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# **POLK COUNTY, IOWA**

**Comprehensive Annual Financial Report**

**For the Fiscal Year Ended June 30, 2007**

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**PREPARED BY:**

**POLK COUNTY AUDITOR'S OFFICE – JAMIE FITZGERALD**

**CENTRAL ACCOUNTING DIVISION**

Central Accounting Manager  
Keith Olson, CPA

Accounting Supervisor  
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Gina Carter  
Michelle Morton  
Darren Sickerson

**BOARD OF SUPERVISOR'S STAFF**

Deb Anderson

# POLK COUNTY, IOWA

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

JAMIE FITZGERALD  
COUNTY AUDITOR  
COMMISSIONER OF ELECTIONS

ADMINISTRATION BUILDING  
111 COURT AVE.  
286-3080

December 3, 2007

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, 2007.

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, 2007, 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, 2007, 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 408,888. Polk County is empowered to levy a property tax on real properties located within its boundaries.

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

Other elected officials operate independently and equally with the Board. These officials are the Auditor, Treasurer, Recorder, Sheriff and County Attorney.

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

In addition, the County is financially accountable for a legally separate 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, by March 15<sup>th</sup>, certify the budget for the fiscal year beginning July 1st. If an amendment to the budget is needed after certification, the Board approves and publishes an amendment, with a final amendment approved no later than May 31<sup>st</sup> 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 15.5% since 1998, to 408,888 in 2007. Unemployment is approximately 3.4%, lower than state and 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, totaling over \$2.8 billion in public and private investment, recently have been completed or are underway in Des Moines. Most of these developments are located in the downtown area and represent a tremendous stage in the revitalization of Des Moines.

The Capital Vision Plan, composed of the Iowa Events Center/Iowa Hall of Pride, Science Center of Iowa, Des Moines downtown library, Higher Education Center, and World Food Prize all total \$364 million and are a central component of this development. All projects, excluding the World Food Prize headquarters slated to begin construction in 2008, have been completed. In its initial years of operation, the Arena component of the Iowa Events Center has experienced great success and turned a profit of \$2.4 million in FY 05/06. Preliminary FY 06/07 profits reach \$2.0 million. Additionally, the Arena recently announced that it will be bringing NBA development league and Arena football II franchises to the metro area.

Construction has begun on the Principal Riverwalk Project, a 1.2 mile recreational trail that will link the east and west sides of the Des Moines River. This \$61 million project provides a variety of amenities associated with the riverfront, including an ice rink whose attendance exceeded expectations during its inaugural year and a pedestrian bridge made from conversion of an old railway bridge. Still under construction is an Asian garden along with such improvements as walkways, lighting, and benches. Plans also call for a signature arched suspension bridge, budgeted at \$11 million, to span the north end of the river.

The East Village, located on the east side of downtown Des Moines, is a progressive, pedestrian friendly neighborhood including stylish restaurants, boutiques, galleries and specialty shops. As one of the original commerce areas of Des Moines, the East Village encompasses some of Iowa's most historically significant buildings, including the State Capitol. With its restored historic properties, beautiful streetscape and urban living environment, the East Village is a hub of activity with annual festivals, street markets, a diverse dining scene, and one-of-a-kind retail shopping serving creative professionals who want to live downtown. The recent opening of 115 East Village Square housing units, which are now 100% leased, more than doubles the available housing in this area. Housing opportunities continue to expand with plans for a 75-unit apartment complex featuring ground level restaurants and a 50-unit condominium project.

In other areas of downtown, more than 500 apartments or condominiums are under construction and plans are pending for an additional 1,100 housing units. Some will be affordable housing and market rate units, while others will be high-end luxury condos. Court Avenue's first housing project is complete and the 150 units are occupied. Another 100 apartments and 40 condominiums are currently being constructed in the Court Avenue district. As these residential units come on-line, developers are beginning to pursue retail and restaurant projects to service the expanding downtown population.

One example of expanded services includes rehabilitation of a long-vacant office building for InPlay. InPlay is a full-service family entertainment venue offering a gaming center, banquet and conference accommodations, and a full-service restaurant and sports bar. InPlay complements other downtown entertainment venues such as the Principal Riverwalk, Science Center, and Iowa Events Center and encourages visitors to extend their stay in our community.

Downtown Des Moines is also seeing its first construction of speculative class A office space since 1990. The \$43 million Davis Tower project will include street level retail, 700 parking spaces, and 110,000 square feet of class A office space. Concrete work on this project is nearly complete, and finishing details are slated to begin shortly.

In the financial services industry, Nationwide Corporation is rapidly expanding in the Gateway West area of downtown. Recently, Nationwide completed construction of a 336,000 square foot office building and 2,500 stall parking garage. In May 2006, Nationwide broke ground on a second expansion phase entailing two office buildings with 656,000 square feet and plans to employ an additional 2,200 by the end of 2008. Similarly, the Wells Fargo Corporation increased its presence in the Des Moines community through construction of 700,000 square feet of office space and 1,000 new employees. These developments represent an investment of \$430 million. Most recently, Wellmark Blue Cross Blue Shield reaffirmed its commitment to remaining in Polk County by announcing plans to construct a 500,000 square foot corporate headquarters and 2,000 stall parking garage in the Western Gateway. The building, to be Leadership in Energy and Environmental Design (“LEED”) certified gold, will consolidate employees who are currently dispersed throughout smaller downtown locations and will be complete by the end of 2010.

In south Des Moines, new commercial parks are being developed near the airport. In the past five years, 20 projects worth more than \$160 million have begun. When fully developed, it is hoped private investment of \$700 million will be generated. Recently completed projects include: a new Des Moines Register printing plant, 2 hotels, office buildings, manufacturing facilities and a United Parcel Service package distribution center. The Des Moines airport recently added direct flights to several major U.S. cities including Salt Lake City, Vegas, Orlando, New York, and Cleveland and is on pace to experience a record number of boardings which would put the airport three years ahead of FAA estimates.

In east Des Moines, plans for an ethanol plant are anchoring development in the agrimergent industrial park. The ethanol plant is scheduled for a 2009 completion and will produce 110 millions of fuel annually and create 65 jobs.

The City of Ankeny is thriving contributing to growth to the north. Crosswinds Business Park, a 475 acre site located south of Corporate Woods Drive is in the process of development and construction of a new 65,000 square foot police station is underway in Prairie Trail, the 1,100 acre master-planned development previously the former Iowa State University Dairy Research Farm.

Suburban growth is also continuing rapidly, with West Des Moines and Clive becoming the focus of upscale retail development. A new regional mall opened in the Dallas County portion of West Des Moines, located near a new suburban campus of the Des Moines Area Community College. Large retail operations such as West Glen Town Center with supportive restaurants and other commercial activity are making the western Polk County suburbs among the fastest growing areas in the state. In June 2004, Wells Fargo broke ground on an extensive office campus in West Des Moines. The construction of four buildings provides 960,000 square feet of office space and has led to the creation of 2,200 new jobs in Iowa, 200 more than expected. In Urbandale, the Northpark development is being undertaken on 75 acres. The centerpiece is the Rain & Hail Insurance home office, but the development also includes upscale regional retail and business park facilities and a new Hilton Garden Inn. Ankeny is seeing significant commercial growth along the I-35 corridor, and Altoona and Pleasant Hill also have steady growth in retail and housing developments. In Polk City, a developer has constructed a PGA tournament golf course and is phasing in a 470 unit residential community.

Major infrastructure improvements are underway on various Polk County roadways. More than \$700 million is being expended to renovate Interstate 235, expand MLK Parkway, and connect MLK Parkway to a major artery through east Des Moines. Expansion of the MLK Parkway has opened for development 100 acres adjacent to the downtown area. A second phase of the MLK Parkway will include a bridge spanning the Des Moines River to open up more than 100 additional acres for development.

### **County Initiatives**

In an effort to maintain balanced growth, Polk County is undertaking three major engineering studies that will enhance the potential development of the central and northern parts of the County. Federal Funding has been secured to complete the NE Polk County Beltway Corridor Study, the NW 26 St/I35-80 Interchange Justification Study, and the NW 100 St/I-35-80 Interchange Justification Study.

With the assistance of \$4.3 million in Federal funding, the County is also working on two road reconstruction projects

that are intended to enhance development and eliminate geometric deficiencies. The first project, a joint effort between the cities of Des Moines, Altoona, Pleasant Hill and Polk County, will improve the safety of the highly traveled NE 56<sup>th</sup> Street roadway. The project will also provide improved access and additional traffic capacity to accommodate the rapid growth in these communities. This project will be completed in 2008. The second project is the reconstruction and widening of NW Madrid Drive/West Broadway in Polk City and will be completed in 2009.

The balanced growth initiative is also being addressed in the Polk County 2030 Comprehensive Land Use Plan and the Polk County Zoning Ordinance, both of which were recently adopted by the Board of Supervisors. The Plan identifies land use areas that encourage responsible growth around the existing metro communities, while protecting the agricultural areas which are the economic base of the County.

Additionally, the County has entered into Urban Service Area Agreements with the cities of Bondurant, Mitchellville and Pleasant Hill for the installation of sanitary sewer and water utilities in designated growth areas around these communities. These projects will stimulate growth and development, and will improve public health and the general welfare of County residents.

Polk County assisted Des Moines Water Works in acquiring the infrastructure of the Southeast Polk Rural Water District to relieve the Water District's \$13 million in outstanding debt. Under the agreement, Polk County assisted Des Moines Water Works in retiring the federal debt of the Southeast Polk Rural Water District, encouraging development in the area by lowering the cost of services to customers by 50% and increasing water flow for fire protection.

Polk County is also working with the Cities of Ankeny and Polk City to construct over \$30 million in Sanitary Sewer expansion projects in the next five (5) years. These projects will not only support the balance growth initiative by providing sanitary sewer service to the Saylor Creek and Rock Creek basins, but also reduce the environmental impacts of conventional and discharging on-site sewage disposal systems. These sanitary sewer trunk lines will also eliminate the need for construction of new and expensive sewage treatment plants and lift stations for both cities.

In July 2005, Wells Fargo Arena venue opened for business. The newly constructed Wells Fargo Arena and HyVee Hall provide space for sporting and entertainment attractions as well as exhibitions. The renovated Veterans Memorial Auditorium and the Convention Complex (currently being renovated in phases) provide overflow space for Arena events and small-scale break-out rooms for conventions. Expansions are already being contemplated to provide additional small meeting rooms and a ballroom at HyVee Hall. After its first full year of operation, the Wells Fargo Arena generated profits of \$2.4 million, with \$1.4 million of the profit being passed along to Polk County. In total, the four facilities of the Iowa Events Center performed better than projected. The actual deficit for the four facilities was only \$0.3 million as compared to the \$1.0 million shortfall that was originally projected. The past two budget years have required minimal subsidy from the county for the four buildings that comprise the Iowa Events Center (\$283,809 05/06, \$114,338 06/07).

In March 2005, Polk County voters approved a referendum for construction of a new \$68 million, 1,500-bed jail. The design of the new jail will enhance staffing efficiency and allow Polk County to discontinue out-of-county housing of Polk County prisoners. Construction of the new jail is nearly complete with an opening scheduled for July 2008.

Polk County has also purchased a 146,000 square foot facility which it is converting to office space for approximately 350 state and county employees. The new facility will enable Polk County to phase out of approximately 70,000 square feet of rental space. Other facilities will be vacated and made available for sale or re-use. The transition also will enable the County to address the space needs of several County offices including the Health Department and Medical Examiner.

Operationally, the County is continuing to develop strategies for improving service quality and efficiency. The Board of Supervisors initiated a strategic planning process in the fall of 2003 and held its third strategic planning retreat in October 2007. The strategic planning process has focused on achieving balanced growth, addressing mental health service delivery costs, offering affordable housing, and protecting the County's investment in the Iowa Events Center. Currently, most County offices and departments are participating in strategic planning and have developed strategic

plans and quarterly performance measures. FY 08/09 budget documents emphasize the tie between performance measures and appropriations, and it is anticipated January 2008 budget deliberations will further incorporate these strategic planning documents.

The County is continuing implementation of technological advancements including video court hearings, electronic transmission of information, improved mainframe operating performance, and growing use of the internet in public communications and business transactions. A new motor vehicle registration system has allowed the county to reduce overtime and improve customer service. Polk County is also continuing an enterprise-wide document management initiative that greatly promotes staffing efficiencies while assisting with disaster recovery and business continuity planning. Customized on-line training is being used to supplement stand-up training and eliminate staff overtime. Discussions are underway with other local communities to develop and fund a countywide emergency management response initiative and mass transit system.

### **Budget Management**

The financial condition of Polk County government remains strong. Growth in the tax base and continued revenue from Prairie Meadows has allowed the County to continue to reinforce its fiscal condition. This situation has enabled the County to undertake new projects and serve a key role in area development efforts. The Board of Supervisors continues to implement innovative approaches to expenditure limitation, including strategic planning and partnerships with other local governments and service agencies. Additionally, for the first time in more than 10 years, the Board raised the tax levy rate for the FY 07/08 budget year. The rate increased from \$10.94 to \$11.43 per \$1,000 of taxable valuation mainly to service debt issued for jail construction and office space renovation and to bolster balances in the General Supplemental fund.

### **Long-term Financial Planning**

The County is continuing to develop strategies for improving service quality and efficiency. The Board has developed and implemented a long term fiscal policy and continued its strategic planning process. Consistent with fiscal policy, the County developed a five-year budget forecast that enables management to identify fiscal threats while sufficient time exists 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 and continue the dialogue in looking 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 5.34%. 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, 2006. 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 thirteen consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA for their review.

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

Respectfully submitted,



Jamie Fitzgerald, Polk County Auditor



Mary Maloney, Polk County Treasurer



Ron Olson, County Administrator

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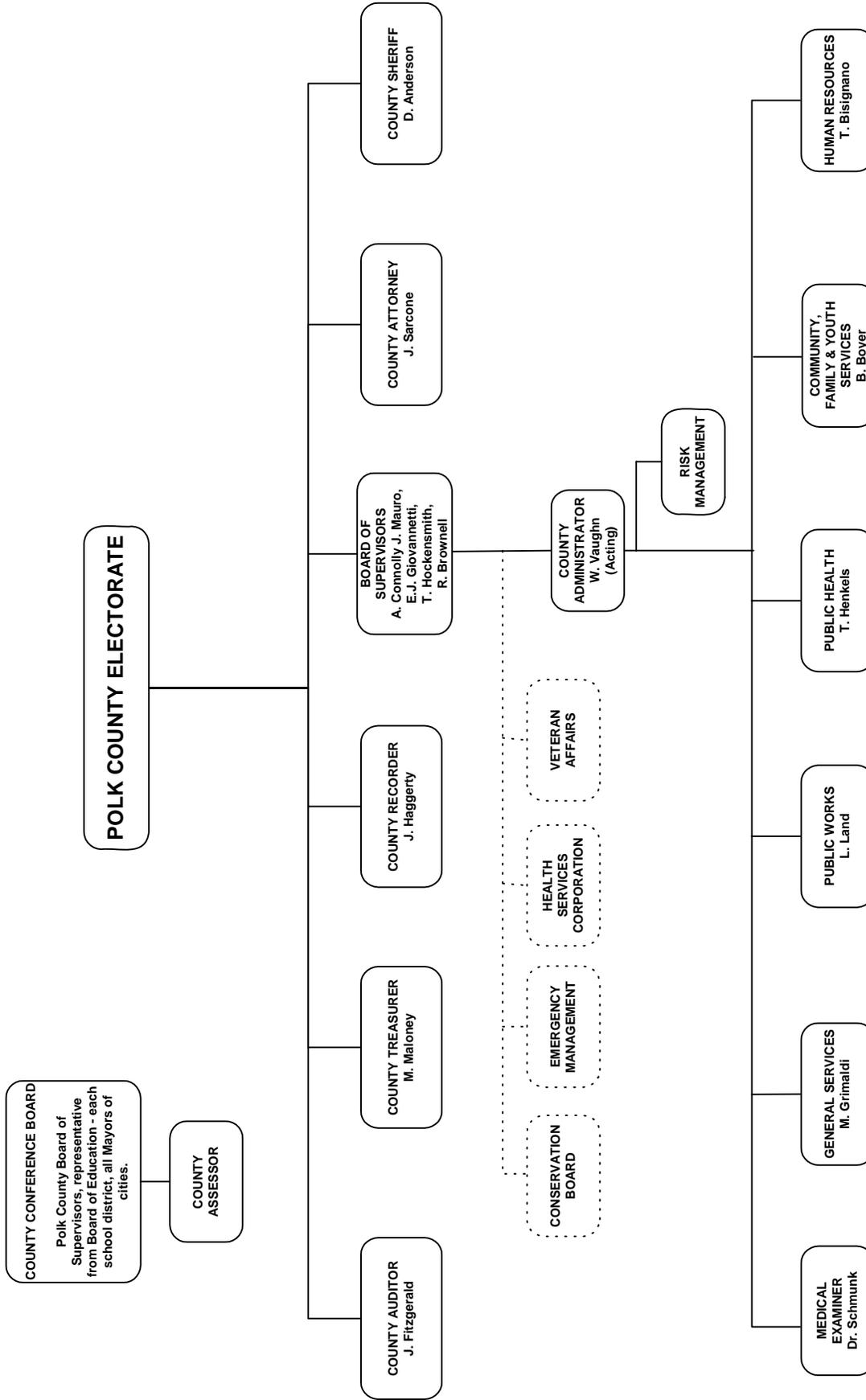
## **POLK COUNTY, IOWA**

### **OFFICIALS**

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<b>Name</b>	<b>Title</b>	<b>Term Expires</b>
Jamie Fitzgerald	County Auditor	2008
Mary Maloney	County Treasurer	2010
Julie Haggerty	County Recorder	2010
Dennis Anderson	County Sheriff	2008
John Sarcone	County Attorney	2010
Jim Maloney	County Assessor	2009
Angela Connolly	Board of Supervisors	2010
John Mauro	Board of Supervisors	2010
E.J. Giovannetti	Board of Supervisors	2008
Tom Hockensmith	Board of Supervisors	2010
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, 2006

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.



