008	679,264	181,059
2009	702,068	150,751
2010	737,886	119,312
2011-2015	1,653,881	201,601
2016-2020	260,117	34,460
2021-2025	<u>86,286</u>	<u>3,260</u>
Total	\$ <u>5,405,741</u>	\$ <u>1,119,075</u>

7. INVESTMENT IN JOINT VENTURE

The County is a participating community in the Des Moines Metropolitan Wastewater Reclamation Authority joint venture. This joint venture provides primary and secondary treatment of the sewer flows of the participating communities. The Amended and Restated Agreement for the Des Moines Metropolitan Wastewater Reclamation Authority (WRA) was effective on July 1, 2004. This agreement amended and

restated the previous Integrated Community Area (I.C.A.) Agreement to provide continued operation, improvements and expansion. The WRA Agreement establishes the WRA as a separate legal entity with its own Board. The WRA Agreement creates an independent governance structure, establishes an independent bonding authority for the WRA and provides a framework for additional communities to participate.

Annually, the WRA establishes an allocation to all participating communities based on operations, maintenance, debt service and reserve requirements. Allocations are based on wastewater reclamation facility flows and adjusted prospectively for differences in budgeted flows and actual flows.

As part of the Agreement, the WRA issued debt to advance refund the sewer revenue refunding bonds Series 1997C and 2002D and the state revolving loans SRF2 and SRF3 of the City of Des Moines, Iowa. In addition, state revolving loans SRF4, SRF6 and SRF7 were reassigned from the City of Des Moines, Iowa to the WRA. Polk County had previously entered into various financing agreements with the City of Des Moines, Iowa to provide for Polk County's share of capital contribution for the construction and ongoing expansion of the WRA. The issuance of the debt by the WRA to advance refund and reassign previously issued City of Des Moines, Iowa debt, removes the previous Polk County liability to the City of Des Moines.

Polk County retains an ongoing financial responsibility to the WRA since it is obligated in some manner for the debts of the joint venture through the annual allocation of wastewater reclamation flows. Although the debt of the WRA is to be paid solely and only from WRA revenues, the participating communities in the joint venture cannot withdraw from the joint venture while any of the bonds issued during the time the entity was a participating community are still outstanding. The WRA Sewer Revenue Bonds Series 2004A and 2004B include provisions that place the WRA debt service requirements on the same parity and rank as other debts of the participating communities.

The WRA Agreement requires the debt service on the Series 2004A bonds to be allocated through the annual flow allocation to the participating communities based on the existing allocations of debt service under the prior I.C.A. agreement. The Series 2004A bonds had a balance of \$23,290,000 as of June 30, 2005. Therefore, Polk County has a commitment for approximately \$2,030,800 for future principal payment requirements. The WRA Sewer Revenue Bonds Series 2004B bonds were issued for capital expansion. The WRA Agreement requires the debt service on these bonds to be allocated to the participating communities based on the WRA flows of the core communities and expansion communities of each calendar year. As of June 30, 2005, the Series 2004B bonds had a balance of \$66,830,000 and the County's estimated future allocation based on the WRA flows is currently \$198,328 or 0.3%. The State Revolving Loans are to be paid by the participating communities based on the existing allocations under the prior I.C.A. agreement. As of June 30, 2005, the WRA had \$13,782,000 in State Revolving Loans of which \$649,992 future principal debt service is a commitment of the County.

The WRA Agreement does not provide for the determination of an equity interest for the participating communities. Withdrawing from the joint venture is a forfeit of all reversionary interest and no compensation would be paid. Since there is no specific and measurable equity interest in the WRA Agreement, the investment in the joint venture previously reported by the County has been removed. The County's investment in the joint venture under the I.C.A. Agreement has been contributed to the new WRA organization. This contribution of \$14,700,543 is recorded as a special item in the Sanitary Treatment Works Fund. The County does retain a reversionary interest percentage in the net assets of the WRA that would only be redeemed in the event the WRA is dissolved.

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

8. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005, is as follows:

	Balance 7/1/2004	Additions	Disposals	Balance 6/30/2005
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 8,118,740	\$ 17,100	\$ -	\$ 8,135,840
Construction in progress	633,094	2,000,827	(633,094)	2,000,827
Total capital assets, not being depreciated	<u>8,751,834</u>	<u>2,017,927</u>	<u>(633,094)</u>	<u>10,136,667</u>
Capital assets, being depreciated:				
Buildings	61,417,830	394,968	-	61,812,798
Improvements other than buildings	758,296	-	-	758,296
Infrastructure	76,129,861	4,049,724	(559,761)	79,619,824
Equipment	12,210,858	192,699	(377,784)	12,025,773
Vehicles	6,815,041	615,524	(605,497)	6,825,068
Total capital assets being depreciated	<u>157,331,886</u>	<u>5,252,915</u>	<u>(1,543,042)</u>	<u>161,041,759</u>
Less accumulated depreciation for:				
Buildings	(30,759,411)	(1,870,971)	-	(32,630,382)
Improvements other than buildings	(398,624)	(23,994)	-	(422,618)
Infrastructure	(31,697,180)	(4,646,460)	261,954	(36,081,686)
Equipment	(8,170,912)	(1,091,379)	539,577	(8,722,714)
Vehicles	(4,902,687)	(879,980)	605,477	(5,177,190)
Total accumulated depreciation	<u>(75,928,814)</u>	<u>(8,512,784)</u>	<u>1,407,008</u>	<u>(83,034,590)</u>
Total capital assets being depreciated, net	<u>81,403,072</u>	<u>(3,259,869)</u>	<u>(136,034)</u>	<u>78,007,169</u>
Governmental activities capital assets, net	<u>\$ 90,154,906</u>	<u>\$ (1,241,942)</u>	<u>\$ (769,128)</u>	<u>\$ 88,143,836</u>

	Balance 7/1/2004	Additions	Disposals	Transfers	Balance 6/30/2005
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 14,852,969	\$ -	\$ -	\$ -	\$ 14,852,969
Construction in progress	133,112,562	86,435,560	(93,086,877)	-	126,461,245
Total capital assets, not being depreciated	<u>147,965,531</u>	<u>86,435,560</u>	<u>(93,086,877)</u>	<u>-</u>	<u>141,314,214</u>
Capital assets, being depreciated:					
Buildings	54,661,029	91,452,422	-	(1,867,613)	144,245,838
Improvements other than buildings	8,924,673	16,294	-	(203,651)	8,737,316
Leasehold improvements	37,487,588	-	-	-	37,487,588
Infrastructure	15,986,304	1,634,457	-	-	17,620,761
Equipment	2,520,807	28,705	(69,503)	(1,672,135)	807,874
Vehicles	142,451	-	-	(16,380)	126,071
Total capital assets being depreciated	<u>119,722,852</u>	<u>93,131,878</u>	<u>(69,503)</u>	<u>(3,759,779)</u>	<u>209,025,448</u>
Less accumulated depreciation for:					
Buildings	(18,254,858)	(3,622,949)	-	1,867,611	(20,010,196)
Improvements other than buildings	(7,782,653)	(824,336)	-	203,651	(8,403,338)
Leasehold improvements	(2,249,256)	(1,499,504)	-	-	(3,748,760)
Infrastructure	(4,162,312)	(440,519)	-	-	(4,602,831)
Equipment	(2,154,259)	(145,046)	68,956	1,672,137	(558,212)
Vehicles	(91,479)	(13,792)	-	16,380	(88,891)
Total accumulated depreciation	<u>(34,694,817)</u>	<u>(6,546,146)</u>	<u>68,956</u>	<u>3,759,779</u>	<u>(37,412,228)</u>
Total capital assets being depreciated, net	<u>85,028,035</u>	<u>86,585,732</u>	<u>(547)</u>	<u>-</u>	<u>171,613,220</u>
Business-type activities capital assets, net	<u>\$ 232,993,566</u>	<u>\$ 173,021,292</u>	<u>\$ (93,087,424)</u>	<u>\$ -</u>	<u>\$ 312,927,434</u>

Transfers represent the net book value of capital assets that were included in the Polk County Convention Complex and Veterans Memorial Auditorium enterprise funds. The \$93,086,877 construction in progress disposal represents the reclassification to other assets including the new \$91,452,422 building addition for Hy-Vee Exhibit Hall and \$1,634,457 of new sanitary sewer projects.

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

Government activities:	
Public safety and legal services	\$ 1,635,387
Physical health and social services	337,431
County environment and education	268,719
Roads and transportation	5,465,851
Government services to residents	197,705
Administration	<u>607,691</u>
Total depreciation expense - governmental activities	\$ <u>8,512,784</u>
Business-type activities:	
Air Pollution	\$ 21,054
Sanitary Treatment Works	210,603
Prairie Meadows Racetrack/Casino	3,847,896
Jester Park Golf Course	110,972
Hamilton Urban Drainage District	229,916
Iowa Events Center	<u>2,125,705</u>
Total depreciation expense - business-type activities	\$ <u>6,546,146</u>

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

- Five road projects were administered through the County's Farm-to-Market (FM) account - \$2.7 million
- Three road projects were constructed by a developer - \$1.3 million
- One road was acquired through new legislation made effective July 1, 2004 - \$0.4 million

9. LONG-TERM LIABILITIES

The following is a summary of long-term liability activity for the year ended June 30, 2005:

	Balance			Balance	
	July 1, 2004	Additions	Deletions	June 30, 2005	Due Within One Year
Governmental activities:					
General obligation bonds payable	\$ 20,819,842	\$ 3,770,000	\$ (2,494,980)	\$ 22,094,862	\$ 2,715,893
Add: unamortized premium	49,815	25,652	(7,892)	67,575	7,892
Notes payable	682,000	-	(32,000)	650,000	34,000
Capital leases payable	793,822	-	(310,297)	483,525	271,200
Accrued compensated absences	7,954,570	5,765,705	(5,095,667)	8,624,608	1,033,900
Estimated liability for claims and judgements	<u>2,249,650</u>	<u>10,814,096</u>	<u>(10,430,008)</u>	<u>2,633,738</u>	<u>2,213,609</u>
Total	\$ <u>32,549,699</u>	\$ <u>20,375,453</u>	\$ <u>(18,370,844)</u>	\$ <u>34,554,308</u>	\$ <u>6,276,494</u>
Business-type activities:					
General obligation bonds payable	\$ 154,635,000	\$ -	\$ (11,005,000)	\$ 143,630,000	\$ 8,815,000
Add: unamortized premium (discount)	4,278,015	-	(258,246)	4,019,769	258,246
Less: loss on advance refunding	(63,064)	-	31,532	(31,532)	(31,532)
Notes payable	3,386,366	-	(3,386,366)	-	-
Accrued compensated absences	531,927	35,223	(365,174)	201,976	21,100
Estimated liability for claims and judgements	<u>623,796</u>	<u>800,753</u>	<u>(947,779)</u>	<u>476,770</u>	<u>476,770</u>
Total	\$ <u>163,392,040</u>	\$ <u>835,976</u>	\$ <u>(15,931,033)</u>	\$ <u>148,296,983</u>	\$ <u>9,539,584</u>

General Obligation Bonds Payable

	Original Amount	Date Issued	Interest Rates	Due Date	Amount Outstanding
Governmental activities					
General Purpose	5,065,000	5/1/1998	4.5-4.875%	6/1/2011	2,589,862
General Purpose	2,850,000	5/1/1998	4.625-5%	6/1/2014	1,815,000
General Purpose	4,780,000	12/1/1999	4.3-5%	6/1/2010	2,675,000
General Purpose	7,200,000	6/1/2001	3.8-4.625%	6/1/2012	5,335,000
General Purpose	6,200,000	12/15/2002	3-4%	6/1/2013	4,885,000
General Purpose	1,025,000	12/15/2003	2.15-3.55%	6/1/2014	1,025,000
General Purpose	3,770,000	7/15/2004	3-3.9%	6/1/2015	<u>3,770,000</u>
Total					\$ <u>22,094,862</u>

	Original Amount	Date Issued	Interest Rates	Due Date	Amount Outstanding
Business-type activities					
Sanitary Treatment	\$ 700,000	6/1/2001	3.8-4.45%	6/1/2011	\$ 420,000
Sanitary Treatment	1,230,000	12/15/2003	2.15-3.55%	6/1/2014	1,120,000
IEC/C Complex	515,000	12/15/2003	2.15-3.55%	6/1/2008	385,000
IEC/C Complex	496,000	12/15/2003	1.25-1.7%	6/1/2006	248,000
IEC/Vets Auditorium	1,984,000	12/15/2003	1.25-1.7%	6/1/2006	992,000
Iowa Events Center	45,000,000	12/1/2001	4-5%	6/1/2017	37,700,000
Iowa Events Center	73,000,000	12/15/2002	5%	6/1/2021	63,555,000
Iowa Events Center	40,900,000	12/15/2002	4-5.2%	6/1/2017	<u>39,210,000</u>
Total					\$ <u>143,630,000</u>

Prior Year Refunding of General Obligation Bonds

In the prior years, the County defeased certain general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all the future debts service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. As of June 30, 2005, \$3,880,000 of bonds are outstanding and are considered defeased.