A handwritten signature in black ink, appearing to read "Ronald J. Blum".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

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, 2007, 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, 2007, 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 27, 2007, 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 18 through 25, and budgetary comparison information on pages 68 and 69 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, 2007 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*

Davenport, Iowa  
November 27, 2007

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## POLK COUNTY, IOWA

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2007

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, 2007. Please read this section in conjunction with the transmittal letter at the front of this report and with the County's financial statements, which follow this section.

#### FINANCIAL HIGHLIGHTS

- The County's total net assets decreased \$5.8 million (2%) to \$297.7 million primarily due to increased issuance of governmental long-term debt over construction of capital assets.
- Net assets of the County's governmental activities decreased \$8.1 million (7%) and business-type activities increased \$2.2 million (1%).
- In the County's governmental activities, total revenues increased \$8.7 million (5%) and total expenditures increased \$4.2 million (2%).
- In the County's business-type activities, total revenues decreased \$7.9 million (15%) and total expenses decreased \$0.7 million (2%). The decrease in revenues is due to decreases in capital grants and contributions from Vision Iowa grant monies. Expenses decreased primarily to occurring major repair and maintenance at the Convention Complex and the building of Wells Fargo Arena's restaurant in prior year.
- In the County's governmental funds, total expenditures increased 2% primarily due to increased state funding which enabled the County to eliminate waiting lists for mental health services. Additionally, interest on long-term debt increased significantly due to a new \$68 million debt issuance for construction of an adult detention facility.

#### 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 three individual major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the MH/MR/DD Services Fund and the Jail Facility Fund, all of which are considered to be major funds. Data from the other 23 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 five 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 decreased \$5.8 million (2%) primarily attributed to an increased issuance of governmental long-term debt over construction of capital assets.

### Net Assets

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 241,658,178	\$ 186,327,341	\$ 30,575,729	\$ 35,856,180	\$ 272,233,907	\$ 222,183,521
Capital assets	137,165,023	97,120,390	307,521,339	312,165,348	444,686,362	409,285,738
<b>Total assets</b>	<u>378,823,201</u>	<u>283,447,731</u>	<u>338,097,068</u>	<u>348,021,528</u>	<u>716,920,269</u>	<u>631,469,259</u>
Long-term liabilities	125,782,036	48,091,590	136,706,851	145,737,430	262,488,887	193,829,020
Other liabilities	148,530,536	122,788,930	8,194,863	11,296,135	156,725,399	134,085,065
<b>Total liabilities</b>	<u>274,312,572</u>	<u>170,880,520</u>	<u>144,901,714</u>	<u>157,033,565</u>	<u>419,214,286</u>	<u>327,914,085</u>
Net assets						
Invested in capital assets,						
net of related debt	88,071,556	88,986,810	171,678,408	171,295,876	259,749,964	260,282,686
Restricted	21,722,629	18,604,872	575,235	250,665	22,297,864	18,855,537
Unrestricted (deficit)	(5,283,556)	4,975,529	20,941,711	19,441,422	15,658,155	24,416,951
<b>Total net assets</b>	<u>\$ 104,510,629</u>	<u>\$ 112,567,211</u>	<u>\$ 193,195,354</u>	<u>\$ 190,987,963</u>	<u>\$ 297,705,983</u>	<u>\$ 303,555,174</u>

Net assets of the County’s governmental activities decreased \$8.1 million (7%) to \$104.5 million at June 30, 2007. Approximately 84% of these assets are invested in capital assets (buildings, roads, bridges, etc). The \$5.3 million unrestricted deficit is caused by \$39.1 million unspent bond proceeds relating to capital assets at June 30, 2007. This primarily consists of unspent bond proceeds of \$28.8 million for financing the construction of a new jail and

\$10.1 million for financing the renovations to Oliver Plaza which are both scheduled to open by the middle of 2008. The deficit in unrestricted net assets will be reduced as the proceeds are spent.

The net assets of business-type activities increased \$2.2 million (1%) to \$193.2 million at June 30, 2007. Approximately 89% of these assets are invested in capital assets (buildings, land, infrastructure, etc).

### Changes In Net Assets

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 28,124,150	\$ 27,416,598	\$ 38,896,590	\$ 37,790,097	\$ 67,020,740	\$ 65,206,695
Operating grants and contributions	40,462,381	38,376,764	648,292	710,464	41,110,673	39,087,228
Capital grants and contributions	340,200	2,379,801	1,537,235	10,756,874	1,877,435	13,136,675
General revenues:						
Property taxes	95,414,667	88,765,727	-	-	95,414,667	88,765,727
Other County taxes	4,539,835	4,793,069	-	-	4,539,835	4,793,069
Interest on property taxes	1,147,313	1,153,332	-	-	1,147,313	1,153,332
State replacements	2,658,239	2,670,946	-	-	2,658,239	2,670,946
Use of money and property	8,347,209	5,197,356	1,854,206	1,558,005	10,201,415	6,755,361
Gain on sale of capital assets	-	270,000	-	-	-	270,000
Miscellaneous	2,068,863	3,346,717	420,136	432,072	2,488,999	3,778,789
<b>Total revenues</b>	<b>183,102,857</b>	<b>174,370,310</b>	<b>43,356,459</b>	<b>51,247,512</b>	<b>226,459,316</b>	<b>225,617,822</b>
<b>Expenses:</b>						
Public safety and legal services	50,943,331	49,691,718	-	-	50,943,331	49,691,718
Physical health and social services	27,939,503	27,479,491	-	-	27,939,503	27,479,491
Mental health	47,580,948	44,253,468	-	-	47,580,948	44,253,468
County environment and education	17,911,180	21,791,609	-	-	17,911,180	21,791,609
Roads and transportation	14,384,813	15,662,237	-	-	14,384,813	15,662,237
Government services to residents	6,068,908	5,702,700	-	-	6,068,908	5,702,700
Administration	31,230,881	29,651,306	-	-	31,230,881	29,651,306
Interest on long-term debt	3,143,577	755,602	-	-	3,143,577	755,602
Air Pollution	-	-	773,893	890,104	773,893	890,104
Sanitary Treatment Works	-	-	896,815	1,021,679	896,815	1,021,679
Prairie Meadows Racetrack/Casino	-	-	6,589,760	5,796,602	6,589,760	5,796,602
Jester Park Golf Course	-	-	1,367,187	1,404,849	1,367,187	1,404,849
Hamilton Urban Drainage District	-	-	269,147	259,674	269,147	259,674
Urban Sewer	-	-	234,327	18,025	234,327	18,025
Iowa Events Center	-	-	14,584,039	15,317,370	14,584,039	15,317,370
Wells Fargo Arena	-	-	8,390,198	9,134,360	8,390,198	9,134,360
<b>Total expenses</b>	<b>199,203,141</b>	<b>194,988,131</b>	<b>33,105,366</b>	<b>33,842,663</b>	<b>232,308,507</b>	<b>228,830,794</b>
Excess (deficiency) before transfers	(16,100,284)	(20,617,821)	10,251,093	17,404,849	(5,849,191)	(3,212,972)
Transfers	8,043,702	11,503,230	(8,043,702)	(11,503,230)	-	-
<b>Increase (decrease) in net assets</b>	<b>(8,056,582)</b>	<b>(9,114,591)</b>	<b>2,207,391</b>	<b>5,901,619</b>	<b>(5,849,191)</b>	<b>(3,212,972)</b>
Net assets - beginning	112,567,211	121,681,802	190,987,963	185,086,344	303,555,174	306,768,146
<b>Net assets - ending</b>	<b>\$ 104,510,629</b>	<b>\$ 112,567,211</b>	<b>\$ 193,195,354</b>	<b>\$ 190,987,963</b>	<b>\$ 297,705,983</b>	<b>\$ 303,555,174</b>

### Statement of Activities - Changes in Net Assets

The governmental-type change in net assets decreased \$8.1 million primarily due to a \$3.3 million increase in mental health expenses and due to \$3.5 million less transfers in. The business-type change in net assets increased \$2.2 million primarily due to a \$1.5 million decrease in expenses related to the Iowa Event Center and Wells Fargo Arena.

Government-type revenues increased 5% primarily from increased property tax collections. The County maintained its existing levy rate, but a 7% increase in property valuations resulted in a corresponding increase in property tax revenue.

The fact that 52% of total governmental revenues are derived from property taxes illustrates the County's continued dependence on property taxes to finance its general functions. State and federal funding represents 22% and charges for services represents 15% of the total governmental revenues, respectively.

Government-type expenses increased 2%, including a 316% increase in long-term debt interest expense due to new debt issued for jail construction. And public safety and legal services expenses increased 3% due to the rising jail population.

The County's expenses cover a range of services, with the largest expenditures relating to capital projects (22% of total government-type expenditures), public safety and legal services (20% of total government-type expenditures) and mental health (20% of total government-type expenditures).

**Governmental Activities** Revenues for the County's governmental activities increased \$8.7 million (5%), while expenses increased \$4.2 million (2%). Key elements of these changes include the following:

- \$6.6 million (7%) increase in property tax revenues arising from a 7% increase in taxable valuations
- \$3.2 million (6%) increase in use of money and property revenue due to a heightened interest earnings rate and a large jail construction project balance during the construction interim
- \$3.3 million (8%) increase in mental health expenditures mainly attributable to serving a larger population. Increased state funding enabled the County to eliminate waiting lists and serve more people.
- \$1.3 million (3%) increase in public safety and legal services and \$1.6 million (5%) increase in administration expenditures primarily due to increased wages and benefits. Polk County awarded a 4.0% base wage increase to County employees.
- \$2.4 million (316%) increase in long-term debt interest expense to fund debt service on \$68 million of bonds issued for jail construction
- \$3.9 million (18%) decrease in county environment and education expenditures due to decreased economic development grants including \$5.0 million contributed to a rural water district in the previous fiscal year

**Business-type Activities** Revenues for the County's business-type activities decreased \$7.9 million (15%) and expenses decreased \$0.7 million (2%). Key elements of these changes include the following:

- Capital grants and contributions decreased \$9.2 million due to decreases from Vision Iowa grant monies for the completion of the Iowa Events Center and Wells Fargo Arena in prior fiscal year.
- Expenses decreased \$0.7 million primarily due to occurring major repair and maintenance at the Convention Complex and the building of Wells Fargo Arena's restaurant in prior fiscal year.

## **FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS**

**Governmental Funds** As the County completed the current fiscal year; its governmental funds reported a *combined fund* balance of \$77.8 million at June 30, 2007, which is \$24.5 million more than the prior year. Included in this year's total change in fund balance is an increase of \$2.9 million in the County's General Fund. The primary reasons for the General Fund's increase mirror those highlighted in the analysis of governmental activities. Additionally, the Jail Facility Capital Project Fund balance increased \$25.2 million due to bond proceeds unspent as of the close of the fiscal year.

**Proprietary Funds** Prairie Meadows Racetrack/Casino net assets decreased \$3.1 million due to increased transfers out to the Iowa Event Center and Wells Fargo Arena for construction costs. Wells Fargo Arena net assets increased \$3.8 million due to transfers in to cover interest expense and remaining construction costs. In addition,

other enterprise funds net assets increased \$1.2 million due to decreased operating expenses, increased interest revenue and a \$.6 million capital contribution from developers relating to the Sanitary Treatment Works.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

The County's capital assets for its governmental and business-type activities as of June 30, 2007, amount to \$444.7 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 \$35.4 million (9%).

Capital assets for the governmental and business-type activities at June 30, 2007 are as follows:

### Capital Assets

	Governmental Activities		Business-Type Activities		Totals	
	2007	2006	2007	2006	2007	2006
Land	\$ 11,233,795	\$ 11,771,846	\$ 14,852,969	\$ 14,852,969	\$ 26,086,764	\$ 26,624,815
Buildings	62,251,049	62,136,717	281,744,959	278,915,151	343,996,008	341,051,868
Improvements other than buildings	954,140	889,230	8,737,316	8,737,316	9,691,456	9,626,546
Leasehold improvements	-	-	37,487,588	37,487,588	37,487,588	37,487,588
Infrastructure	85,705,351	84,865,090	19,231,628	17,620,761	104,936,979	102,485,851
Equipment	12,891,032	13,633,757	809,586	776,037	13,700,618	14,409,794
Vehicles	6,765,057	6,829,512	147,451	126,071	6,912,508	6,955,583
Construction in progress	51,777,136	6,325,265	4,634,743	2,232,465	56,411,879	8,557,730
Total	<u>231,577,560</u>	<u>186,451,417</u>	<u>367,646,240</u>	<u>360,748,358</u>	<u>599,223,800</u>	<u>547,199,775</u>
Less: accumulated depreciation	<u>(94,412,537)</u>	<u>(89,331,027)</u>	<u>(60,124,901)</u>	<u>(48,583,010)</u>	<u>(154,537,438)</u>	<u>(137,914,037)</u>
Total	<u>\$ 137,165,023</u>	<u>\$ 97,120,390</u>	<u>\$ 307,521,339</u>	<u>\$ 312,165,348</u>	<u>\$ 444,686,362</u>	<u>\$ 409,285,738</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, 2007 are as follows:

- The County completed several road construction projects during the year - \$3.4 million
- Construction in progress of new jail facility - \$42.5 million
- Construction in progress at Oliver Plaza facility - \$2.2 million
- The County completed building improvements at the Iowa Events Center and Wells Fargo Arena - \$2.8 million
- Construction in progress of Urban Sewer Fund projects - \$2.8 million

The County's FY 07/08 capital budget projects spending another \$28.8 million on the new jail facility, \$1.0 million for capital improvement projects, \$10.1 million for renovations to the Oliver Plaza facility, and \$0.5 million for a new Senior Center. Capital improvement projects will represent costs of equipment, repairs, replacements and improvements to County-owned facilities.

## Long-Term Debt

At June 30, 2007, the County had \$248.8 million in bonds and notes outstanding, an increase of \$68.8 million compared to FY 05/06. The increase in debt arose from \$68.0 million in new debt issued for jail construction and \$13.0 million in new debt issued for capital improvements and sewer projects. The new debt issuance was partially offset by principal repayments.