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>650,000</u>

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

	Bonds Payable		Notes Payable		Total Principal and Interest
	Principal	Interest	Principal	Interest	
Governmental activities					
During the year ending June 30:					
2006	\$ 2,715,893	\$ 898,044	\$ 34,000	\$ 22,345	\$ 3,670,282
2007	2,816,807	794,029	35,000	21,127	3,666,963
2008	2,976,698	684,050	36,000	19,874	3,716,622
2009	2,987,611	564,783	37,000	18,585	3,607,979
2010	3,101,481	441,239	39,000	17,244	3,598,964
2011-2015	7,496,372	676,802	214,000	64,422	8,451,596
2016-2020	-	-	255,000	23,210	278,210
Total	<u>22,094,862</u>	<u>4,058,947</u>	<u>650,000</u>	<u>186,807</u>	<u>26,990,616</u>
Add: unamortized premium	67,575	-	-	-	67,575
Total	<u>\$ 22,162,437</u>	<u>\$ 4,058,947</u>	<u>\$ 650,000</u>	<u>\$ 186,807</u>	<u>\$ 27,058,191</u>

	Bonds Payable		Total Principal and Interest
	Principal	Interest	
Business-type activities			
During the year ending June 30:			
2006	\$ 8,815,000	\$ 6,940,095	\$ 15,755,095
2007	7,945,000	6,590,655	14,535,655
2008	8,300,000	6,233,785	14,533,785
2009	8,990,000	5,860,050	14,850,050
2010	9,460,000	5,452,451	14,912,451
2011-2015	54,695,000	19,816,337	74,511,337
2016-2020	40,065,000	6,236,490	46,301,490
2021-2025	<u>5,360,000</u>	<u>268,000</u>	<u>5,628,000</u>
Total	<u>143,630,000</u>	<u>57,397,863</u>	<u>201,027,863</u>
Add: unamortized premium	4,019,769	-	4,019,769
Less: loss on advance refunding	<u>(31,532)</u>	<u>-</u>	<u>(31,532)</u>
Total	<u>\$ 147,618,237</u>	<u>\$ 57,397,863</u>	<u>\$ 205,016,100</u>

There were no due and unredeemed bonds or notes at June 30, 2005. In addition, there was no special assessment debt outstanding at June 30, 2005. Management does not believe an arbitrage liability exists at June 30, 2005.

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

Changes in debt for PCHS for the year ended June 30, 2005 are as follows:

	Balance 7/1/2004	Additions	Deletions	Balance 6/30/2005	Due Within One Year
Bonds payable	\$ 2,390,000	\$ -	\$ (2,390,000)	\$ -	\$ -
Advances from primary government	<u>6,005,079</u>	<u>-</u>	<u>(599,338)</u>	<u>5,405,741</u>	<u>638,701</u>
Total	<u>\$ 8,395,079</u>	<u>\$ -</u>	<u>\$ (2,989,338)</u>	<u>\$ 5,405,741</u>	<u>\$ 638,701</u>

10. CONDUIT DEBT OBLIGATIONS

As of June 30, 2005, there were various conduit debt obligations outstanding. The aggregate principal amount payable for such debt is \$9,448,471.

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.

Polk County Aviation Authority

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.

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, 2005 amounted to \$198,035,000.

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, 2005:

During the year ending June 30:		
2006	\$	290,784
2007		200,573
2008		16,514
Total minimum lease payments		<u>507,871</u>
Less: amount representing interest		<u>(24,346)</u>
Present value of total minimum lease payments	\$	<u>483,525</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, 2005 is \$1,660,541. Following is a schedule of minimum future rentals for non-cancelable operating leases in effect at June 30, 2005:

During the year ending June 30:		
2006	\$	1,426,336
2007		1,051,443
2008		899,414
2009		761,800
2010		<u>484,057</u>
Total	\$	<u>4,623,050</u>

The above schedule represents operating leases in effect at June 30, 2005. 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 appropriate 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, 2005:

Equipment Reserve Fund	\$	1,069,308
Family Services Fund		(72,146)
Economic Development Fund (Note 17)		9,494,220
Contingency Reserve Fund		<u>5,000,000</u>
Total	\$	<u><u>15,491,382</u></u>

13. TRANSFER RECONCILIATION

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

	Transfer to						Total
	General Fund	Iowa Event Center	Wells Fargo Arena	Nonmajor Governmental	Nonmajor Enterprise	Internal Service	
Transfer from General Fund	\$ -	\$ 344,363	\$ -	\$ 1,894,573	\$ -	\$ 5,717,500	\$ 7,956,436
Prairie Meadows Racetrack/Casino	30,610	15,974,957	-	9,203,611	2,811,414	-	28,020,592
Iowa Event Center	-	-	917,394	-	-	-	917,394
Nonmajor Governmental	775,840	1,000,000	-	9,136,732	-	-	10,912,572
Internal Service	<u>2,237,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,237,500</u>
Total	\$ 3,043,950	\$ 17,319,320	\$ 917,394	\$ 20,234,916	\$ 2,811,414	\$ 5,717,500	50,044,494

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, 2005, 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.	\$ 28,020,592
General fund made transfers to Employee Insurance and Risk Management Internal Service funds for funding of current year activities.	5,717,500
General fund and Rural Services fund made transfers to Secondary Roads fund in accordance with state statutes.	4,982,239
Bond Revolving Special Revenue fund made transfers to the various governmental funds relating to 2004 general obligation bond proceeds.	3,729,910
Economic Development Special Revenue fund made transfers to Community Betterment Special Revenue fund and Iowa Event Center for future projects funding.	2,930,000

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 for the year ended June 30, 2005, are 8.535% and 8.535%, respectively. For the year ended June 30, 2004, the contribution rates for law enforcement employees and the County were 4.99% and 7.48%, respectively, and for the year ended June 30, 2003, the contribution rates for law enforcement employees and the County were 5.37% and 8.05%, respectively. Contribution requirements are established by State statute. The County's contribution to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$3,426,585, \$3,263,056, and \$3,427,523, 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, contractor's pollution, 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	158,442,230	100,000	None
Fleet	10,000,000	2,000,000	None
Law enforcement	10,000,000	2,000,000	None
Contractor's pollution	500,000	2,500	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 various 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, contractor's pollution, 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, 2005. 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, 2005 and 2004 are as follows:

	Year Ended	
	6/30/2005	6/30/2004
Beginning balance	\$ 1,171,228	\$ 1,339,779
Current year claims and changes in estimates	1,248,581	734,820
Claim payments	<u>(888,213)</u>	<u>(903,371)</u>
Ending Balance	\$ <u>1,531,596</u>	\$ <u>1,171,228</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 Fund for the years ended June 30, 2005 and 2004 are as follows:

	Year Ended	
	6/30/2005	6/30/2004
Beginning balance	\$ 1,078,422	\$ 1,305,668
Current year claims and changes in estimates	9,565,515	8,266,475
Claim payments	<u>(9,541,795)</u>	<u>(8,493,721)</u>
Ending Balance	\$ <u>1,102,142</u>	\$ <u>1,078,422</u>

Included in the above schedules are early retirement program incentive payments of \$177,650 were made from the General Supplemental Fund (a sub-fund within the General Fund) and \$158,164 were made from the Employee Insurance Fund during the year ended June 30, 2005. In addition, a liability for early retirement incentives payable in the future of \$659,505 was recorded as part of the estimated liability for claims and judgments at June 30, 2005.

Wells Fargo Arena Fund

The Wells Fargo Arena 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 Wells Fargo Arena Fund for the years ended June 30, 2005 and 2004 are as follows:

	Year Ended	
	6/30/2005	6/30/2004
Beginning balance	\$ 623,796	\$ 10,000
Current year claims and changes in estimates	800,753	637,980
Claim payments	<u>(947,779)</u>	<u>(24,184)</u>
Ending Balance	\$ <u>476,770</u>	\$ <u>623,796</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:

Community Betterment Fund:	
Achieve 121	\$ 200,000
Des Moines Art Center	250,000
Drake Stadium Revitalization	1,000,000
Des Moines City Gaming Pymts	15,133,332
Des Moines Schools Gaming Pymts	1,200,000
Greater DM Community Foundation	200,000
Science Center	<u>1,000,000</u>
Total	\$ <u>18,983,332</u>
Economic Development Special Revenue Fund:	
Neighborhood Development Corp-6th Ave.	\$ 375,000
Greater Des Moines Partnership	250,000
Kemin Industries	1,250,000
Minority Enterprise Council	202,000
NE 66th Intersection Study	5,320,000
NE 72nd/I-80 Interchange	200,000
Project Invision	200,000
World Food Prize	<u>4,500,000</u>
Total	\$ <u>12,297,000</u>
Housing Development Special Revenue Fund:	
Housing Trust Fund	\$ 3,000,000
Neighborhood Finance Corporation	<u>2,700,000</u>
Total	\$ <u>5,700,000</u>
Capital Improvements Projects Special Revenue Fund:	
Main Jail Intercom System Replacement	<u>228,952</u>
Total	\$ <u>228,952</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 \$60 million expansion will include room for table games and multiple restaurants. Expansion plans were approved by the Polk County Board of Supervisors and the Iowa Racing and Gaming Commission in early 2005.

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, and in January 2005, Polk County received \$6.3 million due to the tax rate change. Future tax-rate-change payments are estimated at approximately \$6.0 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 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 funding a portion of the Project debt service are from the two facility naming rights sponsors, Wells Fargo and Hy-Vee. These funds total \$19,525,000 and will be received for twenty years beginning in FY 04/05.

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. In June 2004, the Vision Iowa Agreement was amended to provide greater flexibility in the use of gaming revenues for debt service and operations. Vision Iowa payments to date have totaled \$40,139,000 (through June 30, 2005).

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 concluding in April 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.

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.

All major construction contracts have been awarded. As of June 30, 2005 the amount of significant construction contracts still outstanding was \$12,705,896.

In addition to construction contracts, the County purchased a significant amount of furniture, fixtures and equipment for the facilities. Major items were acquired through formal bidding processes. While most purchases had been made by June 30, 2005, some deliveries and resulting invoices remain outstanding. As of June 30, 2005, some minor equipment purchases and some of the landscaping work remain to be finished. Close-out of construction and other contracts continue. There are pending disputes with some construction contractors that will take some time to resolve. Hy-Vee Hall opened in December 2004 and Wells Fargo Arena opened in July 2005.

20. RELATED PARTY TRANSACTIONS

The Iowa Events Center is managed by Global Spectrum which is a subsidiary of Philadelphia-based Comcast-Spectacor. The Comcast-Spectacor Group includes Ovations Food Services and New Era Tickets. The following is a summary of transactions and balances with affiliates as of and for the year ended June 30, 2005:

Concessions and catering revenue from Ovations	\$ 2,585,236
Ticket revenue and fees received from New Era	\$ 3,988,976
Ticket fees paid to New Era	\$ 290,154
Due from New Era	\$ 13,002
Due to Ovations (incentive included in accounts payable)	\$ 46,835
Due to Ovations	\$ 33,202
Management fee paid to Ovations	\$ 82,500
Insurance paid to Comcast-Spectacor	\$ 19,843

21. NEW ACCOUNTING PRONOUNCEMENTS

As of June 30, 2005, the Government Accounting Standards Board (GASB) has issued the following statements not yet implemented by the County. The statements which might impact the County are as follows:

- 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.
- In April of 2004, GASB issued Statement No. 43 ("GASB 43"), "*Financial Reporting for Postemployment Benefit Plans Other 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 benefit plans (OPEB plans) and supercedes existing guidance.
- 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.
- In June of 2004, the GASB issued Statement No. 45 ("GASB 45"), "*Accounting and Financial Reporting by Employers for Postretirement Benefits Other Than Pensions.*" GASB 45, which is required to be adopted by the County in its fiscal year ending June 30, 2008, established standards for the measurement, recognition and display of other postretirement benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information.
- In December of 2004, the GASB issued Statement No. 46 ("GASB 46"), "*Net Assets Restricted by Enabling Legislation*" as an amendment of GASB 34. GASB 46, which is required to be adopted by the County in its fiscal year ending June 30, 2006, established and modified requirements related to restrictions of net assets resulting from enabling legislation.

- In June of 2005, the GASB issued Statement No. 47 (“GASB 47”), “*Accounting for Termination Benefits.*” GASB 47, which is required to be adopted by the County in its fiscal year ending June 30, 2006, established accounting standards for termination benefits. In financial statements prepared on the accrual basis of accounting, employers should recognize a liability and expense for voluntary termination benefits (early retirement incentives) when the offer is accepted and the amount can be estimated. A liability for involuntary termination benefits (severance benefits) should be recognized when a plan of termination has been approved by those with the authority to commit the government to the plan, the plan has been communicated to the employees, and the amount can be estimated. In financial statements prepared on the modified accrual basis of accounting, liabilities and expenditures for termination benefits should be recognized to the extent the liabilities are normally expected to be liquidated with expendable available financial resources.

The County’s management has not yet determined the effect these Statements will have on the County’s financial statements.

The County adopted GASB Statement No. 40, Deposits and Investment Risk Disclosure, during the year ended June 30, 2005. The statement established and modified disclosure requirements related to investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. As an element of interest rate risk, this statement required certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. This statement also established and modified disclosure requirements for deposit risks.

POLK COUNTY, IOWA

Required Supplementary Information Budgetary Comparison Schedule All Governmental Funds For the Year Ended June 30, 2005

	Original Budget	Amended Budget	Actual	Variance
REVENUES:				
Property taxes	\$ 84,706,847	\$ 85,058,466	\$ 84,989,602	\$ (68,864)
Other County taxes	5,107,154	4,841,854	4,853,863	12,009
Interest and penalty on delinquent taxes	986,400	956,400	1,061,400	105,000
Intergovernmental	49,748,908	51,887,978	49,987,126	(1,900,852)
Licenses and permits	797,000	950,169	950,387	218
Charges for services	8,041,426	8,625,819	9,604,397	978,578
Use of money and property	5,840,984	5,915,912	6,261,885	345,973
Miscellaneous	1,741,108	1,938,419	1,674,658	(263,761)
General long-term debt proceeds	3,750,000	5,103,361	5,103,361	-
Proceeds from disposal of capital assets	255,000	347,038	319,465	(27,573)
Total receipts	160,974,827	165,625,416	164,806,144	(819,272)
EXPENDITURES:				
Current:				
Public safety and legal services	40,203,852	41,974,369	41,315,726	658,643
Physical health and social services	25,478,422	24,366,107	23,882,974	483,133
Mental Health	41,669,661	44,282,154	43,870,154	412,000
County environment and education	12,791,359	20,648,212	13,245,577	7,402,635
Roads and transportation	8,479,069	8,605,612	8,232,254	373,358
Government services to residents	5,121,552	5,307,542	5,201,070	106,472
Administration	20,311,118	23,251,466	22,614,775	636,691
Nonprogram services	50,000	1,374,456	1,374,454	2
Debt service	5,457,149	5,186,534	5,186,525	9
Capital projects	7,206,499	12,283,547	6,216,498	6,067,049
Total disbursements	166,768,681	187,279,999	171,140,007	16,139,992
OTHER FINANCING SOURCES (USES):				
Transfers in (out)	5,819,995	13,832,026	4,409,859	(9,422,167)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES - BUDGETARY BASIS				
	\$ 26,141	\$ (7,822,557)	(1,924,004)	\$ 5,898,553
RECONCILIATION TO GAAP BASIS:				
Basis differences:				
Increase (decrease) in accrual basis assets			(4,207,402)	
(Increase) decrease in accrual basis liabilities			(3,177,216)	
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses - GAAP basis			(9,308,622)	
Fund balance at beginning of year - GAAP basis			65,487,108	
Changes in inventory reserves			(186,700)	
Fund balance at end of year - GAAP basis			\$ 55,991,786	

See notes to required supplementary information.

POLK COUNTY, IOWA

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2005

1. BUDGETARY INFORMATION

The County prepares its budgets on a cash basis. The basic 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.

Budgetary and Appropriation Data: In accordance with the Code of Iowa and provisions of the Iowa Administrative Code, annual budgets are adopted collectively 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.

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.

Economic Development - Accounts for various economic development projects.

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

Township Fire Protection – Accounts for the requirement of the County to levy taxes for township fire protection and then disburse money to municipalities or townships for various township fire protection contracts.

Treasurer Banking Reserve – Accounts for revenue relating to the ATM machine in the Administration Building.

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.

(continued)

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).

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 Annex - Accounts for capital projects relating to the proposed courthouse annex.

Capital Improvements Projects – Accounts for various capital improvements projects.

Jail Facility – Accounts for the construction of the new jail facility.

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.

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POLK COUNTY, IOWA

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2005

	Rural Services	Sheriff Seized Property (State)	Sheriff Seized Property (Federal)	Attorney Seized Property
ASSETS				
Cash and cash equivalents	\$ 1,796,869	\$ 198,473	\$ 168,708	\$ 338,523
Receivables (net of allowances for uncollectibles):				
Taxes	21,042	-	-	-
Succeeding year property taxes	5,495,335	-	-	-
Special assessments	-	-	-	-
Accounts	34,024	-	-	-
Notes	-	-	-	-
Accrued interest	-	57	16	32
Due from other funds	23,059	-	-	-
Due from other governments	-	-	658	-
Advances to other funds	-	-	-	-
Advances to component unit	-	-	-	-
Inventories	-	-	-	-
TOTAL ASSETS	\$ 7,370,329	\$ 198,530	\$ 169,382	\$ 338,555
LIABILITIES				
Vouchers payable	\$ 21,629	\$ -	\$ -	\$ -
Wages payable	12,268	-	-	2,372
Payroll taxes payable	27,714	-	-	312
Interest payable	-	-	-	-
Due to other funds	-	-	-	-
Deferred revenues	42,199	-	-	-
Succeeding year property taxes deferred revenues	5,495,335	-	-	-
TOTAL LIABILITIES	5,599,145	-	-	2,684
FUND BALANCES				
Reserved for advances to other funds	-	-	-	-
Reserved for advances to component unit	-	-	-	-
Reserved for noncurrent notes receivable	-	-	-	-
Reserved for inventory of supplies	-	-	-	-
Reserved for supplemental levy purposes	1,539,791	-	-	-
Unreserved, designated	-	-	-	-
Unreserved, undesignated	231,393	198,530	169,382	335,871
TOTAL FUND BALANCES	1,771,184	198,530	169,382	335,871
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,370,329	\$ 198,530	\$ 169,382	\$ 338,555

Special Revenue									
Conservation Land Acquisition Trust	Equipment Reserve	Family Services	Secondary Roads	County Recorder Records Management	Economic Development	County Recorder Electronic Transaction	Township Fire Protection		
\$ 423,802	\$ 1,128,374	\$ 198,872	\$ -	\$ 59,337	\$ 9,000,222	\$ 37,801	\$ -		
-	-	-	-	-	-	-	798		
-	-	-	-	-	-	-	311,704		
-	-	-	-	-	9,500	-	-		
-	-	-	-	-	3,042,037	-	-		
-	-	-	-	6	-	4	-		
-	-	-	-	571	-	-	1,265		
-	-	-	375,805	-	-	-	-		
-	-	-	-	-	44,000	-	-		
-	-	-	-	-	-	-	-		
-	-	-	604,354	-	-	-	-		
\$ 423,802	\$ 1,128,374	\$ 198,872	\$ 980,159	\$ 59,914	\$ 12,095,759	\$ 37,805	\$ 313,767		
\$ -	\$ 59,066	\$ 271,018	\$ 3,701,031	\$ 30,000	\$ 276,080	\$ -	\$ -		
-	-	-	198,329	-	-	-	-		
-	-	-	-	-	-	-	-		
-	-	-	-	-	-	-	-		
-	-	-	-	-	-	-	-		
-	-	-	4,064	-	-	-	1,915		
-	-	-	-	-	-	-	311,704		
-	59,066	271,018	3,903,424	30,000	276,080	-	313,619		
-	-	-	-	-	44,000	-	-		
-	-	-	-	-	-	-	-		
-	-	-	-	-	2,281,459	-	-		
-	-	-	604,354	-	-	-	-		
-	-	-	-	-	-	-	-		
-	1,069,308	(72,146)	-	-	9,494,220	-	-		
423,802	-	-	(3,527,619)	29,914	-	37,805	148		
423,802	1,069,308	(72,146)	(2,923,265)	29,914	11,819,679	37,805	148		
\$ 423,802	\$ 1,128,374	\$ 198,872	\$ 980,159	\$ 59,914	\$ 12,095,759	\$ 37,805	\$ 313,767		

(continued)

POLK COUNTY, IOWA

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2005

	Treasurer Banking Reserve	REAP	Housing Development	Contingency Reserve
ASSETS				
Cash and cash equivalents	\$ 379	\$ 169,788	\$ 100,000	\$ 5,000,000
Receivables (net of allowances for uncollectibles):				
Taxes	-	-	-	-
Succeeding year property taxes	-	-	-	-
Special assessments	-	-	-	-
Accounts	-	-	-	-
Notes	-	-	-	-
Accrued interest	-	19	-	-
Due from other funds	-	-	-	-
Due from other governments	-	-	-	-
Advances to other funds	-	-	-	-
Advances to component unit	-	-	-	-
Inventories	-	-	-	-
TOTAL ASSETS	\$ 379	\$ 169,807	\$ 100,000	\$ 5,000,000
LIABILITIES				
Vouchers payable	\$ -	\$ -	\$ -	\$ -
Wages payable	-	-	-	-
Payroll taxes payable	-	-	-	-
Interest payable	-	-	-	-
Due to other funds	-	-	-	-
Deferred revenues	-	-	-	-
Succeeding year property taxes deferred revenues	-	-	-	-
TOTAL LIABILITIES	-	-	-	-
FUND BALANCES				
Reserved for advances to other funds	-	-	-	-
Reserved for advances to component unit	-	-	-	-
Reserved for noncurrent notes receivable	-	-	-	-
Reserved for inventory of supplies	-	-	-	-
Reserved for supplemental levy purposes	-	-	-	-
Unreserved, designated	-	-	-	5,000,000
Unreserved, undesignated	379	169,807	100,000	-
TOTAL FUND BALANCES	379	169,807	100,000	5,000,000
TOTAL LIABILITIES AND FUND BALANCES	\$ 379	\$ 169,807	\$ 100,000	\$ 5,000,000