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 06/07, principal repayments of \$7.6 million were made on the Iowa Events Center/Wells Fargo Arena debt, reducing the outstanding obligation to \$125.6 million.

During FY 07/08, Polk County plans to issue \$2.7 million in additional general obligation debt. This includes \$1.0 million for capital improvements to County facilities, \$0.7 million for housing grants, \$0.6 million for construction of a new senior center, and \$0.4 million for lead abatement. Additionally, the County is preparing to refinance \$27 million of Iowa Events Center debt issued in 2001 in order to capitalize on reduced interest rates.

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 was \$776.2 million as of June 30, 2007.

## Outstanding Debt

	Governmental Activities		Business-type Activities		Total		Percentage Change 2006-2007
	2007	2006	2007	2006	2007	2006	
G.O. bonds	\$ 111,657,091	\$ 34,491,195	\$ 136,562,443	\$ 144,921,169	\$ 248,219,534	\$ 179,412,364	38%
Notes payable	581,000	616,000	-	-	581,000	616,000	-6%
<b>Total</b>	<b>\$ 112,238,091</b>	<b>\$ 35,107,195</b>	<b>\$ 136,562,443</b>	<b>\$ 144,921,169</b>	<b>\$ 248,800,534</b>	<b>\$ 180,028,364</b>	<b>38%</b>

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 \$15.9 million and revenues were \$2.4 million below final budget amounts. Significant variances included:

- Capital project expenditures were \$11.1 million less than budgeted due to slower than anticipated completion of two major capital projects: a new County jail and conversion of a retail store into office space for County employees. Both projects are expected to be completed by their June 2008 target completion dates.
- Physical health and social services expenditures fell \$1.3 million short of budget due to reduced utilization of juvenile detention and shelter services and less lead abatement program costs than anticipated
- Public safety expenses and legal services expenditures were \$1.0 million less than budgeted due to a steady average daily population for adult detention. The budget had anticipated a 5% growth rate.

- County environment and education expenditures were \$0.9 million and roads and transportation expenditures were \$0.2 million less than anticipated. This discrepancy included appropriations for road and interchange projects that were not fully completed during the fiscal year.
- Appropriations for administration exceeded expenditures by \$0.9 million. This discrepancy included general services expenditures being less than budgeted due to lower than anticipated postage, supplies, telephone, and lease expenses and an increased allocation of custodial expenses to the Courthouse.
- Intergovernmental revenues were \$3.1 million short of budget due to timing issues. One month of reimbursement for housing federal prisoners was not received until the succeeding fiscal year, and other government contributions for a road project were delayed due to the road project beginning later than anticipated.
- Revenues from charges for services exceeded budget by \$0.6 million. This discrepancy included increased collections for filing of documents with the Recorder's Office and increased collection of various fees including immunizations and recreational fees.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The financial condition of Polk County government remains strong. Growth in the tax base and continued revenue from Prairie Meadows has allowed the County to continue to reinforce its fiscal condition. This situation has enabled the County to undertake new projects and serve a key role in area development efforts. The Board of Supervisors continues to implement innovative approaches to expenditure limitation, including strategic planning and partnerships with other local governments and service agencies.

For fiscal year 2007/2008, certified taxable valuations increased 4%, and the tax levy rate increased 4%. A budgeted increase of \$11.3 million in property tax revenues due to these changes is a significant source of increased revenue.

Polk County's budget for FY 07/08 indicates statutory fund balances will decrease by \$24.6 million. The largest component of this balance variance is expenditure of \$21.6 million of bond proceeds for new jail construction. Other capital improvement balances will decline by \$3.4 million due to expenditure of June 2007 bond proceeds for capital improvements, lead abatement, and housing.

## **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Polk County Auditor's Office, 111 Court Avenue, Suite 315, Des Moines, IA 50309, telephone (515) 286-3419 or e-mail at [jbigelo@co.polk.ia.us](mailto:jbigelo@co.polk.ia.us).

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**POLK COUNTY, IOWA**

**Statement of Net Assets  
June 30, 2007**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	PCHS
<b>ASSETS</b>				
Cash and pooled investments	\$ 106,717,115	\$ 26,868,019	\$ 133,585,134	\$ 3,656,320
Receivables (net of allowance for uncollectibles)	14,265,819	2,941,954	17,207,773	180,180
Advances to component unit	4,133,817	-	4,133,817	-
Internal balances	571,462	(571,462)	-	-
Inventories	1,143,966	158,838	1,302,804	-
Prepaid items	170,936	95,870	266,806	25,658
Restricted assets - cash and pooled investments	-	575,235	575,235	-
Lease/debt origination costs	935,785	507,275	1,443,060	-
Succeeding year property taxes receivable	113,719,278	-	113,719,278	-
Net investment in direct financing lease	-	-	-	1,802,162
Capital assets not being depreciated	63,010,931	19,487,712	82,498,643	-
Capital assets being depreciated, net	74,154,092	288,033,627	362,187,719	4,810,844
<b>TOTAL ASSETS</b>	<b>378,823,201</b>	<b>338,097,068</b>	<b>716,920,269</b>	<b>10,475,164</b>
<b>LIABILITIES</b>				
Accounts payable and other current liabilities	34,153,739	6,628,563	40,782,302	299,974
Interest payable	362,553	516,139	878,692	-
Unearned revenues	294,966	539,524	834,490	327,402
Advance deposits and ticket sales	-	510,637	510,637	-
Succeeding year property taxes deferred revenue	113,719,278	-	113,719,278	-
Due within one year:				
General obligation bonds payable	4,419,184	8,828,726	13,247,910	-
Notes payable	36,000	-	36,000	-
Capital leases payable	179,763	-	179,763	-
Compensated absences payable	1,428,760	17,293	1,446,053	-
Termination benefits payable	287,411	-	287,411	-
Estimated liability for claims and judgments	1,581,829	-	1,581,829	-
Advances from primary government	-	-	-	693,579
Due in more than one year:				
General obligation bonds payable	107,237,907	127,733,717	234,971,624	-
Notes payable	545,000	-	545,000	-
Capital leases payable	371,163	-	371,163	-
Compensated absences payable	9,207,205	127,115	9,334,320	-
Termination benefits payable	487,814	-	487,814	-
Advances from primary government	-	-	-	3,440,238
<b>TOTAL LIABILITIES</b>	<b>274,312,572</b>	<b>144,901,714</b>	<b>419,214,286</b>	<b>4,761,193</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	88,071,556	171,678,408	259,749,964	2,486,275
Restricted for:				
Debt service	3,687,270	-	3,687,270	-
Capital improvements	9,597,713	575,235	10,172,948	-
Enabling legislation	8,413,061	-	8,413,061	-
Bond covenants	24,585	-	24,585	-
Foundation	-	-	-	862,112
Unrestricted (deficit)	(5,283,556)	20,941,711	15,658,155	2,365,584
<b>TOTAL NET ASSETS</b>	<b>\$ 104,510,629</b>	<b>\$ 193,195,354</b>	<b>\$ 297,705,983</b>	<b>\$ 5,713,971</b>

**POLK COUNTY, IOWA**

Statement of Activities  
For the Year Ended June 30, 2007

Function/Program	PROGRAM REVENUES					NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS			Component Unit
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government		Total	
						Business-type Activities	PCHS		
<b>Primary government:</b>									
Governmental activities:									
Public safety and legal services	\$ 50,943,331	\$ 11,186,397	\$ 1,296,728	\$ -	\$ (38,460,206)	\$ -	\$ (38,460,206)	\$ -	-
Physical health and social services	27,939,503	1,115,878	8,042,350	-	(18,781,275)	-	(18,781,275)	-	-
Mental health	47,580,948	5,848,459	25,174,658	-	(16,557,831)	-	(16,557,831)	-	-
County environment and education	17,911,180	1,241,881	560,435	-	(16,108,864)	-	(16,108,864)	-	-
Roads and transportation	14,384,813	566,269	4,672,097	340,200	(8,806,247)	-	(8,806,247)	-	-
Government services to residents	6,068,908	7,041,509	-	-	972,601	-	972,601	-	-
Administration	31,230,881	1,123,749	716,113	-	(29,391,019)	-	(29,391,019)	-	-
Interest on long-term debt	3,143,577	8	-	-	(3,143,569)	-	(3,143,569)	-	-
Total governmental activities	199,203,141	28,124,150	40,462,381	340,200	(130,276,410)	-	(130,276,410)	-	-
<b>Business-type activities:</b>									
Air Pollution	773,893	256,331	648,292	-	-	130,730	130,730	-	-
Sanitary Treatment Works	896,815	588,771	-	642,143	-	334,099	334,099	-	-
Prairie Meadows Racetrack/Casino	6,589,760	27,183,708	-	-	-	20,593,948	20,593,948	-	-
Jester Park Golf Course	1,367,187	1,390,168	-	-	-	22,981	22,981	-	-
Hamilton Urban Drainage District	269,147	131,245	-	-	-	(137,902)	(137,902)	-	-
Iowa Events Center	14,584,039	7,176,134	-	375,939	-	(7,031,966)	(7,031,966)	-	-
Wells Fargo Arena	8,390,198	2,170,233	-	519,153	-	(5,700,812)	(5,700,812)	-	-
Urban Sewer	234,327	-	-	-	-	(234,327)	(234,327)	-	-
Total business-type activities	33,105,366	38,896,590	648,292	1,537,235	-	7,976,751	7,976,751	-	-
Total primary government	\$ 232,308,507	\$ 67,020,740	\$ 41,110,673	\$ 1,877,435	\$ (130,276,410)	\$ 7,976,751	\$ (122,299,659)	\$ -	\$ -
<b>Component unit:</b>									
PCHS	\$ 3,006,697	\$ 1,344,110	\$ 1,678,745						16,158
General revenues:									
Property taxes					95,414,667	-	95,414,667	-	-
Other county taxes					4,539,835	-	4,539,835	-	-
Interest on property taxes					1,147,313	-	1,147,313	-	-
State replacements					2,658,239	-	2,658,239	-	-
Use of money and property					8,347,209	1,854,206	10,201,415	175,892	175,892
Miscellaneous					2,068,863	420,136	2,488,999	44,738	44,738
Transfers					8,043,702	(8,043,702)	-	-	-
Total general revenues and transfers					122,219,828	(5,769,360)	116,450,468	220,630	220,630
Change in net assets					(8,056,582)	2,207,391	(5,849,191)	236,788	236,788
Net assets - beginning					112,567,211	190,987,963	303,555,174	5,477,183	5,477,183
Net assets - ending					\$ 104,510,629	\$ 193,195,354	\$ 297,705,983	\$ 5,713,971	\$ 5,713,971

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**POLK COUNTY, IOWA**

**Balance Sheet  
Governmental Funds  
June 30, 2007**

	<b>General</b>	<b>MH/MR/DD Services</b>	<b>Jail Facility</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Cash and pooled investments	\$ 37,916,779	\$ 6,754,184	\$ 28,947,847	\$ 25,228,090	\$ 98,846,900
Receivables (net of allowances for uncollectibles):					
Taxes	1,208,593	45,362	-	43,503	1,297,458
Succeeding year property taxes	85,149,716	14,439,219	-	14,130,343	113,719,278
Special assessments	42,235	-	-	4,883	47,118
Accounts	143,681	58,109	-	128,786	330,576
Notes	-	-	-	4,247,264	4,247,264
Accrued interest	413,231	-	55,995	965	470,191
Due from other funds	804,878	72,522	-	71,652	949,052
Due from other governments	5,261,763	1,283,969	-	863,312	7,409,044
Advances to other funds	38,500	-	-	-	38,500
Advances to component unit	-	863,685	-	3,270,132	4,133,817
Inventories	565,906	-	-	578,060	1,143,966
Prepaid items	170,936	-	-	-	170,936
<b>TOTAL ASSETS</b>	<b>\$ 131,716,218</b>	<b>\$ 23,517,050</b>	<b>\$ 29,003,842</b>	<b>\$ 48,566,990</b>	<b>\$ 232,804,100</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Vouchers payable	\$ 2,514,818	\$ 10,633,706	\$ 8,287,278	\$ 8,744,813	\$ 30,180,615
Contract/retainage payable	-	-	2,156,660	351,885	2,508,545
Wages payable	1,118,442	7,285	-	75,954	1,201,681
Payroll taxes payable	151,911	968	-	10,019	162,898
Interest payable	-	-	-	1,630	1,630
Compensated absences payable	1,714,613	-	-	-	1,714,613
Termination benefit payable	775,225	-	-	-	775,225
Estimated liability for claims and judgments	119,620	-	-	-	119,620
Deferred revenues	3,610,122	752,997	-	297,856	4,660,975
Succeeding year property taxes deferred revenue	85,149,716	14,439,219	-	14,130,343	113,719,278
<b>TOTAL LIABILITIES</b>	<b>95,154,467</b>	<b>25,834,175</b>	<b>10,443,938</b>	<b>23,612,500</b>	<b>155,045,080</b>
Fund balances:					
Reserved for advances to other funds	38,500	-	-	-	38,500
Reserved for advances to component unit	-	863,685	-	3,270,132	4,133,817
Reserved for noncurrent notes receivable	-	-	-	3,604,943	3,604,943
Reserved for inventory of supplies	270,940	-	-	578,060	849,000
Reserved for supplemental levy purposes	4,527,232	-	-	164,896	4,692,128
Reserved for prepaid items	170,936	-	-	-	170,936
Unreserved, undesignated - general fund	31,554,143	-	-	-	31,554,143
Unreserved, designated - special revenue funds	-	-	-	8,116,722	8,116,722
Unreserved, undesignated - special revenue funds	-	(3,180,810)	-	(795,114)	(3,975,924)
Unreserved, undesignated - capital projects funds	-	-	18,559,904	9,597,713	28,157,617
Unreserved, undesignated - debt service funds	-	-	-	417,138	417,138
<b>TOTAL FUND BALANCES</b>	<b>36,561,751</b>	<b>(2,317,125)</b>	<b>18,559,904</b>	<b>24,954,490</b>	<b>77,759,020</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 131,716,218</b>	<b>\$ 23,517,050</b>	<b>\$ 29,003,842</b>	<b>\$ 48,566,990</b>	<b>\$ 232,804,100</b>

See Notes to Basic Financial Statements

**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, 2007**

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Fund balances - total governmental funds		\$ 77,759,020
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	231,577,560	
Accumulated depreciation	<u>(94,412,537)</u>	137,165,023
Interest payable on long-term obligations that does not require current financial resources and therefore is not reported in the funds.		
		(360,923)
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.		
		6,786,262
Deferred revenues that are not available to pay for current period expenditures in the funds		
Property taxes	1,272,413	
Special assessments	45,422	
Accounts receivable	63,319	
Due from other governments	2,413,393	
Due from other funds (Prairie Meadows property taxes)	<u>571,462</u>	4,366,009
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds payable		(111,657,091)
Notes payable		(581,000)
Bond issuance costs		935,785
Capital leases payable		(550,926)
Compensated absences payable		(8,921,352)
Estimated liability for claims and judgments		<u>(430,178)</u>
Net assets of governmental activities		<u>\$ 104,510,629</u>

**POLK COUNTY, IOWA**

**Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2007**

	<b>General</b>	<b>MH/MR/DD Services</b>	<b>Jail Facility</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES:</b>					
Property taxes	\$ 71,983,036	\$ 13,474,651	\$ -	\$ 9,608,256	\$ 95,065,943
Other County taxes	3,669,310	544,002	-	326,523	4,539,835
Interest and penalties on delinquent taxes	1,147,313	-	-	-	1,147,313
Intergovernmental	21,762,855	31,398,527	-	6,105,724	59,267,106
Licenses and permits	418,976	-	-	62,540	481,516
Charges for services	10,418,013	-	-	316,654	10,734,667
Use of money and property	6,674,695	27,240	1,094,928	350,565	8,147,428
Miscellaneous	1,178,615	218,598	-	366,779	1,763,992
<b>TOTAL REVENUES</b>	<b>117,252,813</b>	<b>45,663,018</b>	<b>1,094,928</b>	<b>17,137,041</b>	<b>181,147,800</b>
<b>EXPENDITURES:</b>					
Current:					
Public safety and legal services	48,142,797	-	-	566,517	48,709,314
Physical health and social services	26,740,681	-	-	434,620	27,175,301
Mental health	-	47,580,948	-	-	47,580,948
County environment and education	7,596,099	-	-	9,074,507	16,670,606
Roads and transportation	552,038	-	-	8,179,797	8,731,835
Government services to residents	5,635,997	-	-	81,293	5,717,290
Administration	24,852,182	-	-	4,414,409	29,266,591
Nonprogram services	-	-	-	709,229	709,229
Debt service:					
Principal	-	-	-	3,791,808	3,791,808
Interest	-	-	-	2,895,372	2,895,372
Capital projects:					
Roadway construction	-	-	-	4,003,795	4,003,795
Conservation land acquisition and development	120,089	-	-	733,873	853,962
Other capital projects	-	-	42,533,263	5,848,878	48,382,141
<b>TOTAL EXPENDITURES</b>	<b>113,639,883</b>	<b>47,580,948</b>	<b>42,533,263</b>	<b>40,734,098</b>	<b>244,488,192</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>3,612,930</b>	<b>(1,917,930)</b>	<b>(41,438,335)</b>	<b>(23,597,057)</b>	<b>(63,340,392)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	4,403,804	-	67,542,131	27,978,375	99,924,310
Transfers out	(5,351,787)	-	(910,925)	(87,097,896)	(93,360,608)
Issuance of capital leases	168,920	-	-	-	168,920
Issuance of bonds	-	-	-	80,915,000	80,915,000
Premium/(discount) on bonds issued	-	-	-	24,675	24,675
Proceeds from sale of capital assets	-	-	-	74,152	74,152
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(779,063)</b>	<b>-</b>	<b>66,631,206</b>	<b>21,894,306</b>	<b>87,746,449</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>2,833,867</b>	<b>(1,917,930)</b>	<b>25,192,871</b>	<b>(1,702,751)</b>	<b>24,406,057</b>
<b>FUND BALANCE, BEGINNING</b>	<b>33,683,833</b>	<b>(399,195)</b>	<b>(6,632,967)</b>	<b>26,593,950</b>	<b>53,245,621</b>
Change in inventory reserve	44,051	-	-	63,291	107,342
<b>FUND BALANCE, ENDING</b>	<b>\$ 36,561,751</b>	<b>\$ (2,317,125)</b>	<b>\$ 18,559,904</b>	<b>\$ 24,954,490</b>	<b>\$ 77,759,020</b>

See Notes to Basic Financial Statements

**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, 2007**

Net change in fund balances - total governmental funds	\$ 24,406,057
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.	
Capital outlays	49,469,518
Contributed capital	340,200
Depreciation expense	(7,901,128)
The net effect of various transactions involving capital assets is to decrease net assets.	
Loss on disposal of capital assets	(1,946,644)
Trade-in allowance of capital assets	82,687
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	
Change in deferred revenue	1,258,237
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	588,852
Change in compensated absences	470,535
Amortization of bond premium/(discount)	16,972
Amortization of bond issuance costs	(44,305)
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	136,477
Payments on long-term bonds	3,756,807
Payments on long-term notes	35,000
Proceeds on long-term bonds	(80,915,000)
Premium/(discount) on the issuance of bonds	(24,675)
Bond issuance costs	709,229
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	(248,205)
Internal service funds are used by management to charge the costs of insurance. The net profit(loss) is reported with governmental activities.	
	1,645,462
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.	
	107,342
Change in net assets of governmental activities	\$ (8,056,582)

POLK COUNTY, IOWA

Statement of Net Assets  
Proprietary Funds  
June 30, 2007

	Business-type Activities - Enterprise Funds					Governmental Activities- Internal Service Funds
	Prairie Meadows Racetrack/ Casino	Iowa Events Center	Wells Fargo Arena	Other Enterprise Funds	Total	
<b>ASSETS</b>						
Current assets:						
Cash and pooled investments	\$ 15,611,910	\$ 4,109,235	\$ -	\$ 7,146,874	\$ 26,868,019	\$ 7,870,215
Receivables (net of allowances for uncollectibles):						
Special assessments	-	-	-	369,725	369,725	-
Accounts	-	631,563	1,545,720	20,935	2,198,218	43,425
Accrued interest	52,044	1,653	-	4,218	57,915	4,653
Due from other funds	-	1,835,821	-	72,666	1,908,487	-
Due from other governments	-	-	-	243,430	243,430	-
Inventories	-	109,539	-	49,299	158,838	-
Prepaid items	-	95,870	-	-	95,870	-
Total current assets	15,663,954	6,783,681	1,545,720	7,907,147	31,900,502	7,918,293
Noncurrent assets:						
Restricted assets - cash and pooled investments	-	-	575,235	-	575,235	-
Lease/debt origination costs	-	180,908	234,364	92,003	507,275	-
Capital assets not being depreciated	3,129,000	5,866,003	4,685,820	5,806,889	19,487,712	-
Capital assets being depreciated, net	57,169,476	92,381,467	123,994,540	14,488,144	288,033,627	-
Total noncurrent assets	60,298,476	98,428,378	129,489,959	20,387,036	308,603,849	-
<b>TOTAL ASSETS</b>	75,962,430	105,212,059	131,035,679	28,294,183	340,504,351	7,918,293
<b>LIABILITIES</b>						
Current liabilities:						
Vouchers payable	-	1,561,605	1,330,354	75,126	2,967,085	100,000
Contract/retainage payable	-	280,374	387,183	-	667,557	-
Wages payable	-	50,964	-	21,166	72,130	-
Payroll taxes payable	-	3,973	-	2,627	6,600	-
Interest payable	-	209,868	285,335	20,936	516,139	-
Estimated liability for claims and judgments	-	-	-	-	-	1,032,031
Due to other funds	571,462	-	1,835,821	-	2,407,283	-
Due to other governments	2,915,191	-	-	-	2,915,191	-
Advance deposits and ticket sales	-	489,145	-	21,492	510,637	-
Deferred revenues	-	39,524	500,000	-	539,524	-
General obligation bonds payable	-	3,663,787	4,795,760	369,179	8,828,726	-
Compensated absences payable	-	5,681	-	11,612	17,293	-
Total current liabilities	3,486,653	6,304,921	9,134,453	522,138	19,448,165	1,132,031
Noncurrent liabilities:						
General obligation bonds payable	-	51,601,967	70,081,948	6,049,802	127,733,717	-
Compensated absences payable	-	41,761	-	85,354	127,115	-
Total noncurrent liabilities	-	51,643,728	70,081,948	6,135,156	127,860,832	-
<b>TOTAL LIABILITIES</b>	3,486,653	57,948,649	79,216,401	6,657,294	147,308,997	1,132,031
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	60,298,476	42,981,716	53,802,652	14,595,564	171,678,408	-
Restricted for capital improvements	-	-	575,235	-	575,235	-
Unrestricted	12,177,301	4,281,694	(2,558,609)	7,041,325	20,941,711	6,786,262
<b>TOTAL NET ASSETS</b>	\$ 72,475,777	\$ 47,263,410	\$ 51,819,278	\$ 21,636,889	\$ 193,195,354	\$ 6,786,262

POLK COUNTY, IOWA

Statement of Revenues, Expenses, and Changes in Fund Net Assets  
 Proprietary Funds  
 For the Year Ended June 30, 2007

	Business-type Activities - Enterprise Funds					Governmental Activities- Internal Service Funds
	Prairie Meadows Racetrack/ Casino	Iowa Events Center	Wells Fargo Arena	Other Enterprise Funds	Total	
<b>OPERATING REVENUES:</b>						
Charges for goods and services:						
Charges for services	\$ 20,000,000	\$ 2,209,529	\$ -	\$ 2,366,515	\$ 24,576,044	\$ 10,855,836
Intergovernmental revenues	-	-	-	648,292	648,292	-
Project income	7,183,708	350,000	700,000	-	8,233,708	-
Parking income	-	340,084	-	-	340,084	-
Concession sales	-	3,538,779	97,986	-	3,636,765	-
Commissions income	-	664,462	1,151,466	-	1,815,928	-
PFMS user fee on ticket sales	-	73,280	220,781	-	294,061	-
Miscellaneous	-	263,415	-	156,721	420,136	-
Total operating revenues	27,183,708	7,439,549	2,170,233	3,171,528	39,965,018	10,855,836
<b>OPERATING EXPENSES:</b>						
Cost of goods and services:						
Personal services	-	2,702,444	-	1,293,614	3,996,058	-
Supplies	-	205,041	-	261,771	466,812	-
Professional services	650	174,471	34,936	83,470	293,527	-
Other services/charges	3,512,473	1,938,436	197,840	805,005	6,453,754	68,964
Insurance	-	58,891	59,903	-	118,794	10,821,191
Direct event expense	-	706,106	-	-	706,106	-
Cost of goods sold - concession	-	2,447,079	-	159,976	2,607,055	-
Management expense	-	186,120	-	-	186,120	-
Miscellaneous	-	12,245	22,987	63,097	98,329	-
Amortization of discount (premium)	-	(91,419)	(129,167)	7,457	(213,129)	-
Depreciation	3,076,637	3,462,432	4,426,423	593,907	11,559,399	-
Total operating expenses	6,589,760	11,801,846	4,612,922	3,268,297	26,272,825	10,890,155
<b>OPERATING INCOME (LOSS)</b>	20,593,948	(4,362,297)	(2,442,689)	(96,769)	13,692,193	(34,319)
<b>NONOPERATING REVENUES (EXPENSES):</b>						
Interest revenue	1,198,172	94,058	131,155	430,821	1,854,206	199,781
Interest expense	-	(2,782,193)	(3,777,276)	(273,072)	(6,832,541)	-
Total nonoperating revenues (expenses)	1,198,172	(2,688,135)	(3,646,121)	157,749	(4,978,335)	199,781
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	21,792,120	(7,050,432)	(6,088,810)	60,980	8,713,858	165,462
<b>CAPITAL CONTRIBUTIONS AND TRANSFERS:</b>						
Capital contributions from others	-	375,939	519,153	642,143	1,537,235	-
Transfers in	-	7,011,104	9,349,625	522,878	16,883,607	3,525,227
Transfers out	(24,885,178)	-	-	(42,131)	(24,927,309)	(2,045,227)
Total capital contributions and transfers	(24,885,178)	7,387,043	9,868,778	1,122,890	(6,506,467)	1,480,000
<b>CHANGE IN NET ASSETS</b>	(3,093,058)	336,611	3,779,968	1,183,870	2,207,391	1,645,462
<b>NET ASSETS - BEGINNING</b>	75,568,835	46,926,799	48,039,310	20,453,019	190,987,963	5,140,800
<b>NET ASSETS - ENDING</b>	\$ 72,475,777	\$ 47,263,410	\$ 51,819,278	\$ 21,636,889	\$ 193,195,354	\$ 6,786,262

**POLK COUNTY, IOWA**

**Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2007**

	<b>Business-type Activities -</b>		
	<b>Prairie Meadows Racetrack/ Casino</b>	<b>Iowa Events Center</b>	<b>Wells Fargo Arena</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from customers	\$ -	\$ 9,630,073	\$ 2,299,307
Cash received from intergovernmental revenue	-	-	-
Cash received from racetrack/casino	27,183,708	-	-
Cash paid to suppliers for goods and services	(2,985,268)	(5,614,078)	(2,535,591)
Cash paid to employees	-	(2,759,276)	-
Net cash flows from operating activities	<u>24,198,440</u>	<u>1,256,719</u>	<u>(236,284)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Transfers in	-	7,011,104	9,349,625
Transfers out	(24,885,178)	-	-
Net cash flows from noncapital financing activities	<u>(24,885,178)</u>	<u>7,011,104</u>	<u>9,349,625</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Proceeds from general obligation debt	-	-	-
Issuance costs paid on long-term debt	-	-	-
Principal paid on long-term debt	-	(3,428,300)	(4,416,700)
Interest paid on long-term debt	-	(2,794,341)	(3,793,329)
Capital contributions from others	-	375,939	519,153
Purchase of capital assets	-	(2,655,021)	(3,677,825)
Net cash flows from capital and related financing activities	<u>-</u>	<u>(8,501,723)</u>	<u>(11,368,701)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest received	1,156,890	93,905	131,155
Net cash flows from investing activities	<u>1,156,890</u>	<u>93,905</u>	<u>131,155</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>470,152</b>	<b>(139,995)</b>	<b>(2,124,205)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>15,141,758</b>	<b>4,249,230</b>	<b>2,699,440</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b><u>\$ 15,611,910</u></b>	<b><u>\$ 4,109,235</u></b>	<b><u>\$ 575,235</u></b>

<b>Enterprise Funds</b>		<b>Governmental Activities- Internal Service Funds</b>
<b>Other Enterprise Funds</b>	<b>Total</b>	
\$ 2,445,764	\$ 14,375,144	\$ 10,705,585
606,619	606,619	-
-	27,183,708	-
(1,400,588)	(12,535,525)	(10,312,125)
(1,379,363)	(4,138,639)	-
272,432	25,491,307	393,460
522,878	16,883,607	3,525,227
(42,131)	(24,927,309)	(2,045,227)
480,747	(8,043,702)	1,480,000
105,000	105,000	-
(20,276)	(20,276)	-
(360,000)	(8,205,000)	-
(273,714)	(6,861,384)	-
-	895,092	-
(4,373,077)	(10,705,923)	-
(4,922,067)	(24,792,491)	-
428,095	1,810,045	197,328
428,095	1,810,045	197,328
(3,740,793)	(5,534,841)	2,070,788
10,887,667	32,978,095	5,799,427
\$ 7,146,874	\$ 27,443,254	\$ 7,870,215

(continued)

**POLK COUNTY, IOWA**

**Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2007**

	<b>Business-type Activities -</b>		
	<b>Prairie Meadows Racetrack/ Casino</b>	<b>Iowa Events Center</b>	<b>Wells Fargo Arena</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ 20,593,948	\$ (4,362,297)	\$ (2,442,689)
Components of operating income (loss) not included in operating activities:			
Depreciation	3,076,637	3,462,432	4,426,423
Amortization	-	(91,419)	(129,167)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:			
(Increase) decrease in special assessments receivable	-	-	-
(Increase) decrease in accounts receivable	-	(335,746)	129,074
(Increase) decrease in due from other funds	-	2,335,890	-
(Increase) decrease in due from other governments	-	-	-
(Increase) decrease in inventories	-	(10,146)	-
(Increase) decrease in prepaid items	-	(34,270)	-
Increase (decrease) in estimated liability for claims and judgments	-	-	-
Increase (decrease) in vouchers payable	-	158,727	115,965
Increase (decrease) in due to other funds	119,358	-	(2,335,890)
Increase (decrease) in due to other governments	408,497	-	-
Increase (decrease) in wages payable	-	(8,494)	-
Increase (decrease) in payroll taxes payable	-	(258)	-
Increase (decrease) in compensated absences payable	-	(48,080)	-
Increase (decrease) in advance deposits and ticket sales	-	162,668	-
Increase (decrease) in deferred revenue	-	27,712	-
Net cash flows from operating activities	<u>\$ 24,198,440</u>	<u>\$ 1,256,719</u>	<u>\$ (236,284)</u>

**NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:**

Disposal of fully depreciated capital assets	\$ -	\$ -	\$ -
Acquisition of capital assets through vouchers payable	-	(363,381)	(513,178)
Capital contributions from others	-	-	-
Acquisition of capital assets through contract/retainage payable	-	(1,523,106)	(2,103,337)
Acquisition of capital assets through estimated liabilities for claims	-	(228,473)	(315,510)

See Notes to Basic Financial Statements

<b>Enterprise Funds</b>		<b>Governmental Activities- Internal Service Funds</b>
<b>Other Enterprise Funds</b>	<b>Total</b>	
\$ (96,769)	\$ 13,692,193	\$ (34,319)
593,907	11,559,399	-
7,457	(213,129)	-
(69,033)	(69,033)	-
11,564	(195,108)	115,697
(22,968)	2,312,922	-
(41,045)	(41,045)	-
(2,613)	(12,759)	-
-	(34,270)	-
-	-	45,217
(24,656)	250,036	916
-	(2,216,532)	-
-	408,497	-
(5,317)	(13,811)	-
(642)	(900)	-
(79,790)	(127,870)	-
2,337	165,005	-
-	27,712	-
<u>\$ 272,432</u>	<u>\$ 25,491,307</u>	<u>\$ 127,511</u>

\$ (12,878)	\$ (12,878)	\$ -
(929,637)	(1,806,196)	-
642,143	642,143	-
-	(3,626,443)	-
-	(543,983)	-

(concluded)

**POLK COUNTY, IOWA**

**Statement of Assets and Liabilities  
Fiduciary Funds  
June 30, 2007**

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	<b>Total Agency Funds</b>
<b>ASSETS</b>	
Cash and pooled investments	\$ 25,343,330
Receivables (net of allowances for uncollectibles):	
Taxes	5,643,195
Special assessments	7,004,672
Accounts	659,093
Accrued interest	2,060
Due from other governments	126,580
	<hr/>
<b>TOTAL ASSETS</b>	<b>\$ 38,778,930</b>
<b>LIABILITIES</b>	
Vouchers payable	\$ 246,358
Wages payable	63,164
Payroll taxes payable	7,980
Due to other funds	450,256
Due to other governments	35,464,260
Advances from other funds	38,500
Trusts payable	1,999,747
Compensated absences payable	508,665
	<hr/>
<b>TOTAL LIABILITIES</b>	<b>\$ 38,778,930</b>

See Notes to Basic Financial Statements

# POLK COUNTY, IOWA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

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### 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, 2007, 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 \$48 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.