Total Special Revenue	Capital Projects			Total Capital Projects	Debt Service	
	Courthouse Annex	Capital Improvements Projects	Jail Facility		NW 84th Water Main Debt Service	Hamilton Drain Debt Service
\$ 18,621,148	\$ 856,786	\$ 2,930,448	\$ -	\$ 3,787,234	\$ 165,465	\$ -
21,840	-	-	-	-	-	-
5,807,039	-	-	-	-	-	-
-	-	-	-	-	-	4,965
43,524	-	-	-	-	-	-
3,042,037	-	-	-	-	-	-
134	-	-	-	-	16	-
24,895	-	-	-	-	-	-
376,463	-	-	-	-	-	-
44,000	-	-	-	-	-	-
-	-	-	-	-	-	-
604,354	-	-	-	-	-	-
\$ 28,585,434	\$ 856,786	\$ 2,930,448	\$ -	\$ 3,787,234	\$ 165,481	\$ 4,965
\$ 4,358,824	\$ -	\$ 3,904	\$ 270,330	\$ 274,234	\$ -	\$ -
212,969	-	-	-	-	-	-
28,026	-	-	-	-	-	-
-	-	-	-	-	1,823	-
-	-	-	363,474	363,474	-	-
48,178	-	-	-	-	-	4,965
5,807,039	-	-	-	-	-	-
10,455,036	-	3,904	633,804	637,708	1,823	4,965
44,000	-	-	-	-	-	-
-	-	-	-	-	-	-
2,281,459	-	-	-	-	-	-
604,354	-	-	-	-	-	-
1,539,791	-	-	-	-	-	-
15,491,382	-	-	-	-	-	-
(1,830,588)	856,786	2,926,544	(633,804)	3,149,526	163,658	-
18,130,398	856,786	2,926,544	(633,804)	3,149,526	163,658	-
\$ 28,585,434	\$ 856,786	\$ 2,930,448	\$ -	\$ 3,787,234	\$ 165,481	\$ 4,965

(continued)

POLK COUNTY, IOWA

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005

	<u>Debt Service</u>		
	<u>Debt Service</u>	<u>Total Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 625,993	\$ 791,458	\$ 23,199,840
Receivables (net of allowances for uncollectibles):			
Taxes	10,432	10,432	32,272
Succeeding year property taxes	3,711,580	3,711,580	9,518,619
Special assessments	-	4,965	4,965
Accounts	-	-	43,524
Notes	-	-	3,042,037
Accrued interest	58	74	208
Due from other funds	15,438	15,438	40,333
Due from other governments	-	-	376,463
Advances to other funds	-	-	44,000
Advances to component unit	4,422,240	4,422,240	4,422,240
Inventories	-	-	604,354
TOTAL ASSETS	\$ 8,785,741	\$ 8,956,187	\$ 41,328,855
LIABILITIES			
Vouchers payable	\$ -	\$ -	\$ 4,633,058
Wages payable	-	-	212,969
Payroll taxes payable	-	-	28,026
Interest payable	-	1,823	1,823
Due to other funds	-	-	363,474
Deferred revenues	25,810	30,775	78,953
Succeeding year property taxes deferred revenues	3,711,580	3,711,580	9,518,619
TOTAL LIABILITIES	3,737,390	3,744,178	14,836,922
FUND BALANCES			
Reserved for advances to other funds	-	-	44,000
Reserved for advances to component unit	4,422,240	4,422,240	4,422,240
Reserved for noncurrent notes receivable	-	-	2,281,459
Reserved for inventory of supplies	-	-	604,354
Reserved for supplemental levy purposes	-	-	1,539,791
Unreserved, designated	-	-	15,491,382
Unreserved, undesignated	626,111	789,769	2,108,707
TOTAL FUND BALANCES	5,048,351	5,212,009	26,491,933
TOTAL LIABILITIES AND FUND BALANCES	\$ 8,785,741	\$ 8,956,187	\$ 41,328,855

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POLK COUNTY, IOWA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2005

	Rural Services	Sheriff Seized Property (State)	Sheriff Seized Property (Federal)	Attorney Seized Property
REVENUES:				
Property taxes	\$ 4,969,135	\$ -	\$ -	\$ -
Other County taxes	167,945	-	-	-
Intergovernmental	181,278	4,000	-	-
Licenses and permits	-	-	-	-
Charges for services	17,288	-	-	-
Use of money and property	-	7,707	2,080	7,234
Miscellaneous	91,682	13,429	50,698	77,720
TOTAL REVENUES	5,427,328	25,136	52,778	84,954
EXPENDITURES:				
Current:				
Public safety and legal services	-	91,197	59,256	72,840
Physical health and social services	-	-	-	-
County environment and education	1,156,256	-	-	-
Roads and transportation	1,186,911	-	-	-
Government services to residents	-	-	-	-
Administration	-	-	-	-
Nonprogram services	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital projects:				
Roadway construction	-	-	-	-
Conservation land acquisition and development	-	-	-	-
Other capital projects	-	-	-	-
TOTAL EXPENDITURES	2,343,167	91,197	59,256	72,840
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	3,084,161	(66,061)	(6,478)	12,114
OTHER FINANCING SOURCES (USES):				
Transfers in	292,866	-	-	-
Transfers out	(3,476,624)	-	-	-
Proceeds from issuance of debt	-	-	-	-
Premium on bonds issued	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(3,183,758)	-	-	-
NET CHANGE IN FUND BALANCES	(99,597)	(66,061)	(6,478)	12,114
FUND BALANCE, BEGINNING	1,870,781	264,591	175,860	323,757
Change in inventory reserve	-	-	-	-
FUND BALANCE, ENDING	\$ 1,771,184	\$ 198,530	\$ 169,382	\$ 335,871

Special Revenue							
Conservation Land Acquisition Trust	Equipment Reserve	Family Services	Secondary Roads	County Recorder Records Management	Economic Development	County Recorder Electronic Transaction	Township Fire Protection
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 146
-	-	-	-	-	-	-	2
-	30,450	629,675	4,584,823	-	-	-	-
-	-	-	74,010	-	-	-	-
-	-	630	195,308	117,816	-	-	-
-	-	54	-	1,967	-	831	-
50	15,091	25,492	85,925	-	15,500	-	-
50	45,541	655,851	4,940,066	119,783	15,500	831	148
-	-	-	-	-	-	-	-
-	-	2,371,222	-	-	-	-	-
-	-	-	-	-	3,694,447	-	-
-	-	-	6,694,335	-	-	-	-
-	-	-	-	171,423	-	-	-
-	-	2,592,676	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	2,768,779	-	-	-	-
29,800	-	-	-	-	-	-	-
-	2,186,406	-	-	-	-	-	-
29,800	2,186,406	4,963,898	9,463,114	171,423	3,694,447	-	-
(29,750)	(2,140,865)	(4,308,047)	(4,523,048)	(51,640)	(3,678,947)	831	148
172,480	750,957	4,215,733	4,982,239	-	6,256,896	-	-
-	-	-	-	-	(2,930,000)	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	39,038	-	1,242	-	-	-	-
172,480	789,995	4,215,733	4,983,481	-	3,326,896	-	-
142,730	(1,350,870)	(92,314)	460,433	(51,640)	(352,051)	831	148
281,072	2,420,178	20,168	(3,216,088)	81,554	12,171,730	36,974	-
-	-	-	(167,610)	-	-	-	-
\$ 423,802	\$ 1,069,308	\$ (72,146)	\$ (2,923,265)	\$ 29,914	\$ 11,819,679	\$ 37,805	\$ 148

(continued)

POLK COUNTY, IOWA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2005

	Treasurer Banking Reserve	REAP	Housing Development	Contingency Reserve
REVENUES:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Other County taxes	-	-	-	-
Intergovernmental	-	93,960	-	-
Licenses and permits	-	-	-	-
Charges for services	662	-	-	-
Use of money and property	-	2,840	-	-
Miscellaneous	-	-	-	-
TOTAL REVENUES	662	96,800	-	-
EXPENDITURES:				
Current:				
Public safety and legal services	-	-	-	-
Physical health and social services	-	-	-	-
County environment and education	-	-	2,600,000	-
Roads and transportation	-	-	-	-
Government services to residents	-	-	-	-
Administration	283	-	-	-
Nonprogram services	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital projects:				
Roadway construction	-	-	-	-
Conservation land acquisition and development	-	23,802	-	-
Other capital projects	-	-	-	-
TOTAL EXPENDITURES	283	23,802	2,600,000	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	379	72,998	(2,600,000)	-
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	2,700,000	-
Transfers out	-	-	-	-
Proceeds from issuance of debt	-	-	-	-
Premium on bonds issued	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	2,700,000	-
NET CHANGE IN FUND BALANCES	379	72,998	100,000	-
FUND BALANCE, BEGINNING	-	96,809	-	5,000,000
Change in inventory reserve	-	-	-	-
FUND BALANCE, ENDING	\$ 379	\$ 169,807	\$ 100,000	\$ 5,000,000

Bond Revolving	Total Special Revenues	Capital Projects			Total Capital Projects	Debt Service	
		Courthouse Annex	Capital Improvements Projects	Jail Facility		NW 84th Water Main Debt Service	Hamilton Drain Debt Service
\$ -	\$ 4,969,281	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	167,947	-	-	-	-	-	-
-	5,524,186	-	-	-	-	-	-
-	74,010	-	-	-	-	-	-
-	331,704	-	-	-	-	-	-
4,955	27,668	-	-	-	-	4,160	53
-	375,587	-	2,913	-	2,913	32,061	132
4,955	11,470,383	-	2,913	-	2,913	36,221	185
-	223,293	-	-	-	-	-	-
-	2,371,222	-	-	-	-	-	-
-	7,450,703	-	-	-	-	-	-
-	7,881,246	-	-	-	-	-	-
-	171,423	-	-	-	-	-	-
-	2,592,959	-	-	-	-	-	-
70,697	70,697	-	-	-	-	-	-
-	-	-	-	-	-	32,000	-
-	-	-	-	-	-	23,761	-
-	2,768,779	-	-	-	-	-	-
-	53,602	-	-	-	-	-	-
-	2,186,406	-	450,384	633,804	1,084,188	-	-
70,697	25,770,330	-	450,384	633,804	1,084,188	55,761	-
(65,742)	(14,299,947)	-	(447,471)	(633,804)	(1,081,275)	(19,540)	185
-	19,371,171	-	638,000	-	638,000	-	-
(3,729,910)	(10,136,534)	-	-	-	-	-	(198)
3,770,000	3,770,000	-	-	-	-	-	-
25,652	25,652	-	-	-	-	-	-
-	40,280	-	-	-	-	-	-
65,742	13,070,569	-	638,000	-	638,000	-	(198)
-	(1,229,378)	-	190,529	(633,804)	(443,275)	(19,540)	(13)
-	19,527,386	856,786	2,736,015	-	3,592,801	183,198	13
-	(167,610)	-	-	-	-	-	-
\$ -	\$ 18,130,398	\$ 856,786	\$ 2,926,544	(633,804)	\$ 3,149,526	\$ 163,658	\$ -