**Jointly Governed Organizations** – The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors is members of or appoints representatives to the following boards and commissions: Polk County Assessor's Conference Boards, Polk County Emergency Management Commission and Polk County E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

## **B) Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

### **Government-wide Financial Statements**

The County's basic financial statements consist of government-wide financial statements, including a statement of net 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.

Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the County's proprietary functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**Basis of Accounting:** The government-wide financial statements are reported using the "economic resources measurement focus" and the accrual basis of accounting, as are the proprietary funds. Fiduciary fund financial statements are also reported using the accrual basis of accounting; however, they do not have

a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. 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.

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

## 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.

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.

**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.

The County reports the following major enterprise 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. The County has two main types of fiduciary funds, Elected Officials Agency Funds and Other Agency Funds. These 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. Agency funds are custodial in nature and do not involve measurement of results of operations. Agency funds are excluded from the government-wide financial statements.

### C) Assets, Liabilities, and Nets Assets or Equity

**Cash and Pooled Investments:** For the purposes of the statement of cash flows, the proprietary funds consider all highly-liquid investments with a maturity of three months or less when purchased to be cash

equivalents. Restricted cash is also included in cash and cash equivalents for purposes of the statement of cash flows.

The County maintains a cash and investment pool that is available for use by all funds. Monies that are not required for immediate obligations are invested under the management of the County Treasurer. Income earned from the investment of pooled cash is recorded in the General Fund, except for interest income allocated to proprietary funds and where specifically required by law to be recorded in other funds.

**Property Taxes:** The County proposed property tax levy was approved during the Board of Supervisors' session held in March of 2006 on the assessed valuation of property located in the County as of January 1, 2005, 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, 2006. Taxes were receivable in two installments on September 30, 2006, and March 31, 2007. 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/Unearned Revenues:** Deferred revenue arises when assets are recognized before the revenue recognition criteria have been satisfied. Unearned revenues occur when resources are received before they have been earned, as when grant monies are received prior to the incurrence of qualifying expenditures.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenues. 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.

When retiring, 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. 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, 2007. 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, 2007 are as follows:

Major Fund:	
MH/MR/DD Services	\$ (2,317,125)
Special Revenue:	
Secondary Roads	(3,435,713)
Community Betterment	(46,483)
Capital Projects:	
Courthouse Annex	(64,750)

The deficits of the above funds are expected to be eliminated through future transfers from other funds or bond proceeds.

### 3. CASH AND POOLED INVESTMENTS

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit and other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County maintains a cash and investment pool that is available for use by all funds. These monies are considered to be cash on hand, cash held by trustee, demand deposits, cash equivalents (maturities of three months or less from the date of acquisition), and short-term investments (maturities of one year or less from the date of acquisition). Short-term investments are valued at cost which approximates fair value. The County's short-term investments at June 30, 2007, consist of mutual funds, U.S. government securities, CD's and commercial paper.

As of June 30, 2007, the cash and pooled investments of the County consist of:

Cash and cash items in vault	\$	62,623
Cash on hand not yet deposited		51,492
Bank account deposits		80,623,789
Mutual funds		17,132,265
Mutual funds - restricted		575,235
CD's		24,729,000
U.S. government securities		19,806,108
Commercial paper		<u>16,523,187</u>
Total cash and pooled investments	\$	<u>159,503,699</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 \$884,492 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. State law limits investments in commercial paper or other short-term corporate debt to issues rated within the two highest prime classifications by at least one of the standard rating services. However, the County's investment policy further restricts investments in these investment types to the top rating. As of June 30, 2007, the County's investments in commercial paper were rated A-1 by Standard & Poor's and/or P-1 by Moody's Investors Service. 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 policy, as set by state law, limits them from investing in corporate debt of more than 10% of the investment portfolio and more than 5% of the investment portfolio with a single issuer. In addition, investments in unit investment trusts are limited to those rated within the two highest prime classifications by at least one of the standard rating services. At June 30, 2007, the County had \$8,332,496 or 15% of total investments in Ebury Finance Commercial Paper and \$8,190,691 or 15% of total investments in New Center Asset Commercial Paper.

*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, 2007, 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, 2007, 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, 2007, other than a certificate of deposit. In addition, the component unit had no deposits exposed to custodial credit risk.

#### 4. RESTRICTED ASSETS

In accordance with the Master Lease Agreement, approximately 50% of surcharges on tickets sold for Wells Fargo Arena (WFA) shall be held by the County. These funds are maintained in a segregated bank account (Renewal and Replacement Account/PFMS User Fee) to fund future capital repairs at the Iowa Events Center (WFA, Hy-Vee Hall, Veterans Memorial Auditorium, Convention Complex). As of June 30, 2007, \$470,193 is being held by the County in the Renewal Account.

In accordance with the Master Lease Agreement, approximately 3% of the gross Concession Revenues earned by Ovations Food Service at Wells Fargo Arena shall be held by the County. These funds are maintained in a segregated bank account (Concessions Account/Concessions Upkeep) to fund future replacement, repair, updating, upgrading and installing of equipment and improvements related to food and beverage operations at the Wells Fargo Arena. As of June 30, 2007, \$105,042 is being held by the County in the Concessions Account.

#### 5. DUE FROM/TO OTHER FUNDS

Amounts due from/to other funds at June 30, 2007, are as follows:

	Due To					
	General Fund	MH/MR/DD Services	Iowa Events Center	Nonmajor Governmental	Nonmajor Enterprise	Total
<b>Due from</b>						
Prairie Meadows Racetrack/Casino	\$ 427,812	\$ 72,522	\$ -	\$ 71,128	\$ -	\$ 571,462
Wells Fargo Arena	-	-	1,835,821	-	-	1,835,821
Fiduciary	<u>377,066</u>	<u>-</u>	<u>-</u>	<u>524</u>	<u>72,666</u>	<u>450,256</u>
Total	<u>\$ 804,878</u>	<u>\$ 72,522</u>	<u>\$ 1,835,821</u>	<u>\$ 71,652</u>	<u>\$ 72,666</u>	<u>\$ 2,857,539</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	\$ 89,383
June 2007 monthly activity owed to various funds from various Elected Officials Agency Funds	354,756
Property taxes owed to various funds from Prairie Meadows Racetrack/Casino Enterprise Fund	571,462
Debt payment owed to Iowa Events Center from Wells Fargo Arena	1,835,821

**6. 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, 2007, is as follows:

Drainage District fund interfund loans payable to the General fund	\$ <u>38,500</u>
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The schedule of annual principal maturities for interfund loans is as follows:

		Drainage Districts
During the year ending June 30:		
2008	\$	7,700
2009		7,700
2010		7,700
2011		7,700
2012		<u>7,700</u>
Total	\$	<u>38,500</u>

**7. ADVANCES TO COMPONENT UNIT**

At June 30, 2007, the County, the primary government, has seven notes receivables totaling \$4,133,817 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, 2007, based on where related underlying debt will be paid:

MH/MR/DD Services Fund		
Purchase of mental health homes	\$	863,685
Debt Service Fund		
1998A Polk County Health Services		1,809,246
1998B Polk County Health Services		<u>1,460,886</u>
		<u>3,270,132</u>
Total	\$	<u>4,133,817</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:			
2008	\$	693,579	\$ 166,744
2009		702,068	150,750
2010		737,886	119,312
2011		769,784	85,305
2012		305,480	48,991
2013-2017		680,816	85,819
2018-2022		<u>244,204</u>	<u>19,206</u>
Total	\$	<u>4,133,817</u>	<u>\$ 676,127</u>

## 8. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007, is as follows:

	Balance 7/1/2006	Additions	Disposals	Balance 6/30/2007
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 11,771,846	\$ 11,862	\$ (549,913)	\$ 11,233,795
Construction in progress	6,325,265	46,215,118	(763,247)	51,777,136
Total capital assets, not being depreciated	<u>18,097,111</u>	<u>46,226,980</u>	<u>(1,313,160)</u>	<u>63,010,931</u>
Capital assets, being depreciated:				
Buildings	62,136,717	114,332	-	62,251,049
Improvements other than buildings	889,230	64,910	-	954,140
Infrastructure	84,865,090	3,351,185	(2,510,924)	85,705,351
Equipment	13,633,757	236,989	(979,714)	12,891,032
Vehicles	6,829,512	661,257	(725,712)	6,765,057
Total capital assets being depreciated	<u>168,354,306</u>	<u>4,428,673</u>	<u>(4,216,350)</u>	<u>168,566,629</u>
Less accumulated depreciation for:				
Buildings	(34,249,155)	(1,622,583)	-	(35,871,738)
Improvements other than buildings	(453,158)	(33,786)	-	(486,944)
Infrastructure	(40,839,268)	(4,409,538)	1,114,192	(44,134,614)
Equipment	(8,533,806)	(1,260,874)	979,714	(8,814,966)
Vehicles	(5,255,640)	(574,347)	725,712	(5,104,275)
Total accumulated depreciation	<u>(89,331,027)</u>	<u>(7,901,128)</u>	<u>2,819,618</u>	<u>(94,412,537)</u>
Total capital assets being depreciated, net	<u>79,023,279</u>	<u>(3,472,455)</u>	<u>(1,396,732)</u>	<u>74,154,092</u>
Governmental activities capital assets, net	<u>\$ 97,120,390</u>	<u>\$ 42,754,525</u>	<u>\$ (2,709,892)</u>	<u>\$ 137,165,023</u>
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 14,852,969	\$ -	\$ -	\$ 14,852,969
Construction in progress	2,232,465	3,371,002	(968,724)	4,634,743
Total capital assets, not being depreciated	<u>17,085,434</u>	<u>3,371,002</u>	<u>(968,724)</u>	<u>19,487,712</u>
Capital assets, being depreciated:				
Buildings	278,915,152	2,829,807	-	281,744,959
Improvements other than buildings	8,737,316	-	-	8,737,316
Leasehold improvements	37,487,588	-	-	37,487,588
Infrastructure	17,620,761	1,610,867	-	19,231,628
Equipment	776,037	38,180	(4,631)	809,586
Vehicles	126,071	34,258	(12,878)	147,451
Total capital assets being depreciated	<u>343,662,925</u>	<u>4,513,112</u>	<u>(17,509)</u>	<u>348,158,528</u>
Less accumulated depreciation for:				
Buildings	(29,391,306)	(9,475,229)	-	(38,866,535)
Improvements other than buildings	(8,216,922)	(27,621)	-	(8,244,543)
Leasehold improvements	(5,248,264)	(1,499,504)	-	(6,747,768)
Infrastructure	(5,043,350)	(480,802)	-	(5,524,152)
Equipment	(582,599)	(64,596)	4,631	(642,564)
Vehicles	(100,570)	(11,647)	12,878	(99,339)
Total accumulated depreciation	<u>(48,583,011)</u>	<u>(11,559,399)</u>	<u>17,509</u>	<u>(60,124,901)</u>
Total capital assets being depreciated, net	<u>295,079,914</u>	<u>(7,046,287)</u>	<u>-</u>	<u>288,033,627</u>
Business-type activities capital assets, net	<u>\$ 312,165,348</u>	<u>\$ (3,675,285)</u>	<u>\$ (968,724)</u>	<u>\$ 307,521,339</u>

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

<b>Government activities:</b>	
Public safety and legal services	\$ 1,589,276
Physical health and social services	348,061
County environment and education	239,703
Roads and transportation	5,004,702
Government services to residents	347,863
Administration	<u>371,523</u>
Total depreciation expense - governmental activities	<u>\$ 7,901,128</u>
<b>Business-type activities:</b>	
Air Pollution	\$ 26,960
Sanitary Treatment Works	250,886
Prairie Meadows Racetrack/Casino	3,076,637
Jester Park Golf Course	86,145
Hamilton Urban Drainage District	229,916
Iowa Events Center	3,462,432
Wells Fargo Arena	<u>4,426,423</u>
Total depreciation expense - business-type activities	<u>\$ 11,559,399</u>

One road project constructed by a developer was added to the County's road inventory during the year. The road was valued at \$0.3 million which will be recorded as capital grants and contributions on the government-wide statement of activities.

## 9. LONG-TERM LIABILITIES

The following is a summary of long-term liability activity for the year ended June 30, 2007:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007	Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds payable	\$ 34,353,969	\$ 80,915,000	\$ (3,756,807)	\$ 111,512,162	\$ 4,401,698
Add: unamortized premium (discount)	137,226	24,675	(16,972)	144,929	17,486
Notes payable	616,000	-	(35,000)	581,000	36,000
Capital leases payable	687,403	168,920	(305,397)	550,926	179,763
Accrued compensated absences	10,185,608	6,376,581	(5,926,224)	10,635,965	1,428,760
Termination benefits payable	-	910,000	(134,775)	775,225	287,411
Estimated liability for claims and judgements	<u>2,111,384</u>	<u>9,679,479</u>	<u>(10,209,034)</u>	<u>1,581,829</u>	<u>1,581,829</u>
<b>Total</b>	<u>\$ 48,091,590</u>	<u>\$ 98,074,655</u>	<u>\$ (20,384,209)</u>	<u>\$ 125,782,036</u>	<u>\$ 7,932,947</u>
<b>Business-type activities:</b>					
General obligation bonds payable	\$ 141,160,000	\$ 105,000	\$ (8,205,000)	\$ 133,060,000	\$ 8,570,000
Add: unamortized premium (discount)	3,761,169	-	(258,726)	3,502,443	258,726
Accrued compensated absences	272,278	25,819	(153,689)	144,408	17,293
Estimated liability for claims and judgements	<u>543,983</u>	<u>338,612</u>	<u>(882,595)</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<u>\$ 145,737,430</u>	<u>\$ 469,431</u>	<u>\$ (9,500,010)</u>	<u>\$ 136,706,851</u>	<u>\$ 8,846,019</u>

For the governmental activities, claims and judgments and compensated absences are generally liquidated by the general fund.

## General Obligation Bonds Payable

	Original Amount	Date Issued	Interest Rates	Due Date	Amount Outstanding
<b>Governmental activities</b>					
General Purpose	\$ 5,065,000	5/1/1998	4.5-4.875%	6/1/2011	\$ 1,802,162
General Purpose	2,850,000	5/1/1998	4.625-5%	6/1/2014	1,455,000
General Purpose	4,780,000	12/1/1999	4.3-5%	6/1/2010	1,690,000
General Purpose	7,200,000	6/1/2001	3.8-4.625%	6/1/2012	3,970,000
General Purpose	6,200,000	12/15/2002	3-4%	6/1/2013	3,510,000
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	3,110,000
General Purpose	8,865,000	6/1/2006	4-4.25%	6/1/2016	8,125,000
General Purpose	6,110,000	6/1/2006	4-4.5%	6/1/2026	5,910,000
General Purpose	68,000,000	12/1/2006	4-4.125%	6/1/2026	68,000,000
General Purpose	12,915,000	12/1/2006	4-4.125%	6/1/2026	<u>12,915,000</u>
Total					\$ <u><u>111,512,162</u></u>

	Original Amount	Date Issued	Interest Rates	Due Date	Amount Outstanding
<b>Business-type activities</b>					
Sanitary Treatment	\$ 700,000	6/1/2001	3.8-4.45%	6/1/2011	\$ 280,000
Sanitary Treatment	1,230,000	12/15/2003	2.15-3.55%	6/1/2014	890,000
IEC/Conv. Complex	515,000	12/15/2003	2.15-3.55%	6/1/2008	105,000
IEC/WFA	45,000,000	12/1/2001	4-5%	6/1/2017	32,600,000
IEC/WFA	73,000,000	12/15/2002	5%	6/1/2021	57,480,000
IEC/WFA	40,900,000	12/15/2002	4-5.2%	6/1/2017	35,515,000
IEC/Conv. Complex	1,015,000	6/1/2006	4-4.25%	6/1/2016	930,000
Urban Sewer	5,330,000	6/1/2006	4-4.5%	6/1/2026	5,155,000
Urban Sewer	105,000	12/1/2006	4-4.125%	6/1/2026	<u>105,000</u>
Total					\$ <u><u>133,060,000</u></u>

## Notes Payable

	Original Amount	Date Issued	Interest Rates	Due Date	Amount Outstanding
<b>Governmental activities</b>					
General Purpose	\$ 800,000	8/9/2000	3.53%	12/1/2019	\$ <u><u>581,000</u></u>
<b>Business-type activities</b>					
Sanitary Treatment	\$ 1,000,000	6/14/2007	0%	6/14/2010	\$ <u><u>-</u></u>

The County issued \$1,000,000 of General Obligation Capital Loan Notes on June 14, 2007 to help defray the costs of planning and developing several Sanitary Sewer Improvement Projects. This is a zero interest bearing note that matures on June 14, 2010, upon which a balloon payment will be due. Loan proceeds are drawn upon filing a disbursement request with the Iowa Finance Authority (the "Lender"). The County did not make any disbursement requests during the year ended June 30, 2007.

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	
<b>Governmental activities</b>					
During the year ending June 30:					
2008	\$ 4,401,698	\$ 4,542,674	\$ 36,000	19,874	\$ 9,000,246
2009	7,082,611	4,366,407	37,000	18,585	11,504,603
2010	7,356,481	4,079,062	39,000	17,244	11,491,787
2011	7,051,372	3,776,722	40,000	15,850	10,883,944
2012	6,845,000	3,488,805	41,000	14,420	10,389,225
2013-2017	27,635,000	13,673,016	229,000	48,802	41,585,818
2018-2022	25,925,000	8,484,836	159,000	8,560	34,577,396
2023-2027	25,215,000	2,674,050	-	-	27,889,050
Total	111,512,162	45,085,572	581,000	143,335	157,322,069
Add: unamortized premium	144,929	-	-	-	144,929
Total	\$ 111,657,091	\$ 45,085,572	\$ 581,000	\$ 143,335	\$ 157,466,998

	Bonds Payable		Total Principal and Interest
	Principal	Interest	
<b>Business-type activities</b>			
During the year ending June 30:			
2008	\$ 8,570,000	\$ 6,496,233	\$ 15,066,233
2009	9,270,000	6,111,697	15,381,697
2010	9,750,000	5,692,899	15,442,899
2011	10,290,000	5,226,326	15,516,326
2012	10,900,000	4,727,507	15,627,507
2013-2017	61,225,000	15,130,625	76,355,625
2018-2022	21,540,000	3,110,038	24,650,038
2023-2027	1,515,000	174,731	1,689,731
Total	133,060,000	46,670,056	179,730,056
Add: unamortized premium	3,502,443	-	3,502,443
Total	\$ 136,562,443	\$ 46,670,056	\$ 183,232,499

There were no due and unredeemed bonds or notes at June 30, 2007. In addition, there was no special assessment debt outstanding at June 30, 2007. Management does not believe an arbitrage liability exists at June 30, 2007.

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

Changes in debt for PCHS for the year ended June 30, 2007 are as follows:

	Balance 7/1/2006	Additions	Deletions	Balance 6/30/2007	Due Within One Year
Advances from primary government	\$ 4,783,679	\$ -	\$ (649,862)	\$ 4,133,817	\$ 693,579

## **Termination Benefits Payable**

The County offered two separate voluntary Early Retirement Incentive Programs to its full-time employees during the year ended June 30, 2007. One program involved employees that were covered by Civil Service and the other program involved employees not covered by Civil Service. Under the Civil Service program, eligible employees must be age 52 or older and have at least 22 years of full-time employment with the Polk County Sheriff's Office by November 30, 2006. Employees eligible under the non-civil service program must be age 55 or older and have at least 10 years of full-time employment with Polk County by December 31, 2006.

One of the incentives included in both programs provides employees a credit of \$1,000 for each full year of County employment up to a maximum of \$30,000 to be banked to pay for health insurance. Payments for retiree health insurance began in November 2006.

At June 30, 2007, the County has obligations to 36 participants with a total liability of \$775,225. Actual early retirement expenditures for the year ended June 30, 2007, totaled \$134,775.

## **10. CONDUIT DEBT OBLIGATIONS**

As of June 30, 2007, there were various conduit debt obligations outstanding. The aggregate principal amount payable for such debt is \$7,301,171.

### **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.

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.

### **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

During the year ending June 30, 2005, 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, 2007 amounted to \$132,835,000.

## 11. DEVELOPER (REBATE) AGREEMENTS

The County has entered into various development agreements for urban renewal projects. The payments are payable solely from the incremental property tax received by the County which are attributable to property located within the Urban Renewal Area and are only made to the extent the County determines tax increment revenues are annually available.

These agreements are not a general obligation of the County. However, the amount payable in the succeeding year is subject to the constitutional debt limitation of the County.

## 12. 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 \$1,161,222. 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, 2007:

During the year ending June 30:		
2008	\$	202,381
2009		185,866
2010		154,741
2011		<u>50,532</u>
Total minimum lease payments		593,520
Less: amount representing interest		<u>(42,594)</u>
Present value of total minimum lease payments	\$	<u><u>550,926</u></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, 2007 is \$1,948,704. Following is a schedule of minimum future rentals for non-cancelable operating leases in effect at June 30, 2007:

During the year ending June 30:	
2008	\$ 1,510,346
2009	576,165
2010	<u>42,340</u>
Total	\$ <u>2,128,851</u>

The above schedule represents operating leases in effect at June 30, 2007. As part of the normal course of business, the County continues to negotiate and/or renegotiate various operating leases.

### 13. RESERVES/DESIGNATIONS OF FUND BALANCES

#### Reserved Fund Balances

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

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

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

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

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

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

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

#### Designated Fund Balances

Designations of fund balances represent tentative management plans for financial resource utilization in a future period. Such plans or intent are subject to change and may never be legally authorized or result in expenditures. The purpose for each designation is for equipment replacement, economic development and contingency as indicated by the appropriate fund name. The following special revenue funds balances are designated at June 30, 2007:

Equipment Reserve Fund	\$ 1,383,549
Economic Development Fund	1,733,173
Contingency Reserve Fund	<u>5,000,000</u>
Total	\$ <u>8,116,722</u>

## 14. TRANSFER RECONCILIATION

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

Transfer from	Transfer to							Total
	General Fund	Jail Facility Fund	Iowa Events Center	Wells Fargo Arena	Nonmajor Governmental	Nonmajor Enterprise	Internal Service	
General Fund	\$ -	\$ -	\$ -	\$ -	\$ 1,826,560	\$ -	\$ 3,525,227	\$ 5,351,787
Jail Facility Fund	-	-	-	-	910,925	-	-	910,925
Prairie Meadows Racetrack/Casino	1,001,791	-	6,996,404	9,329,325	7,034,780	522,878	-	24,885,178
Nonmajor Governmental	1,356,786	67,542,131	14,700	20,300	18,163,979	-	-	87,097,896
Nonmajor Enterprise	-	-	-	-	42,131	-	-	42,131
Internal Service	<u>2,045,227</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,045,227</u>
<b>Total</b>	<b>\$ <u>4,403,804</u></b>	<b>\$ <u>67,542,131</u></b>	<b>\$ <u>7,011,104</u></b>	<b>\$ <u>9,349,625</u></b>	<b>\$ <u>27,978,375</u></b>	<b>\$ <u>522,878</u></b>	<b>\$ <u>3,525,227</u></b>	<b>\$ <u>120,333,144</u></b>

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, 2007, 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.	\$ 24,885,178
General Supplemental fund made transfers to Risk Management Internal Service funds for funding of current year activities.	2,025,227
General fund and Rural Services fund made transfers to Secondary Roads fund in accordance with state statutes.	5,637,188
Bond Revolving Special Revenue fund made transfers to the various governmental funds relating to 2006 general obligation bond proceeds.	81,454,610

## 15. DEFERRED COMPENSATION PLAN

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457, as amended. The plan, available to all County employees, permits them to defer a portion of their salary until future years. The deferred compensation assets are held in trust for the exclusive benefit of participants (or their beneficiaries in the event of the participant's death) upon termination, retirement, death, or an unforeseeable emergency. The County provides neither administrative service to the plan nor investment advice for the plan.

**16. 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 salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The County's contribution to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$3,676,554, \$3,627,341, and \$3,426,585, respectively, equal to the required contributions for each year.

**17. RISK MANAGEMENT**

The Polk County Risk Management Program includes the following functions: insurance procurement, loss control, employee safety training, OSHA compliance, building security and claims management. Additional responsibilities include hazardous waste management and underground fuel storage tank monitoring.

**Self-Insurance Fund**

The County's Risk Management Program blends self-insurance 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 exposures with a self insured retention limit. This limit varies with each coverage. 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 \$10,000,000 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
Excess liability	\$ 10,000,000	\$ 2,000,000
General liability - Iowa Events Center	2,000,000	-
Property, fleet, law enforcement, public officials	462,220,810	100,000
Fidelity bond	5,000,000	50,000
Workers' compensation	Statutory/ 1,000,000	500,000
Non-owned aviation	10,000,000	-

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, 2007. There has been one claim in excess of the insurance coverage in the last three fiscal years. This workers compensation claim exceeded the \$500,000 SIR. However, all claims that exceeded our SIR have been covered by reinsurance.

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).

**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, 2007 and 2006 are as follows:

	Year Ended	
	6/30/2007	6/30/2006
Beginning balance	\$ 1,124,570	\$ 872,091
Current year claims and changes in estimates	378,466	1,685,231
Claim payments	<u>(953,238)</u>	<u>(1,432,752)</u>
Ending Balance	\$ <u>549,798</u>	\$ <u>1,124,570</u>

**Employee Insurance Fund**

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

The payment of health and dental insurance claims are processed by a third-party administrator. Excess insurance is purchased to cover individual claims that exceed \$200,000 per plan year with a lifetime maximum of \$2,000,000. Aggregate stop loss insurance coverage equals 125% of a projected amount. Settled claims have exceeded individual limits of excess insurance during the past three fiscal years but not the aggregate limit.

Changes in the estimated liability for probable losses recorded in the Employee Insurance Fund for the years ended June 30, 2007 and 2006 are as follows:

	Year Ended	
	6/30/2007	6/30/2006
Beginning balance	\$ 986,814	\$ 1,102,142
Current year claims and changes in estimates	9,301,013	10,034,194
Claim payments	<u>(9,255,796)</u>	<u>(10,149,522)</u>
Ending Balance	\$ <u>1,032,031</u>	\$ <u>986,814</u>

## 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, 2007 and 2006 are as follows:

	Year Ended	
	6/30/2007	6/30/2006
Beginning balance	\$ 315,510	\$ 476,770
Current year claims and changes in estimates	196,395	(12,888)
Claim payments	<u>(511,905)</u>	<u>(148,372)</u>
Ending Balance	\$ <u><u>-</u></u>	\$ <u><u>315,510</u></u>

## 18. COMMITMENTS AND CONTINGENCIES

### Commitments

The County has made the following commitments of current and future resources, as follows. It is anticipated that necessary future resources will be provided by transfers from the Prairie Meadows Racetrack/Casino Enterprise Fund, general obligation bond proceeds and other sources:

Equipment Reserve Fund:		
Easter Lake Master Plan		\$ 434,262
North Senior Center Remodel		399,882
Total		\$ <u><u>834,144</u></u>
Community Betterment Fund:		
Drake Stadium Revitalization		\$ 600,000
Des Moines City Gaming Pymts		11,800,000
Des Moines Schools Gaming Pymts		1,200,000
Hoover Meredith Athletic Center		400,000
Science Center		400,000
Total		\$ <u><u>14,400,000</u></u>
Economic Development Special Revenue Fund:		
Kemin Industries		\$ 1,250,000
City of Des Moines - 215 Watson Powell Jr. Way		875,000
Homemakers Furniture		600,000
NE 66th Intersection Study		3,516,186
NW 100th Street/I 35/80 Interchange		400,000
Total		\$ <u><u>6,641,186</u></u>
Housing Development Special Revenue Fund:		
Housing Trust Fund		\$ 4,500,000
Neighborhood Finance Corporation		3,000,000
Total		\$ <u><u>7,500,000</u></u>
Capital Improvements Projects Fund:		
Oliver Plaza		\$ 10,023,805
Easter Lake Master Plan		300,000
Total		\$ <u><u>10,323,805</u></u>
Jail Fund:		
Jail Facility		\$ <u><u>29,641,041</u></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 17, 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.

### **19. RACETRACK/CASINO**

The County owns a pari-mutuel horse racing and casino facility. Prairie Meadows Racetrack and Casino, Inc. has leased it from the County since 1989. Legislative changes and County voter approval resulted slot machines being added in 1995 and table games being added in 2005. The gambling games measure will be re-submitted to Polk County voters in 2010, based on Iowa law requiring voter approval every eight years.

The current lease provides for monthly rental payments of \$1.3 million throughout the lease term (2003-2010) and net receipt distributions of \$4.4 million per year for the first five years. During the final three years of the lease, Prairie Meadows Racetrack and Casino, Inc. will distribute net receipts to the County only to the extent horse purses exceed the current \$15.0 million per year.

In addition, Polk County's lease with Prairie Meadows Racetrack and Casino, Inc. requires Prairie Meadows to pay Polk County one-third of the resulting improvement in net receipts from pari-mutuel gaming taxation rate decreasing from 36% to 24%. In January 2007, Polk County received \$7.2 million due to the tax rate change. Future tax-rate-change payments are estimated to continue at approximately \$7.0 million annually.

### **20. IOWA EVENTS CENTER /WELLS FARGO ARENA**

The County owns the Iowa Events Center (IEC) and Wells Fargo Arena (WFA). The IEC consists of three buildings, Veterans Memorial Auditorium (VETS), Hy-Vee Hall (HVH), and the Polk County Convention Complex (the Plex).

#### **Iowa Events Center**

The County has a Management Agreement with Global Spectrum, L.P. (Global), to manage and operate the IEC. This agreement is a ten-year contract beginning October 1, 2004. Under this agreement the County pays Global a fixed management fee. For the fiscal year ending June 30, 2007 the amount of the fixed management fee was \$186,120.

In addition to the fixed management fee, Global is entitled to earn a productivity fee for each full, completed operating year of the term. The County paid Global \$45,832 for the productivity fee for the fiscal year ending June 30, 2007.