(continued)

POLK COUNTY, IOWA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2005

	Debit Service		Total Nonmajor Governmental Funds
	Debt Service	Total Debt Service	
REVENUES:			
Property taxes	\$ 2,823,409	\$ 2,823,409	\$ 7,792,690
Other County taxes	111,978	111,978	279,925
Intergovernmental	81,804	81,804	5,605,990
Licenses and permits	-	-	74,010
Charges for services	-	-	331,704
Use of money and property	53,633	57,846	85,514
Miscellaneous	-	32,193	410,693
TOTAL REVENUES	3,070,824	3,107,230	14,580,526
EXPENDITURES:			
Current:			
Public safety and legal services	-	-	223,293
Physical health and social services	-	-	2,371,222
County environment and education	-	-	7,450,703
Roads and transportation	-	-	7,881,246
Government services to residents	-	-	171,423
Administration	-	-	2,592,959
Nonprogram services	-	-	70,697
Debt service:			
Principal	2,494,980	2,526,980	2,526,980
Interest	752,261	776,022	776,022
Capital projects:			
Roadway construction	-	-	2,768,779
Conservation land acquisition and development	-	-	53,602
Other capital projects	-	-	3,270,594
TOTAL EXPENDITURES	3,247,241	3,303,002	30,157,520
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(176,417)	(195,772)	(15,576,994)
OTHER FINANCING SOURCES (USES):			
Transfers in	225,745	225,745	20,234,916
Transfers out	(775,840)	(776,038)	(10,912,572)
Proceeds from issuance of debt	-	-	3,770,000
Premium on bonds issued	-	-	25,652
Proceeds from sale of capital assets	-	-	40,280
TOTAL OTHER FINANCING SOURCES (USES)	(550,095)	(550,293)	13,158,276
NET CHANGE IN FUND BALANCES	(726,512)	(746,065)	(2,418,718)
FUND BALANCE, BEGINNING	5,774,863	5,958,074	29,078,261
Change in inventory reserve	-	-	(167,610)
FUND BALANCE, ENDING	\$ 5,048,351	\$ 5,212,009	\$ 26,491,933

(concluded)

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.

Urban Sewer – Accounts for activity of the County's urban sewer economic development initiatives in conjunction with various municipalities.

POLK COUNTY, IOWA

Combining Statement of Net Assets
Nonmajor Enterprise Funds
June 30, 2005

	Air Pollution	Sanitary Treatment Works	Jester Park Golf Course	Hamilton Urban Drainage District	Urban Sewer	Total Nonmajor Enterprise Funds
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 480,362	\$ 1,420,637	\$ 435,887	\$ 809,434	\$ -	\$ 3,146,320
Receivables (net of allowances for uncollectibles):						
Special assessments	-	310,968	-	-	-	310,968
Accounts	-	29,533	19,107	-	-	48,640
Accrued interest	47	137	42	79	-	305
Due from other funds	-	-	247,847	-	-	247,847
Due from other governments	193,379	15,468	2,437	-	-	211,284
Inventories	-	-	55,476	-	-	55,476
Total current assets	673,788	1,776,743	760,796	809,513	-	4,020,840
Noncurrent assets:						
Lease/debt origination costs	-	22,740	-	-	2,775	25,515
Capital assets not being depreciated	-	99,000	76,593	996,553	169,810	1,341,956
Capital assets being depreciated, net	56,745	6,735,105	838,624	6,282,825	-	13,913,299
Total noncurrent assets	56,745	6,856,845	915,217	7,279,378	172,585	15,280,770
TOTAL ASSETS	730,533	8,633,588	1,676,013	8,088,891	172,585	19,301,610
LIABILITIES						
Current liabilities:						
Vouchers payable	195	11,073	31,332	108	171,335	214,043
Wages payable	27,689	-	36,750	-	-	64,439
Payroll taxes payable	3,594	-	4,441	-	-	8,035
Interest payable	-	3,965	-	-	-	3,965
Due to other funds	-	-	-	-	1,250	1,250
Advance deposits and ticket sales	-	-	3,774	-	-	3,774
General obligation bonds payable	-	184,695	-	-	-	184,695
Compensated absences payable	12,762	-	3,243	-	-	16,005
Total current liabilities	44,240	199,733	79,540	108	172,585	496,206
Noncurrent liabilities:						
General obligation bonds payable	-	1,353,475	-	-	-	1,353,475
Compensated absences payable	109,399	-	27,803	-	-	137,202
Total noncurrent liabilities	109,399	1,353,475	27,803	-	-	1,490,677
TOTAL LIABILITIES	153,639	1,553,208	107,343	108	172,585	1,986,883
NET ASSETS						
Invested in capital assets, net of related debt	56,745	5,318,675	915,217	7,279,378	172,585	13,742,600
Unrestricted	520,149	1,761,705	653,453	809,405	(172,585)	3,572,127
TOTAL NET ASSETS	\$ 576,894	\$ 7,080,380	\$ 1,568,670	\$ 8,088,783	\$ -	\$ 17,314,727

POLK COUNTY, IOWA

Combining Statement of Revenues, Expenses, and Changes in Net Assets
 Nonmajor Enterprise Funds
 For the Year Ended June 30, 2005

	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	\$ 216,107	\$ -	\$ -	\$ 516,014	\$ 1,388,515	\$ 129,326	\$ 2,249,962
Grant revenue, operating	659,817	-	-	-	1,000	-	660,817
Miscellaneous	-	-	-	-	16,145	5,108	21,253
Total operating revenues	875,924	-	-	516,014	1,405,660	134,434	2,932,032
OPERATING EXPENSES:							
Cost of goods and services:							
Personal services	655,998	-	-	60,723	639,007	10,680	1,366,408
Supplies	79,287	-	-	-	167,061	-	246,348
Professional services	6,320	-	-	606,277	6,813	9,386	628,796
Other services/charges	105,316	-	-	413,423	210,665	2,302	731,706
Cost of goods sold - concession	-	-	-	-	161,734	-	161,734
Miscellaneous	195	-	-	20,513	47,349	4,889	72,946
Amortization of discount (premium)	-	-	-	3,011	-	-	3,011
Depreciation	21,054	-	-	210,603	110,972	229,916	572,545
Total operating expenses	868,170	-	-	1,314,550	1,343,601	257,173	3,783,494
OPERATING INCOME (LOSS)	7,754	-	-	(798,536)	62,059	(122,739)	(851,462)
NONOPERATING REVENUES (EXPENSES):							
Interest revenue	11,547	-	-	37,850	11,886	17,615	78,898
Interest expense	-	-	-	(12,724)	-	-	(12,724)
Total nonoperating revenues (expenses)	11,547	-	-	25,126	11,886	17,615	66,174
INCOME (LOSS) BEFORE SPECIAL ITEMS AND TRANSFERS	19,301	-	-	(773,410)	73,945	(105,124)	(785,288)
SPECIAL ITEMS:							
Contribution Expense - WRA Sewer	-	-	-	(14,700,543)	-	-	(14,700,543)
Transferred net assets	-	(563,811)	(2,670,852)	-	-	-	(3,234,663)
Total special items	-	(563,811)	(2,670,852)	(14,700,543)	-	-	(17,935,206)
TRANSFERS:							
Capital contributions from others	-	-	-	-	-	-	-
Transfers in	-	-	2,287,462	523,952	-	-	2,811,414
Total transfers	-	-	2,287,462	523,952	-	-	2,811,414
CHANGE IN NET ASSETS	19,301	(563,811)	(383,390)	(14,950,001)	73,945	(105,124)	(15,909,080)
TOTAL NET ASSETS - BEGINNING	557,593	563,811	383,390	22,030,381	1,494,725	8,193,907	33,223,807
TOTAL NET ASSETS - ENDING	\$ 576,894	\$ -	\$ -	\$ 7,080,380	\$ 1,568,670	\$ 8,088,783	\$ 17,314,727

POLK COUNTY, IOWA

Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2005

	Air Pollution	Convention Complex	Veterans Memorial Auditorium
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 216,107	\$ -	\$ -
Cash received from operating grants	680,167	-	-
Cash paid to suppliers for goods and services	(217,561)	-	-
Cash paid to employees	(643,077)	-	-
Net cash flows from operating activities	<u>35,636</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	-	-	2,287,462
Cash paid to other funds	-	(985,307)	(2,782,149)
Cash received from other funds	-	-	-
Net cash flows from noncapital financing activities	<u>-</u>	<u>(985,307)</u>	<u>(494,687)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Issuance costs paid on long-term debt	-	-	-
Principal paid on long-term debt	-	-	-
Interest paid on long-term debt	-	-	-
Purchase of capital assets	-	-	-
Net cash flows from capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	11,591	-	-
Net cash flows from investing activities	<u>11,591</u>	<u>-</u>	<u>-</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	47,227	(985,307)	(494,687)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>433,135</u>	<u>985,307</u>	<u>494,687</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 480,362</u>	<u>\$ -</u>	<u>\$ -</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating income (loss)	\$ 7,754	\$ -	\$ -
Components of operating income (loss) not included in operating activities			
Depreciation	21,054	-	-
Amortization	-	-	-
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:			
(Increase) decrease in special assessments receivable	-	-	-
(Increase) decrease in accounts receivable	-	-	-
(Increase) decrease in due from other governments	20,350	-	-
(Increase) decrease in inventories	-	-	-
Increase (decrease) in vouchers payable	(26,443)	-	-
Increase (decrease) in wages payable	2,213	-	-
Increase (decrease) in payroll taxes payable	(1,984)	-	-
Increase (decrease) in compensated absences payable	12,692	-	-
Increase (decrease) in advance deposits and ticket sales	-	-	-
Net cash flows from operating activities	<u>\$ 35,636</u>	<u>\$ -</u>	<u>\$ -</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:			
Reduction of debt through WRA contribution	\$ -	\$ -	\$ -
Reduction of investment in joint venture through WRA contribution	-	-	-
Disposal of fully depreciated capital assets	-	-	-
Acquisition of capital assets through vouchers payable	-	-	-
Acquisition of issuance costs through vouchers payable	-	-	-
Transfer of net assets from (to) other funds	-	(563,811)	(2,670,852)

Sanitary Treatment Works	Jester Park Golf Course	Hamilton Urban Drainage District	Urban Sewer	Total Nonmajor Enterprise Funds
\$ 668,711	\$ 1,379,502	\$ 134,434	\$ -	\$ 2,398,754
-	1,000	-	-	681,167
(1,031,032)	(601,567)	(16,490)	-	(1,866,650)
(60,723)	(647,607)	(10,680)	-	(1,362,087)
(423,044)	131,328	107,264	-	(148,816)
523,952	-	-	-	2,811,414
-	(5,000)	-	1,250	(3,771,206)
-	(15,871)	-	-	(15,871)
523,952	(20,871)	-	1,250	(975,663)
-	-	-	(1,250)	(1,250)
(180,000)	-	-	-	(180,000)
(25,675)	-	-	-	(25,675)
(151,515)	(45,000)	-	-	(196,515)
(357,190)	(45,000)	-	(1,250)	(403,440)
38,046	11,915	17,671	-	79,223
38,046	11,915	17,671	-	79,223
(218,236)	77,372	124,935	-	(1,448,696)
1,638,873	358,515	684,499	-	4,595,016
\$ 1,420,637	\$ 435,887	\$ 809,434	\$ -	\$ 3,146,320
(798,536)	\$ 62,059	\$ (122,739)	\$ -	\$ (851,462)
210,603	110,972	229,916	-	572,545
3,011	-	-	-	3,011
157,296	-	-	-	157,296
(13,959)	(19,107)	-	-	(33,066)
9,360	(2,437)	-	-	27,273
-	(8,503)	-	-	(8,503)
9,181	558	87	-	(16,617)
-	1,027	-	-	3,240
-	(2,579)	-	-	(4,563)
-	(7,048)	-	-	5,644
-	(3,614)	-	-	(3,614)
\$ (423,044)	\$ 131,328	\$ 107,264	\$ -	\$ (148,816)
\$ (3,386,366)	\$ -	\$ -	\$ -	\$ (3,386,366)
18,086,909	-	-	-	18,086,909
-	(54,886)	-	-	(54,886)
-	-	-	169,810	169,810
-	-	-	1,525	1,525
-	-	-	-	(3,234,663)

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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, 2005**

	Employee Insurance	Risk Management	Total
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 3,413,342	\$ 3,217,109	\$ 6,630,451
Receivables (net of allowances for uncollectibles):			
Accounts	468,770	-	468,770
Accrued interest	354	214	568
Prepaid items	265,949	-	265,949
TOTAL ASSETS	4,148,415	3,217,323	7,365,738
LIABILITIES:			
Current liabilities:			
Voucher payable	88,669	-	88,669
Estimated liability for claims and judgments	1,102,142	-	1,102,142
Total current liabilities	1,190,811	-	1,190,811
TOTAL LIABILITIES	1,190,811	-	1,190,811
NET ASSETS			
Unrestricted, designated	2,957,604	3,217,323	6,174,927
TOTAL NET ASSETS	\$ 2,957,604	\$ 3,217,323	\$ 6,174,927

POLK COUNTY, IOWA

**Combining Statement of Revenues, Expenses, and
Changes in Net Assets
Internal Service Funds
For the Year Ended June 30, 2005**

	Employee Insurance	Risk Management	Total
REVENUES:			
Charges for services	\$ 9,707,243	\$ -	\$ 9,707,243
Total revenues	<u>9,707,243</u>	<u>-</u>	<u>9,707,243</u>
EXPENSES:			
Personal services	158,165	-	158,165
Other services/charges	68,983	-	68,983
Insurance	10,803,313	-	10,803,313
Total expenses	<u>11,030,461</u>	<u>-</u>	<u>11,030,461</u>
OPERATING INCOME (LOSS)	<u>(1,323,218)</u>	<u>-</u>	<u>(1,323,218)</u>
NONOPERATING REVENUES (EXPENSES):			
Interest revenue, net	49,360	15,846	65,206
Total nonoperating revenues (expenses)	<u>49,360</u>	<u>15,846</u>	<u>65,206</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(1,273,858)</u>	<u>15,846</u>	<u>(1,258,012)</u>
TRANSFERS:			
Transfers in	3,500,000	2,217,500	5,717,500
Transfers out	(20,000)	(2,217,500)	(2,237,500)
Total transfers	<u>3,480,000</u>	<u>-</u>	<u>3,480,000</u>
CHANGE IN NET ASSETS	2,206,142	15,846	2,221,988
NET ASSETS , BEGINNING	<u>751,462</u>	<u>3,201,477</u>	<u>3,952,939</u>
NET ASSETS, ENDING	<u>\$ 2,957,604</u>	<u>\$ 3,217,323</u>	<u>\$ 6,174,927</u>

POLK COUNTY, IOWA

**Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2005**

	Employee Insurance	Risk Management	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 9,115,575	\$ -	\$ 9,115,575
Cash paid to suppliers for goods and services	(10,764,231)	-	(10,764,231)
Net cash flows from operating activities	<u>(1,648,656)</u>	-	<u>(1,648,656)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	3,500,000	2,217,500	5,717,500
Transfers out	(20,000)	(2,217,500)	(2,237,500)
Net cash flows from noncapital financing activities	<u>3,480,000</u>	-	<u>3,480,000</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	49,310	16,863	66,173
Net cash flows from investing activities	<u>49,310</u>	<u>16,863</u>	<u>66,173</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,880,654	16,863	1,897,517
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,532,688</u>	<u>3,200,246</u>	<u>4,732,934</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 3,413,342</u>	<u>\$ 3,217,109</u>	<u>\$ 6,630,451</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating income (loss)	\$ (1,323,218)	\$ -	\$ (1,323,218)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:			
(Increase) decrease in accounts receivable	(375,774)	-	(375,774)
Increase (decrease) in vouchers payable	26,616	-	26,616
Increase (decrease) in estimated liability for claims and judgments	23,720	-	23,720
Net cash flows from operating activities	<u>\$ (1,648,656)</u>	<u>\$ -</u>	<u>\$ (1,648,656)</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
E911 Service
GIMS Implementation
Joint Disaster Services
Relief Clearing
Employee Activities
Seized Funds Unforfeited
Mine Task Force

POLK COUNTY, IOWA

Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2005

	Elected Officials				
	Attorney	Auditor	Board of Supervisors - Other	County Conservation Board	Recorder
ASSETS:					
Cash and cash equivalents	\$ 4,619	\$ 93,402	\$ 1,138	\$ 315,733	\$ 478,534
Receivables (net of allowances for uncollectibles):					
Taxes	-	-	-	-	-
Special assessments	-	-	-	-	-
Accounts	-	-	-	-	-
Accrued interest	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due from other governments	-	-	-	-	3,876
TOTAL ASSETS	\$ 4,619	\$ 93,402	\$ 1,138	\$ 315,733	\$ 482,410
LIABILITIES:					
Vouchers payable	\$ -	\$ -	\$ -	\$ -	\$ -
Wages payable	-	-	-	-	-
Payroll taxes payable	-	-	-	-	-
Estimated liability for claims and judgments	-	-	-	-	-
Due to other funds	4,619	4,272	1,138	315,733	2,616
Due to other governments	-	88,462	-	-	479,794
Advances from other funds	-	-	-	-	-
Trusts payable	-	668	-	-	-
Compensated absences payable	-	-	-	-	-
TOTAL LIABILITIES	\$ 4,619	\$ 93,402	\$ 1,138	\$ 315,733	\$ 482,410

Sheriff	Total Elected Officials	Trust & Agency Treasurer	Trust & Agency Trust Funds Held	County Assessor Expense	County Assessor Special Appraisal	County Assessor FICA
\$ 763,854	\$ 1,657,280	\$ 13,918,202	\$ 636,430	\$ 1,079,805	\$ 169,006	\$ -
-	-	3,491,544	-	11,470	2,102	969
-	-	5,986,489	23,952	-	-	-
-	-	-	-	-	-	-
-	-	-	46	-	-	-
5,813	5,813	-	-	-	-	-
-	3,876	-	-	-	-	-
\$ 769,667	\$ 1,666,969	\$ 23,396,235	\$ 660,428	\$ 1,091,275	\$ 171,108	\$ 969
\$ -	\$ -	\$ -	\$ -	\$ 5,366	\$ 23,960	\$ -
-	-	-	-	148,933	-	-
-	-	-	-	19,044	-	-
-	-	-	-	167,255	-	-
258,347	586,725	-	-	-	-	-
-	568,256	23,396,235	317,447	251,485	147,148	969
-	-	-	97,900	-	-	-
511,320	511,988	-	245,081	-	-	-
-	-	-	-	499,192	-	-
\$ 769,667	\$ 1,666,969	\$ 23,396,235	\$ 660,428	\$ 1,091,275	\$ 171,108	\$ 969

(continued)

POLK COUNTY, IOWA

Combining Statement of Assets and Liabilities
 Agency Funds
 June 30, 2005

	Other Agency Funds				
	County Assessor IPERS	E911 Service	GIMS Implementation	Joint Disaster Services	Relief Clearing
ASSETS:					
Cash and cash equivalents	\$ -	\$ 551,226	\$ 684,844	\$ -	\$ 7,380
Receivables (net of allowances for uncollectibles):					
Taxes	513	-	-	-	-
Special assessments	-	-	-	-	-
Accounts	-	486,688	-	6,583	-
Accrued interest	-	13	-	-	-
Due from other funds	-	-	-	-	-
Due from other governments	-	5,558	-	436,622	-
TOTAL ASSETS	\$ 513	\$ 1,043,485	\$ 684,844	\$ 443,205	\$ 7,380
LIABILITIES:					
Vouchers payable	\$ -	\$ -	\$ -	\$ 95,538	\$ 6,575
Wages payable	-	-	-	8,434	-
Payroll taxes payable	-	-	-	1,088	-
Estimated liability for claims and judgments	-	-	-	-	-
Due to other funds	-	-	-	368,379	-
Due to other governments	513	1,043,485	684,844	(33,729)	-
Advances from other funds	-	-	-	-	-
Trusts payable	-	-	-	-	805
Compensated absences payable	-	-	-	3,495	-
TOTAL LIABILITIES	\$ 513	\$ 1,043,485	\$ 684,844	\$ 443,205	\$ 7,380

Employee Activities	Seized Funds Unforfeited	Mine Task Force	Total Other Agency Funds	Total Agency Funds
\$ 3,990	\$ 350,553	\$ 323,250	\$ 17,724,686	\$ 19,381,966
-	-	-	3,506,598	3,506,598
-	-	-	6,010,441	6,010,441
-	-	-	493,271	493,271
-	-	27	86	86
-	-	-	-	5,813
-	-	750	442,930	446,806
\$ 3,990	\$ 350,553	\$ 324,027	\$ 28,178,012	\$ 29,844,981

\$ -	\$ -	\$ 2,862	\$ 134,301	\$ 134,301
-	-	-	157,367	157,367
-	-	-	20,132	20,132
-	-	-	167,255	167,255
-	-	-	368,379	955,104
-	350,553	321,165	26,480,115	27,048,371
-	-	-	97,900	97,900
3,990	-	-	249,876	761,864
-	-	-	502,687	502,687
\$ 3,990	\$ 350,553	\$ 324,027	\$ 28,178,012	\$ 29,844,981

(concluded)

POLK COUNTY, IOWA

Combining Statement of Changes in Assets and Liabilities Agency Funds For the Year Ended June 30, 2005

	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005
ELECTED OFFICIALS:				
ASSETS:				
Cash and cash equivalents	\$ 1,584,267	\$ 73,013	\$ -	\$ 1,657,280
Due from other funds	157	5,656	-	5,813
Due from other governments	5,082	-	1,206	3,876
TOTAL ASSETS	\$ 1,589,506	\$ 78,669	\$ 1,206	\$ 1,666,969
LIABILITIES:				
Due to other funds	\$ 604,883	\$ -	\$ 18,158	\$ 586,725
Due to other governments	567,658	598	-	568,256
Trusts payable	416,965	95,023	-	511,988
TOTAL LIABILITIES	\$ 1,589,506	\$ 95,621	\$ 18,158	\$ 1,666,969
 OTHER AGENCY FUNDS:				
ASSETS:				
Cash and cash equivalents	\$ 16,716,383	\$ 1,008,303	\$ -	\$ 17,724,686
Receivables:				
Taxes	2,349,790	1,156,808	-	3,506,598
Special assessments	5,759,868	250,573	-	6,010,441
Accounts	12,814	480,457	-	493,271
Accrued interest	200	-	114	86
Due from other funds	3,540	-	3,540	-
Due from other governments	57,222	385,708	-	442,930
Inventories	1,088	-	1,088	-
Prepaid items	3,259	-	3,259	-
TOTAL ASSETS	\$ 24,904,164	\$ 3,281,849	\$ 8,001	\$ 28,178,012
LIABILITIES:				
Vouchers payable	\$ 99,445	\$ 34,856	\$ -	\$ 134,301
Wages payable	130,908	26,459	-	157,367
Payroll taxes payable	27,669	-	7,537	20,132
Estimated liability for claims and judgments	221,270	-	54,015	167,255
Due to other funds	4,477	363,902	-	368,379
Due to other governments	23,659,300	2,820,815	-	26,480,115
Advances from other funds	61,600	36,300	-	97,900
Trusts payable	247,168	2,708	-	249,876
Compensated absences payable	452,327	50,360	-	502,687
TOTAL LIABILITIES	\$ 24,904,164	\$ 3,335,400	\$ 61,552	\$ 28,178,012