The County has a Concessions Management Agreement with Ovations Food Services, L.P. (Ovations) for the management of the food and beverage service operations at the IEC. This is a five year contract beginning on October 1, 2004. Under this agreement the County pays Ovations a fixed management fee. For the fiscal year ending June 30, 2007 the amount of the fixed management fee was \$110,000.

In addition to the fixed management fee, Ovations is entitled to earn an incentive fee for each operating year of the term. The County paid Ovations \$15,000 for the incentive fee for the fiscal year ending June 30, 2007.

## **Wells Fargo Arena**

The County has a Master Lease agreement with Global to manage and operate WFA. The agreement is a ten-year contract beginning July 1, 2005, with the option to extend for two five-year periods thereafter.

Under this agreement the County receives 80% of the first one million dollars of net operating income for such fiscal year in excess of the operator's share, plus 70% of all net operating income in excess of the operator's share plus one million dollars for such year. The operator's share is \$500,000 per fiscal year. The County received \$1,151,466 and Global received \$850,628 of WFA's net operating income for the fiscal year ending June 30, 2007.

Global is responsible for the payment of all WFA operating expenses regardless of the amount or timing of WFA revenues. In the event that the operating fund does not contain sufficient funds to pay any such WFA operating expenses as they become due and payable, Global shall fund the amount of such insufficiency. In no event shall the County have any responsibility or liability with respect to any operating losses or the failure of Global to realize any net operating income from its leasing of WFA.

A Public Facility Maintenance Surcharge (PFMS) user fee is assessed on certain ticket sales. The amount of this fee varies from \$.50 to \$1.00 depending upon the nature of the event. Approximately 50% of these revenues generated are paid to the County for deposit into a restricted funds Renewal and Replacement Account (see Note 4), and the remaining 50% is retained by Global as operating revenues. The County received \$203,099 for the fiscal year ending June 30, 2007.

Global has an agreement in place with Ovations to provide food and beverage concessions and catering services to WFA. The agreement is a ten-year contract beginning July 1, 2005. The term of this agreement may be extended by Ovations, at its sole option, for an additional one year period.

Under the Master Lease Agreement the County receives 3% of the gross concessions revenues earned by Ovations for the fiscal year. The County deposits these funds into a restricted fund Concessions Account (see Note 4). The County received \$88,681 for the fiscal year ending June 30, 2007.

## **County Non-Operating**

The County is responsible for the non-operating costs associated with the IEC and WFA. These costs include external professional services, internal audit functions, insurance costs, interest expense, and depreciation expense.

The County also receives naming rights revenue for Hy-Vee Hall, Wells Fargo Arena, and the Principal River's Edge restaurant in Wells Fargo Arena.

## **21. RELATED PARTY TRANSACTIONS**

The Iowa Events Center is managed by Global Spectrum, L.P. which is a subsidiary of Philadelphia-based Comcast-Spectacor. The Comcast-Spectacor Group includes Ovations Food Services and New Era Tickets. The following is a summary of transactions and balances with affiliates as of and for the year ended June 30, 2007:

Concessions and catering revenue from Ovations	\$ 3,538,779
Ticket revenue and fees received from New Era	76,080
Ticket fees paid to New Era	12,344
Due to Ovations	124,981
Due to Ovations (incentive)	15,000
Management fee paid to Ovations	110,000

## 22. JOINT VENTURE

The County is a participating community in the Des Moines Metropolitan Wastewater Reclamation Authority (WRA) joint venture. This joint venture provides primary and secondary treatment of the sewer flows of the participating communities.

The WRA Agreement does not provide for the determination of an equity interest for the participating communities. Withdrawing from the joint venture is a forfeit of all reversionary interest and no compensation would be paid. Since there is no specific and measurable equity interest in the WRA no investment in the joint venture is reported by the County. The County does retain a reversionary interest percentage in the net assets of the WRA that would only be redeemed in the event the WRA is dissolved.

Although debt of the WRA is to be paid solely and only from WRA revenues, the participating communities in the joint venture cannot withdraw from the joint venture while any of the bonds issued during the time the entity was a participating community are still outstanding. Polk County retains an ongoing financial responsibility to the WRA since it is obligated in some manner for the debts of the joint venture through the annual allocation of wastewater reclamation flows. The allocation to all participating communities is based on operations, maintenance, debt service and reserve requirements. Allocations are based on wastewater reclamation facility flows and adjusted prospectively for differences in budgeted flows and actual flows. As of June 30, 2007, the County has a future commitment for approximately \$2,320,379 for future principal payment requirements payable through the allocation of wastewater reclamation flows.

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

## 23. SUBSEQUENT EVENTS

### **Issuance of General Obligation Bonds**

In December 2007, the County will issue two series of bonds. The Series 2007A for approximately \$2.7 million will pay housing, capital improvements, lead abatements, and senior center expenses. The Series 2007B will refund the outstanding principal on the \$45 million of bonds issued in 2001 for the Iowa Events Center. These bonds will be retired from property taxes to be levied in the future and other revenues.

### **Jester Park Golf Course Privatization**

Effective November 1, 2007, management of the Jester Park Golf Course will be transferred to a private golf management company. Under the terms of the contract, H.G. Golf Properties, LLC, will receive all revenues from merchandise, concessions, and golf course revenues. They will be responsible for managing the golf course and related practice facility. All operational costs related to the golf course will be paid by the management company. In return, the management company will pay a monthly management fee to the County. The County will also receive additional payments based on the gross sales volume of the course, as well as payments for the use of golf carts and specified grounds equipment for a period of time specified in the contract. The management contract, approved by the Polk County Conservation Board, is for a period of ten years.

## 24. NEW ACCOUNTING PRONOUNCEMENTS

As of June 30, 2007, the County adopted the following Governmental Accounting Standards Board (GASB) statement:

- GASB Statement No. 43 (“GASB 43”), “*Financial Reporting for Postemployment Benefit Plans Other Pension Plans*”, issued April 2004, will be effective for the County in its fiscal year ending June 30, 2007. This Statement establishes uniform financial reporting standards for other postemployment benefit plans (OPEB plans) and supercedes existing guidance.

As of June 30, 2007, the Government Accounting Standards Board (GASB) had issued the following statements not yet implemented by the County. The statements which might impact the County are as follows:

- GASB Statement No. 45 (“GASB 45”), “*Accounting and Financial Reporting by Employers for Postretirement Benefits Other Than Pensions*”, issued June 2004, will be effective for the County in its fiscal year ending June 30, 2008. This Statement establishes 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.
- GASB Statement No. 48 (“GASB 48”), “*Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*”, issued September 2006, will be effective for the County beginning with its fiscal year ending June 30, 2008. This Statement establishes accounting and financial reporting standards for transactions in which a government receives, or is entitled to, resources in exchange for future cash flows generated by collecting specific receivables or specific future revenues. It also provides disclosure requirements for a government that pledges or commits future cash flows from a specific revenue source. In addition, this Statement establishes accounting and financial reporting standards for intra-entity transfers of assets and future revenues.
- GASB Statement No. 49 (“GASB 49”), “*Accounting and Financial Reporting for Pollution Remediation Obligations*”, issued November 2006, will be effective for the County beginning with its fiscal year ending June 30, 2009. This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities, such as site assessments and cleanups. This standard requires the government to estimate the components of expected pollution remediation outlays and determine whether the outlays for those components should be accrued as a liability or, if appropriate, capitalized when goods and services are acquired.
- GASB Statement No. 50 (“GASB 50”), “*Pension Disclosures*”, an amendment of GASB Statement Nos. 25 and 27, issued May 2007, will be effective for the County beginning with its fiscal year ending June 30, 2008. This Statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to the financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits.
- GASB Statement No. 51 (“GASB 51”), “*Accounting and Financial Reporting for Intangible Assets*”, issued July 2007, will be effective for the County beginning with its fiscal year ending June 30, 2010. This Statement provides guidance regarding how to identify, account for and report intangible assets. The new standard characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature and has an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, computer software, water rights, timber rights, patents and trademarks. This standard provides that intangible assets be classified as capital assets (except for those explicitly excluded from the scope of the new standard, such as capital leases). Relevant authoritative guidance for capital assets should be applied to these intangible assets.

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

# POLK COUNTY, IOWA

## Required Supplementary Information Budgetary Comparison Schedule All Governmental Funds For the Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance
<b>REVENUES:</b>				
Property taxes	\$ 95,076,446	\$ 95,079,818	\$ 95,054,741	\$ (25,077)
Other County taxes	5,047,140	4,599,110	4,535,280	(63,830)
Interest and penalty on delinquent taxes	1,034,000	1,108,000	1,147,313	39,313
Intergovernmental	60,604,743	61,628,625	58,573,632	(3,054,993)
Licenses and permits	594,730	593,330	481,516	(111,814)
Charges for services	9,914,628	10,046,011	10,639,646	593,635
Use of money and property	7,890,363	10,228,212	10,565,607	337,395
Miscellaneous	1,841,528	1,716,141	1,678,408	(37,733)
General long-term debt proceeds	67,134,100	80,948,892	80,948,892	-
Proceeds from disposal of capital assets	240,000	256,758	199,858	(56,900)
Total receipts	249,377,678	266,204,897	263,824,893	(2,380,004)
<b>EXPENDITURES:</b>				
Current:				
Public safety and legal services	48,625,020	49,854,499	48,821,520	1,032,979
Physical health and social services	27,646,386	27,908,371	26,545,060	1,363,311
Mental health	48,601,552	46,013,548	45,795,507	218,041
County environment and education	9,944,858	16,275,213	15,385,167	890,046
Roads and transportation	8,824,562	9,352,621	9,133,153	219,468
Government services to residents	5,918,606	5,878,300	5,718,008	160,292
Administration	26,998,295	29,003,745	28,100,164	903,581
Nonprogram services	-	825,000	770,124	54,876
Debt service	7,242,628	8,160,361	8,160,318	43
Capital projects	47,385,333	54,752,175	43,638,001	11,114,174
Total disbursements	231,187,240	248,023,833	232,067,022	15,956,811
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in (out)	2,289,180	8,755,952	6,563,703	(2,192,249)
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES - BUDGETARY BASIS</b>				
	<u>\$ 20,479,618</u>	<u>\$ 26,937,016</u>	38,321,574	<u>\$ 11,384,558</u>
<b>RECONCILIATION TO GAAP BASIS:</b>				
Basis differences:				
Increase (decrease) in accrual basis assets			2,632,467	
(Increase) decrease in accrual basis liabilities			<u>(16,547,984)</u>	
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses - GAAP basis			24,406,057	
Fund balance at beginning of year - GAAP basis			53,245,621	
Changes in inventory reserves			<u>107,342</u>	
Fund balance at end of year - GAAP basis			<u>\$ 77,759,020</u>	

See Notes to Required Supplementary Information.

## POLK COUNTY, IOWA

### NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2007

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#### 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.

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## NONMAJOR GOVERNMENTAL FUNDS

### Special Revenue Funds

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

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

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

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

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

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

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

**County Attorney Collection Incentive** – Accounts for state incentives for participating in the collection of fines.

**Community Betterment** - 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.

### **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 84<sup>th</sup> Water Main Debt Service** – Accounts for debt service relating to a Drinking Water State Revolving Fund loan for NW 84<sup>th</sup> 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, 2007**

	<b>Rural Services</b>	<b>Sheriff Seized Property (State)</b>	<b>Sheriff Seized Property (Federal)</b>	<b>Attorney Seized Property</b>	<b>Conservation Land Acquisition Trust</b>
<b>ASSETS</b>					
Cash and pooled investments	\$ 1,612,304	\$ 224,901	\$ 151,653	\$ 463,370	\$ 430,182
Receivables (net of allowances for uncollectibles):					
Taxes	19,546	-	-	-	-
Succeeding year property taxes	6,043,115	-	-	-	-
Special assessments	-	-	-	-	-
Accounts	62,679	-	-	-	5,600
Notes	-	-	-	-	-
Accrued interest	-	186	90	274	-
Due from other funds	30,334	-	-	-	-
Due from other governments	-	-	7,533	11,587	237,800
Advances to component unit	-	-	-	-	-
Inventories	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 7,767,978</b>	<b>\$ 225,087</b>	<b>\$ 159,276</b>	<b>\$ 475,231</b>	<b>\$ 673,582</b>
<b>LIABILITIES</b>					
Vouchers payable	\$ 10,505	\$ -	\$ 54,969	\$ -	\$ 34,760
Contract/retainage payable	-	-	-	-	-
Wages payable	5,302	-	-	977	-
Payroll taxes payable	9,888	-	-	131	-
Interest payable	-	-	-	-	-
Deferred revenues	48,307	-	-	-	-
Succeeding year property taxes deferred revenues	6,043,115	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>6,117,117</b>	<b>-</b>	<b>54,969</b>	<b>1,108</b>	<b>34,760</b>
<b>FUND BALANCES</b>					
Reserved for advances to component unit	-	-	-	-	-
Reserved for noncurrent notes receivable	-	-	-	-	-
Reserved for inventory of supplies	-	-	-	-	-
Reserved for supplemental levy purposes	164,896	-	-	-	-
Unreserved, designated (Note 13)	-	-	-	-	-
Unreserved, undesignated	1,485,965	225,087	104,307	474,123	638,822
<b>TOTAL FUND BALANCES</b>	<b>1,650,861</b>	<b>225,087</b>	<b>104,307</b>	<b>474,123</b>	<b>638,822</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 7,767,978</b>	<b>\$ 225,087</b>	<b>\$ 159,276</b>	<b>\$ 475,231</b>	<b>\$ 673,582</b>

Special Revenue										
Equipment Reserve	County Attorney Collection Incentive	Community Betterment	Secondary Roads	County Recorder Records Management	Economic Development	Township Fire Protection	Treasurer Banking Reserve			
\$ 1,654,157	\$ -	\$ 50,000	\$ -	\$ 107,119	\$ 4,607,038	\$ 3,845	\$ 9,466			
-	-	-	-	-	-	1,215	-			
-	-	-	-	-	-	468,744	-			
-	-	-	-	-	-	-	-			
3,475	-	-	5,408	-	-	-	624			
-	-	-	-	-	4,247,264	-	-			
-	-	-	-	63	-	-	6			
-	-	-	-	524	-	2,441	-			
-	3,471	-	575,562	-	-	-	-			
-	-	-	-	-	-	-	-			
-	-	-	578,060	-	-	-	-			
<b>\$ 1,657,632</b>	<b>\$ 3,471</b>	<b>\$ 50,000</b>	<b>\$ 1,159,030</b>	<b>\$ 107,706</b>	<b>\$ 8,854,302</b>	<b>\$ 476,245</b>	<b>\$ 10,096</b>			
\$ 274,083	\$ -	\$ 96,483	\$ 4,108,746	\$ -	\$ 3,516,186	\$ -	\$ -			
-	-	-	234,257	-	-	-	-			
-	-	-	69,675	-	-	-	-			
-	-	-	-	-	-	-	-			
-	-	-	-	-	-	-	-			
-	-	-	182,065	-	-	3,447	-			
-	-	-	-	-	-	468,744	-			
274,083	-	96,483	4,594,743	-	3,516,186	472,191	-			
-	-	-	-	-	-	-	-			
-	-	-	-	-	3,604,943	-	-			
-	-	-	578,060	-	-	-	-			
-	-	-	-	-	-	-	-			
1,383,549	-	-	-	-	1,733,173	-	-			
-	3,471	(46,483)	(4,013,773)	107,706	-	4,054	10,096			
1,383,549	3,471	(46,483)	(3,435,713)	107,706	5,338,116	4,054	10,096			
<b>\$ 1,657,632</b>	<b>\$ 3,471</b>	<b>\$ 50,000</b>	<b>\$ 1,159,030</b>	<b>\$ 107,706</b>	<b>\$ 8,854,302</b>	<b>\$ 476,245</b>	<b>\$ 10,096</b>			

(continued)