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POLK COUNTY, IOWA

Capital Assets Used in the Operation of Governmental Funds Capital Assets by Source June 30, 2005

GOVERNMENTAL FUNDS CAPITAL ASSETS

Land	\$	8,135,840
Buildings		61,812,798
Improvements other than buildings		758,296
Infrastructure		79,619,824
Equipment		12,025,773
Vehicles		6,825,068
Construction in progress		2,000,827

TOTAL \$ 171,178,426

INVESTMENT IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE:

General fund	\$	26,328,542
Special revenue funds		80,916,652
Capital projects funds		20,226,033
General obligation bond proceeds		21,188,265
Federal and state grants		1,693,913
Donated funds		3,110,771
Iowa Department of Transportation - Farm-to-Market		17,714,250

TOTAL \$ 171,178,426

POLK COUNTY, IOWA

**Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function
For the Year Ended June 30, 2005**

	Governmental Funds Capital Assets			
	July 1, 2004	Additions	Deductions	June 30, 2005
Public safety and legal services	\$ 41,798,054	\$ 1,045,620	\$ (466,156)	\$ 42,377,518
Physical health and social services	10,085,394	194,524	(168,889)	10,111,029
Mental health	54,768	-	(54,768)	-
County environment and education	5,303,553	115,805	(101,468)	5,317,890
Roads and transportation	86,828,497	5,785,922	(1,042,623)	91,571,796
Governmental services to residents	1,417,453	30,736	-	1,448,189
Administration	20,596,001	98,235	(342,232)	20,352,004
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	\$ 166,083,720	\$ 7,270,842	\$ (2,176,136)	\$ 171,178,426

POLK COUNTY, IOWA

**Capital Assets Used in the Operation of Governmental Funds
Schedule by Function
June 30, 2005**

	Land	Buildings	Improvements Other Than Buildings
Public safety and legal services	\$ -	\$ 37,683,246	\$ 246,011
Physical health and social services	-	9,969,553	-
County environment and education	551,183	3,044,947	294,285
Roads and transportation	48,200	2,563,512	218,000
Governmental services to residents	-	-	-
Administration	7,536,457	8,551,540	-
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	\$ 8,135,840	\$ 61,812,798	\$ 758,296

Infrastructure	Equipment	Vehicles	Construction in Progress	Total
\$ -	\$ 1,131,096	\$ 2,672,313	\$ 644,852	\$ 42,377,518
-	-	141,476	-	10,111,029
-	304,968	1,122,507	-	5,317,890
79,619,824	5,368,503	2,397,782	1,355,975	91,571,796
-	1,448,189	-	-	1,448,189
-	3,773,017	490,990	-	20,352,004
\$ 79,619,824	\$ 12,025,773	\$ 6,825,068	\$ 2,000,827	\$ 171,178,426

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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
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
2005	84,979,971	4,809,582	1,061,401	48,116,800	943,081

(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
\$ 5,163,683	\$ 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
9,619,485	3,145,534	-	1,824,317	154,500,171

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
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
2005	41,340,119	24,781,328	44,893,946	13,086,191	7,881,246

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

Government Services to Residents	Administration	Nonprogram Services	Debt Service	Capital Projects	Total
\$ 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
5,243,386	25,221,121	70,697	3,303,002	6,234,697	172,055,733

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
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%
2004/05	87,950,229	87,623,125	99.6%	87,681,208	99.7%

- (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
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	21,484,788,319	13,450,671,379	62.61%
2005	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) 2005 Calendar Year Assessment is for taxes due in fiscal year 2006/2007 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
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
2004/05	6.39016	3.25699	0.59856	16.82543	1.20114	17.05539

(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
0.46572	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
0.31745	0.00400	45.64912

POLK COUNTY, IOWA

Legal Debt Margin

Assessed valuation, at 100% of actual valuation (2003)	\$ 20,691,426,164
Multiplied by 5%	<u>5%</u>
Debt limit - 5% of total assessed valuation	1,034,571,308
Less: Debt applicable to debt limit (Article XI, Constitution of the State of Iowa); Outstanding County indebtedness (a)	<u>313,142,908</u>
Unused legal debt capability	<u><u>\$ 721,428,400</u></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
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
2005	397,152	12,990,939,250	169,780,674	789,769	168,990,905	1.30%	425.51

(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
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%
2005	2,526,980	776,022	3,303,002	172,055,733	1.92%

(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, 2005

Name of Governmental Unit	Taxable Valuation Within the County	General Obligation Debt Outstanding	Totals
Polk County	\$ 12,990,939,250	\$ 169,780,674	
Total direct debt			\$ 169,780,674
Cities and towns:			
Alleman	14,465,745	178,000	
Altoona	335,268,269	15,550,000	
Ankeny	1,133,236,461	33,820,000	
Bondurant	47,967,715	1,285,000	
Clive	719,131,044	12,870,000	
Des Moines	5,240,997,878	318,385,000	
Elkhart	7,853,387	240,000	
Grimes	180,030,740	6,705,000	
Johnston	600,025,799	32,058,333	
Mitchellville	36,766,388	265,000	
Pleasant Hill	231,635,793	11,170,000	
Polk City	69,129,519	20,730	
Runnells	8,284,439	-	
Sheldahl	2,795,211	-	
Urbandale	1,479,845,731	33,085,000	
Windsor Heights	170,885,153	9,430,000	
West Des Moines	2,118,068,685	148,215,000	
Total cities and towns		<u>623,277,063</u>	
School districts:			
Ankeny Community	1,306,649,384	21,595,000	
Bondurant - Farrar	136,148,062	1,035,000	
Dallas	260,482,617	22,460,000	
Des Moines Independent	5,259,212,651	1,000,000	
Johnston Community	1,106,229,055	18,050,000	
North Polk Community	170,742,373	3,050,000	
Saydel	439,693,695	4,320,000	
Southeast Polk	769,964,652	3,440,000	
Urbandale Community	807,441,601	22,540,000	
West Des Moines Community	3,227,428,447	8,065,000	
Total school districts		<u>105,555,000</u>	
Other:			
Urbandale Sanitary Sewer	1,365,773,061	7,071,000	
Urbandale/Windsor Heights Sanitary Sewer	287,338,673	-	
Total other		<u>7,071,000</u>	
Total overlapping debt			<u>735,903,063</u>
Total direct and overlapping debt			<u>\$ 905,683,737</u>

NOTE: Fiscal year 2005 is matched to 2003 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		
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%
2005	397,152	24,099	36.1	224,900	4.8%	4.8%	5.5%

(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	
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
2004	13,450,671,379	3,021	611,876,164	255	484,123,093	6,642,000,000

(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
2003 Taxable Valuation

Name	Description of Property	Taxable Valuation	Percentage of Total Valuation
Principal Life Insurance Co.	Commercial	\$ 260,602,430	2.0%
Valley West Mall	Commercial	102,031,000	0.8%
R & R Investors	Commercial	101,500,480	0.8%
Qwest	Commercial	90,026,109	0.7%
Knapp, William	Commercial	89,950,750	0.7%
Mid America Investments	Commercial	89,814,580	0.7%
Wells Fargo	Commercial	80,423,550	0.6%
Ruan	Commercial	72,125,880	0.6%
Hubbell Realty Co.	Commercial	69,531,020	0.5%
Nationwide Mutual Insurance	Commercial	68,021,600	0.5%
Total assessed valuation of ten principal taxpayers		1,024,027,399	7.9%
Total assessed valuation of other taxpayers		11,966,911,851	92.1%
Total 2003 assessed valuation for taxes due in 2004/2005		\$ 12,990,939,250	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
Central Iowa Hospital Corp.	Health Services
Principal Life Insurance Co.	Insurance and Financial Services
Iowa Health	Health Services
Mercy Hospital Medical Center	Health Services
MidAmerican Energy Holdings Co.	Trans./Warehouse/Utilities
Allied Insurance	Insurance and Financial Services
Wal-Mart Inc.	Retail
Pioneer Hi-Bred International Inc.	Biotechnology
Firestone Agricultural Tire Company	Manufacturing

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

ELECTIONS:

Last general election: (as of November 2, 2004)	
Registered voters	264,383
Votes cast	203,488
Percent	76.97%
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	1,077
Number of part-time employees	29
Number of seasonal employees (summer help)	129

(continued)

POLK COUNTY, IOWA

Miscellaneous Statistical Data

COUNTY SERVICES

Public Safety:	
Number of officers	263
Number of civilian personnel	88
Human Services:	
Number of employees	159
Roads and Engineering:	
Number of employees	72
Administration:	
Number of employees	151

HOSPITALS

Number of hospitals	5
Number of acute care beds	1,329

Source: Greater Des Moines Chamber of Commerce Federation

LEISURE FACILITIES

Area parks	75
Country clubs	10
Golf courses	18
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; Iowa Stars 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; Des Moines Art Festival; Living History Farms.

(concluded)

POLK COUNTY, IOWA

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2005**

Grantor/Program	CFDA Number	Contract Number	Total Federal Expenditures For Fiscal Year 2005
OFFICE OF NATIONAL DRUG CONTROL POLICY			
Direct Program - Iowa Enforcement Initiative (HIDTA) Grant	07.Unknown	I4PMWP556	\$ 30,169
Direct Program - Iowa Enforcement Initiative (HIDTA) Grant	07.Unknown	I5PMWP556	37,328
			<u>67,497</u>
DEPARTMENT OF AGRICULTURE			
Direct Program - Commodity Supplemental Food Distribution	10.565	N/A	917,912
Direct Program - Restoration & Seeding of Wetlands-Chichaqua Bottoms	10.072	65-6114-6-537	2,541
Passed through Iowa Department of Health and Human Services:			
Local Administration Expense Reimbursement	10.561	N/A	231,793
Commodity Supplemental Food Program	10.565	N/A	53,593
Commodity Supplemental Food Program	10.565	N/A	164,924
Passed through Iowa Department of Education:			
National School Breakfast Program	10.553	77-8810	30,356
National School Lunch Program	10.555	77-8810	37,760
Child Care Food Program	10.558	77-8050	397,217
Child Care Food Program	10.558	77-8050	1,104,067
Passed through Aging Resource of Central Iowa:			
Title IIIC-1 - Nutrition	10.570	N/A	64,080
Total Department of Agriculture			<u>3,004,243</u>
DEPARTMENT OF JUSTICE			
Direct Program - Local Law Enforcement Block Grant	16.592	2004-LB-BX-0052	11,977
Direct Program - LLEBG Bullet Proof Vest Program	16.607	N/A	2,348
Direct Program - COPS in Schools	16.710	2002SHWX0576	108,000
Direct Program - COPS in Schools	16.710	2002SHWX0167	28,741
Passed through Iowa Department of Human Rights:			
Juvenile Accountability Incentive Block Grant (JAIBG)	16.523	JAB-S05-45	19,052
Passed through Iowa Department of Justice:			
Victims of Crime Act (VOCA)	16.575	VA-05-7324	103,000
Passed through Governor's Office of Drug Control Policy:			
Project Safe Neighborhoods (Bomb Dog)	16.609	03-SD08	3,913
Project Safe Neighborhoods	16.609	03S-SD08	3,380
Passed through Governor's Alliance of Substance Abuse:			
Drug Control Grant	16.579	04A-0232	481,283
Total Department of Justice			<u>761,694</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	10,639
Section 402 Highway Safety Grant	20.600	PAP 05-02 Task 14	3,868
Section 402 Highway Safety Grant (OWI Prevention)	20.605	PAP 04-163 Task 58	618
Passed through Iowa Department of Public Defense:			
2005 HMEP - Training	20.703	N/A	5,000
2004 HMEP - Planning	20.703	N/A	3,012
2004 Hazmat Symposium	20.703	N/A	4,000
Passed through Iowa Department of Transportation:			
Highway Planning and Construction - Central Iowa Trail Loop	20.205	STP-ES-E-C077(130)-8T-77	6,800
Total Department of Transportation			<u>33,937</u>
NATIONAL ENDOWMENT FOR THE HUMANITIES			
Passed through Humanities Iowa			
Pelican Festival	45.129	26-3-054	375
Total National Endowment for the Humanities			<u>375</u>

(continued)

POLK COUNTY, IOWA

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2005**

Grantor/Program	CFDA Number	Contract Number	Total Federal Expenditures For Fiscal Year 2005
ENVIRONMENTAL PROTECTION AGENCY			
Passed through Iowa Department of Natural Resources:			
Air Pollution Control Implementation Plan Agreement	66.001	2005-7230-02	\$ 196,559
Total Environmental Protection Agency			<u>196,559</u>
DEPARTMENT OF ENERGY			
Direct Program - Rebuild Iowa (Travel) Program	81.041	N/A	420
Passed through Iowa Department of Natural Resources:			
Rebuild Iowa (Polk County) Program	81.041	04-7564-01	12,500
Omnibus-Energy Efficiency Workshops/Tours	81.117	05-7561-01	10,000
Passed through Iowa Department of Human Rights:			
Low Income Home Energy Assistance	81.042	DOE-04-20S	171,965
Low Income Home Energy Assistance	81.042	DOE-05-20S	57,730
Total Department of Energy			<u>252,615</u>
DEPARTMENT OF EDUCATION			
Passed through Iowa Department of Education and DMACC:			
Iowa New Choices	84.048	N/A	5,588
Total Department of Education			<u>5,588</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through Aging Resource of Central Iowa:			
Title IIIB - Transportation	93.044	N/A	124,500
Title IIIB - Well Elderly Clinic	93.044	N/A	10,000
Title III - Elderly Services Chore	93.044	N/A	2,443
Title IIIB - Advocacy/Counseling	93.044	N/A	12,226
Title IIIC-1 - Nutrition	93.045	N/A	216,500
Passed through Iowa Department of Health and Human Services:			
Projects for Assistance in Transition from Homelessness (PATH)	(a) 93.150	05-0444-401-6890-2597-04	101,338
Family Development and Self Sufficiency	93.558	FADSS-05-20-FS	206,341
Home Energy Assistance Program	93.568	HEAP-04-20S	45,174
Home Energy Assistance Program	93.568	HEAP-05-20S	14,820
Local Purchase Allocation MH Block Grant	93.667	N/A	1,425,420
Local Administration Expense Reimbursement-TANF	93.558	N/A	315,831
Local Administration Expense Reimbursement	93.566	N/A	639
Local Administration Expense Reimbursement	93.596	N/A	58,435
Local Administration Expense Reimbursement	93.658	N/A	160,076
Local Administration Expense Reimbursement	93.659	N/A	37,214
Local Administration Expense Reimbursement	93.667	N/A	206,162
Local Administration Expense Reimbursement-Medical Assistance Program	93.778	N/A	337,578
Passed through Iowa Department of Public Health:			
EMS System Development	93.003	5884EM72	100
Tuberculosis Elimination	93.116	5884TB02	14,313
Tuberculosis Elimination	93.116	MOU-2005-TB01	9,291
Childhood Lead Poisoning	93.197	5885LP09	64,301
I-4 Project	93.268	5884I457	20,615
I-4 Project	93.268	5885I457	10,208
Bioterrorism Preparedness Planning Program	93.283	5884BT01	100,567
Bioterrorism Preparedness Planning Program	93.283	5885BT01	107,165
Wisewoman	93.283	5885WW11	55,205
Iowa Breast and Cervical Cancer Early Detection Program	93.283	5885NB20	146,517
HERR Prevention Project and HEP C	93.283	5885AP13	1,000
HIV Counseling, Testing and Referral	93.940	5884AP13	48,878
HIV Counseling, Testing and Referral	93.940	5885AP13	26,054
HIV Preventative Health Block Grant	93.991	5885AP13	1,730
HIV Preventative Health Block Grant	93.991	5884AP13	3,480
Total Department of Health and Human Services			<u>3,884,121</u>

(continued)

POLK COUNTY, IOWA

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2005**

Grantor/Program	CFDA Number	Contract Number	Total Federal Expenditures For Fiscal Year 2005
DEPARTMENT OF HOMELAND SECURITY			
Passed through United Way:			
FEMA	97.024	Phase XXII	1,535
FEMA	97.024	Phase XXIII	20,691
Passed through Iowa Department of Public Defense:			
State Homeland Security Grant Program (SHSGP 1)	97.004	ODP-2003-068	60,194
State Homeland Security Grant Program	97.004	ODP-2002-068	246
State Homeland Security Grant Program (SHSGP 11)	97.004	ODP-2003-77	789,717
Critical Infrastructure Protection Allocation (CIPA)	97.004	ODP-2003-MU-TE-0056	126,595
FEMA	97.036	DR-1518-IA	75,061
Emergency Management Performance Grant (EMPG)	97.067	N/A	21,496
Total Department of Homeland Security			<u>1,095,535</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 9,302,164</u></u>

(a) Represents Polk County Health Services grant awards.
See notes to schedule of expenditures of federal awards.

(concluded)

Polk County, Iowa

Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2005

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Polk County, Iowa and its discretely presented component unit, Polk County Health Services, Inc., for the year ended June 30, 2005. All federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through other government agencies expended during the year, is included in the schedule. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*.

Note 2. Significant Accounting Policies

Revenue from federal awards is recognized when the County has done everything necessary to establish its right to revenue. For governmental funds, revenue from federal grants is recognized when they become both measurable and available. Expenditures of federal awards are recognized in the accounting period when the liability is incurred for expenditures/expenses funded through federal awards.

Note 3. Subrecipients

Of the federal expenditures presented in the schedule, Polk County, Iowa provided federal awards to subrecipients as follows:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Critical Infrastructure Protection Allocation (CIPA)	97.004	\$126,595

Note 4. Noncash Assistance

The Commodity Supplemental Food Distribution Program – CFDA No.10.565 does not involve cash awards. This award is received in donated commodities. The value of the commodities distributed during the fiscal year ended June 30, 2005 was \$917,912. As of June 30, 2005, the County had commodities on hand with a value of \$159,810.

The County also received noncash assistance in the form of equipment for the State Homeland Security Grant Program – CFDA No. 97.004. Equipment in the amount of \$118,750 was purchased for the County during the fiscal year.

Polk County, Iowa
Summary Schedule of Prior Audit Findings

Year Ended June 30, 2005

Number	Comment	Status	Corrective Action or Other Explanation
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There were no prior audit findings.

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards

To the Board of Supervisors
Polk County, Iowa

We have audited the 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 as of and for the year ended June 30, 2005, which collectively comprise Polk County, Iowa's basic financial statements and have issued our report thereon dated November 18, 2005. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Polk County, Iowa'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 an opinion 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 reportable 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 caused by error or fraud 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 internal control over financial reporting that we have reported to management of Polk County, Iowa in a separate letter dated November 18, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Polk County, Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted a certain immaterial instance of noncompliance that is described in Part IV of the accompanying schedule of findings and questioned costs. Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the basic financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

McGladrey & Pullen, LLP

Davenport, Iowa
November 18, 2005

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133

To the Board of Supervisors
Polk County, Iowa

Compliance

We have audited the compliance of Polk County, Iowa 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, 2005. Polk County, Iowa's major federal programs are identified in the summary of auditor's 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 Polk County, Iowa's management. Our responsibility is to express an opinion on Polk County, Iowa's compliance based on our audit.

We conducted our audit of compliance 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 OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. Those standards and OMB Circular A-133 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 Polk County, Iowa'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 Polk County, Iowa's compliance with those requirements.

In our opinion, Polk County, Iowa 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, 2005.

Internal Control Over Compliance

The management of Polk County, Iowa is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Polk County, Iowa'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 reportable 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 the 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 and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

McGladrey & Pullen, LLP

Davenport, Iowa
November 18, 2005

Polk County, Iowa

Schedule of Findings and Questioned Costs
Year Ended June 30, 2005

I. Summary of the Independent Auditor's Report

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Reportable condition(s) identified that are not considered to be material weaknesses? Yes None Reported
- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Reportable condition(s) identified that are not considered to be material weaknesses? Yes None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
10.558	Child Care Food Program
93.558	Temporary Assistance for Needy Families
93.778	Medical Assistance Program
97.004	State Homeland Security Grant Program

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes No

Schedule of Findings and Questioned Costs
Year Ended June 30, 2005

II. Findings Related to the Basic Financial Statements

None

III. Findings and Questioned Costs for Federal Awards

None

IV. Other Findings Related to Required Statutory Reporting

A. Official Depositories

Finding:

A resolution naming official depositories has been adopted by the Board of Supervisors. During fiscal year 2005, there were two months in which the County exceeded the maximum deposit amounts stated in the resolution for one of the financial institutions.

Recommendation:

We recommend that the County does not exceed the maximum deposit amount stated in the resolution.

Response:

The instance of noncompliance was identified by the County during their monthly reconciliation process and subsequently corrected.

Conclusion:

Response accepted.

B. Certified Budget – Disbursements during the year ended June 30, 2005 did not exceed the amounts budgeted.

C. Questionable Expenditures – We noted no expenditures for parties, banquets or other entertainment for employees during the year ended June 30, 2005 that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

D. 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, 2005.

E. Business Transactions – No business transactions between the County and County officials or employees were noted for the year ended June 30, 2005.

F. Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions.

G. Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

Polk County, Iowa

Schedule of Findings and Questioned Costs
Year Ended June 30, 2005

- H. **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.
- I. **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).
- J. **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 the 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	\$ 496,281
Interest/receipts from other sources	593,520
	<u>1,089,801</u>

Disbursements:

Salaries	174,702
FICA, IPERS and insurance benefits	44,512
Travel	6,528
Facility costs	130,955
Insurance, legal notice and other	13,480
Office supplies	8,591
Communication	11,391
Equipment/repair	26,985
Project activity expense	4,668
Cost share	40,740
Fee programs expense	197,482
Resale	4,649
Grant and contract programs	384,367
	<u>1,049,050</u>

Excess of receipts over disbursements	40,751
Cash balance, beginning of year	158,151
Cash balance, end of year	<u>\$ 198,902</u>

Polk County, Iowa

Schedule of Findings and Questioned Costs
Year Ended June 30, 2005

Total expenditures during the year ended June 30, 2005 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
Travel	\$ 6,528	\$	6,350
Communication	11,391		7,000
Resale	4,649		3,500
Grants	384,694		300,000
Insurance, legal notice and other	13,480		12,920

- K. 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, 2005 did not exceed the amounts budgeted.

Polk County, Iowa

**Corrective Action Plan
Year Ended June 30, 2005**

Comment Number	Comment	Corrective Action Plan	Contact Person	Initial Date of Communication	Anticipated Date of Completion
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Other Findings Related to Required Statutory Reporting:

05-IV-A	The County exceeded its maximum deposit amount stated in their resolution adopted by the Board.	See corrective action plan at 05-IV-A.	Mary Maloney, County Treasurer	November 2005	July 2005
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