**POLK COUNTY, IOWA**

**Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2007**

				<b>Capital</b>	
	<b>REAP</b>	<b>Contingency Reserve</b>	<b>Bond Revolving</b>	<b>Total Special Revenue</b>	<b>Courthouse Annex</b>
<b>ASSETS</b>					
Cash and pooled investments	\$ 159,468	\$ 5,000,000	\$ 24,585	\$ 14,498,088	\$ -
Receivables (net of allowances for uncollectibles):					
Taxes	-	-	-	20,761	-
Succeeding year property taxes	-	-	-	6,511,859	-
Special assessments	-	-	-	-	-
Accounts	-	-	-	77,786	-
Notes	-	-	-	4,247,264	-
Accrued interest	99	-	-	718	-
Due from other funds	-	-	-	33,299	-
Due from other governments	27,359	-	-	863,312	-
Advances to component unit	-	-	-	-	-
Inventories	-	-	-	578,060	-
<b>TOTAL ASSETS</b>	<b>\$ 186,926</b>	<b>\$ 5,000,000</b>	<b>\$ 24,585</b>	<b>\$ 26,831,147</b>	<b>\$ -</b>
<b>LIABILITIES</b>					
Vouchers payable	\$ -	\$ -	\$ -	\$ 8,095,732	\$ 64,750
Contract/retainage payable	-	-	-	234,257	-
Wages payable	-	-	-	75,954	-
Payroll taxes payable	-	-	-	10,019	-
Interest payable	-	-	-	-	-
Deferred revenues	-	-	-	233,819	-
Succeeding year property taxes deferred revenues	-	-	-	6,511,859	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,161,640</b>	<b>64,750</b>
<b>FUND BALANCES</b>					
Reserved for advances to component unit	-	-	-	-	-
Reserved for noncurrent notes receivable	-	-	-	3,604,943	-
Reserved for inventory of supplies	-	-	-	578,060	-
Reserved for supplemental levy purposes	-	-	-	164,896	-
Unreserved, designated (Note 13)	-	5,000,000	-	8,116,722	-
Unreserved, undesignated	186,926	-	24,585	(795,114)	(64,750)
<b>TOTAL FUND BALANCES</b>	<b>186,926</b>	<b>5,000,000</b>	<b>24,585</b>	<b>11,669,507</b>	<b>(64,750)</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 186,926</b>	<b>\$ 5,000,000</b>	<b>\$ 24,585</b>	<b>\$ 26,831,147</b>	<b>\$ -</b>

Projects		Debt Service					Total Nonmajor Governmental Funds
Capital Improvements Projects	Total Capital Projects	NW 84th Water Main Debt Service	Hamilton Drain Debt Service	Debt Service	Total Debt Service		
\$ 10,313,422	\$ 10,313,422	\$ 93,822	\$ -	\$ 322,758	\$ 416,580	\$	25,228,090
-	-	-	-	22,742	22,742		43,503
-	-	-	-	7,618,484	7,618,484		14,130,343
-	-	-	4,883	-	4,883		4,883
51,000	51,000	-	-	-	-		128,786
-	-	-	-	-	-		4,247,264
-	-	55	-	192	247		965
-	-	-	-	38,353	38,353		71,652
-	-	-	-	-	-		863,312
-	-	-	-	3,270,132	3,270,132		3,270,132
-	-	-	-	-	-		578,060
\$ 10,364,422	\$ 10,364,422	\$ 93,877	\$ 4,883	\$ 11,272,661	\$ 11,371,421	\$	48,566,990
\$ 584,331	\$ 649,081	\$ -	\$ -	\$ -	\$ -	\$	8,744,813
117,628	117,628	-	-	-	-		351,885
-	-	-	-	-	-		75,954
-	-	-	-	-	-		10,019
-	-	1,630	-	-	1,630		1,630
-	-	-	4,883	59,154	64,037		297,856
-	-	-	-	7,618,484	7,618,484		14,130,343
701,959	766,709	1,630	4,883	7,677,638	7,684,151		23,612,500
-	-	-	-	3,270,132	3,270,132		3,270,132
-	-	-	-	-	-		3,604,943
-	-	-	-	-	-		578,060
-	-	-	-	-	-		164,896
-	-	-	-	-	-		8,116,722
9,662,463	9,597,713	92,247	-	324,891	417,138		9,219,737
9,662,463	9,597,713	92,247	-	3,595,023	3,687,270		24,954,490
\$ 10,364,422	\$ 10,364,422	\$ 93,877	\$ 4,883	\$ 11,272,661	\$ 11,371,421	\$	48,566,990

(concluded)

**POLK COUNTY, IOWA**

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2007**

	<b>Rural Services</b>	<b>Sheriff Seized Property (State)</b>	<b>Sheriff Seized Property (Federal)</b>	<b>Attorney Seized Property</b>	<b>Conservation Land Acquisition Trust</b>
<b>REVENUES:</b>					
Property taxes	\$ 5,543,033	\$ -	\$ -	\$ -	\$ -
Other County taxes	179,317	-	-	-	-
Intergovernmental	244,988	9,237	-	-	657,856
Licenses and permits	-	-	-	-	-
Charges for services	17,798	-	-	-	-
Use of money and property	-	22,135	11,397	22,457	9,840
Miscellaneous	104,924	13,453	47,945	129,298	11,620
<b>TOTAL REVENUES</b>	<b>6,090,060</b>	<b>44,825</b>	<b>59,342</b>	<b>151,755</b>	<b>679,316</b>
<b>EXPENDITURES:</b>					
Current:					
Public safety and legal services	-	57,766	100,237	83,151	-
Physical health and social services	-	-	-	-	-
County environment and education	1,175,667	-	-	-	-
Roads and transportation	1,247,200	-	-	-	-
Government services to residents	-	-	-	-	-
Administration	53,150	-	-	-	-
Nonprogram services	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital projects:					
Roadway construction	-	-	-	-	-
Conservation land acquisition and development	-	-	-	-	638,428
Other capital projects	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>2,476,017</b>	<b>57,766</b>	<b>100,237</b>	<b>83,151</b>	<b>638,428</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>3,614,043</b>	<b>(12,941)</b>	<b>(40,895)</b>	<b>68,604</b>	<b>40,888</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	1,693,322	-	-	-	184,449
Transfers out	(5,251,500)	-	-	-	-
Issuance of bonds	-	-	-	-	-
Premium/(discount) on bonds issued	-	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(3,558,178)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>184,449</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>55,865</b>	<b>(12,941)</b>	<b>(40,895)</b>	<b>68,604</b>	<b>225,337</b>
<b>FUND BALANCE, BEGINNING</b>	<b>1,594,996</b>	<b>238,028</b>	<b>145,202</b>	<b>405,519</b>	<b>413,485</b>
Change in inventory reserve	-	-	-	-	-
<b>FUND BALANCE, ENDING</b>	<b>\$ 1,650,861</b>	<b>\$ 225,087</b>	<b>\$ 104,307</b>	<b>\$ 474,123</b>	<b>\$ 638,822</b>

Special Revenue							
Equipment Reserve	County Attorney Collection Incentive	Community Betterment	Secondary Roads	County Recorder Records Management	Economic Development	County Recorder Electronic Transaction	Township Fire Protection
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	303,425
-	-	-	-	-	-	-	10,335
-	3,471	-	4,986,330	-	-	-	11,066
-	-	-	62,540	-	-	-	-
-	-	-	183,224	110,368	-	-	-
-	-	-	-	5,059	70	(1)	-
9,903	-	3,568	25,483	-	-	-	-
9,903	3,471	3,568	5,257,577	115,427	70	(1)	324,826
-	-	-	-	-	-	-	325,363
-	-	434,620	-	-	-	-	-
-	-	-	-	-	5,398,840	-	-
-	-	-	6,932,597	-	-	-	-
-	-	-	-	78,994	-	2,299	-
-	-	4,361,259	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	4,003,795	-	-	-	-
-	-	-	-	-	-	-	-
2,404,977	-	-	-	-	-	-	-
2,404,977	-	4,795,879	10,936,392	78,994	5,398,840	2,299	325,363
(2,395,074)	3,471	(4,792,311)	(5,678,815)	36,433	(5,398,770)	(2,300)	(537)
-	-	4,749,036	5,637,188	-	1,801,295	-	-
-	-	(35,000)	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
32,246	-	-	41,906	-	-	-	-
32,246	-	4,714,036	5,679,094	-	1,801,295	-	-
(2,362,828)	3,471	(78,275)	279	36,433	(3,597,475)	(2,300)	(537)
3,746,377	-	31,792	(3,499,283)	71,273	8,935,591	2,300	4,591
-	-	-	63,291	-	-	-	-
\$ 1,383,549	\$ 3,471	\$ (46,483)	\$ (3,435,713)	\$ 107,706	\$ 5,338,116	\$ -	\$ 4,054

(continued)

**POLK COUNTY, IOWA**

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2007**

	<b>Treasurer Banking Reserve</b>	<b>REAP</b>	<b>Housing Development</b>	<b>Contingency Reserve</b>	<b>Bond Revolving</b>
<b>REVENUES:</b>					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Other County taxes	-	-	-	-	-
Intergovernmental	-	95,794	-	-	-
Licenses and permits	-	-	-	-	-
Charges for services	5,264	-	-	-	-
Use of money and property	4	9,925	-	-	118,139
Miscellaneous	-	-	-	-	9,217
<b>TOTAL REVENUES</b>	<b>5,268</b>	<b>105,719</b>	<b>-</b>	<b>-</b>	<b>127,356</b>
<b>EXPENDITURES:</b>					
Current:					
Public safety and legal services	-	-	-	-	-
Physical health and social services	-	-	-	-	-
County environment and education	-	-	2,500,000	-	-
Roads and transportation	-	-	-	-	-
Government services to residents	-	-	-	-	-
Administration	-	-	-	-	-
Nonprogram services	-	-	-	-	709,229
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital projects:					
Roadway construction	-	-	-	-	-
Conservation land acquisition and development	-	95,445	-	-	-
Other capital projects	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>95,445</b>	<b>2,500,000</b>	<b>-</b>	<b>709,229</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>5,268</b>	<b>10,274</b>	<b>(2,500,000)</b>	<b>-</b>	<b>(581,873)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	(81,454,610)
Issuance of bonds	-	-	-	-	80,915,000
Premium/(discount) on bonds issued	-	-	-	-	24,675
Proceeds from sale of capital assets	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(514,935)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>5,268</b>	<b>10,274</b>	<b>(2,500,000)</b>	<b>-</b>	<b>(1,096,808)</b>
<b>FUND BALANCE, BEGINNING</b>	<b>4,828</b>	<b>176,652</b>	<b>2,500,000</b>	<b>5,000,000</b>	<b>1,121,393</b>
Change in inventory reserve	-	-	-	-	-
<b>FUND BALANCE, ENDING</b>	<b>\$ 10,096</b>	<b>\$ 186,926</b>	<b>\$ -</b>	<b>\$ 5,000,000</b>	<b>\$ 24,585</b>

Total Special Revenues	Capital Projects			Debt Service		Total Debt Service	Total Nonmajor Governmental Funds
	Courthouse Annex	Capital Improvements Projects	Total Capital Projects	NW 84th Water Main Debt Service	Debt Service		
\$ 5,846,458	\$ -	\$ -	\$ -	\$ -	\$ 3,761,798	\$ 3,761,798	\$ 9,608,256
189,652	-	-	-	-	136,871	136,871	326,523
6,008,742	-	-	-	-	96,982	96,982	6,105,724
62,540	-	-	-	-	-	-	62,540
316,654	-	-	-	-	-	-	316,654
199,025	-	-	-	6,339	145,201	151,540	350,565
355,411	-	-	-	11,368	-	11,368	366,779
12,978,482	-	-	-	17,707	4,140,852	4,158,559	17,137,041
566,517	-	-	-	-	-	-	566,517
434,620	-	-	-	-	-	-	434,620
9,074,507	-	-	-	-	-	-	9,074,507
8,179,797	-	-	-	-	-	-	8,179,797
81,293	-	-	-	-	-	-	81,293
4,414,409	-	-	-	-	-	-	4,414,409
709,229	-	-	-	-	-	-	709,229
-	-	-	-	35,000	3,756,808	3,791,808	3,791,808
-	-	-	-	21,337	2,874,035	2,895,372	2,895,372
4,003,795	-	-	-	-	-	-	4,003,795
733,873	-	-	-	-	-	-	733,873
2,404,977	610,939	2,832,962	3,443,901	-	-	-	5,848,878
30,603,017	610,939	2,832,962	3,443,901	56,337	6,630,843	6,687,180	40,734,098
(17,624,535)	(610,939)	(2,832,962)	(3,443,901)	(38,630)	(2,489,991)	(2,528,621)	(23,597,057)
14,065,290	47,550	12,445,000	12,492,550	-	1,420,535	1,420,535	27,978,375
(86,741,110)	(356,786)	-	(356,786)	-	-	-	(87,097,896)
80,915,000	-	-	-	-	-	-	80,915,000
24,675	-	-	-	-	-	-	24,675
74,152	-	-	-	-	-	-	74,152
8,338,007	(309,236)	12,445,000	12,135,764	-	1,420,535	1,420,535	21,894,306
(9,286,528)	(920,175)	9,612,038	8,691,863	(38,630)	(1,069,456)	(1,108,086)	(1,702,751)
20,892,744	855,425	50,425	905,850	130,877	4,664,479	4,795,356	26,593,950
63,291	-	-	-	-	-	-	63,291
\$ 11,669,507	\$ (64,750)	\$ 9,662,463	\$ 9,597,713	\$ 92,247	\$ 3,595,023	\$ 3,687,270	\$ 24,954,490

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## **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.

**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, 2007**

	<b>Air Pollution</b>	<b>Sanitary Treatment Works</b>	<b>Jester Park Golf Course</b>	<b>Hamilton Urban Drainage District</b>	<b>Urban Sewer</b>	<b>Total Nonmajor Enterprise Funds</b>
<b>ASSETS</b>						
Current assets:						
Cash and pooled investments	\$ 597,480	\$ 1,010,052	\$ 563,773	\$ 1,104,062	\$ 3,871,507	\$ 7,146,874
Receivables (net of allowances for uncollectibles):						
Special assessments	-	369,725	-	-	-	369,725
Accounts	-	15,245	5,690	-	-	20,935
Accrued interest	360	562	341	654	2,301	4,218
Due from other funds	-	-	72,666	-	-	72,666
Due from other governments	215,702	18,043	-	9,685	-	243,430
Inventories	-	-	49,299	-	-	49,299
Total current assets	813,542	1,413,627	691,769	1,114,401	3,873,808	7,907,147
Noncurrent assets:						
Lease/debt origination costs	-	17,328	-	-	74,675	92,003
Capital assets not being depreciated	-	99,000	76,593	996,553	4,634,743	5,806,889
Capital assets being depreciated, net	98,873	7,884,483	681,795	5,822,993	-	14,488,144
Total noncurrent assets	98,873	8,000,811	758,388	6,819,546	4,709,418	20,387,036
<b>TOTAL ASSETS</b>	912,415	9,414,438	1,450,157	7,933,947	8,583,226	28,294,183
<b>LIABILITIES</b>						
Current liabilities:						
Vouchers payable	8,364	6,040	50,358	-	10,364	75,126
Wages payable	9,444	-	11,722	-	-	21,166
Payroll taxes payable	1,241	-	1,386	-	-	2,627
Interest payable	-	3,130	-	-	17,806	20,936
Advance deposits and ticket sales	-	-	21,492	-	-	21,492
General obligation bonds payable	-	184,695	-	-	184,484	369,179
Compensated absences payable	9,114	-	2,498	-	-	11,612
Total current liabilities	28,163	193,865	87,456	-	212,654	522,138
Noncurrent liabilities:						
General obligation bonds payable	-	984,085	-	-	5,065,717	6,049,802
Compensated absences payable	66,990	-	18,364	-	-	85,354
Total noncurrent liabilities	66,990	984,085	18,364	-	5,065,717	6,135,156
<b>TOTAL LIABILITIES</b>	95,153	1,177,950	105,820	-	5,278,371	6,657,294
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	98,873	6,814,703	758,388	6,819,546	104,054	14,595,564
Unrestricted	718,389	1,421,785	585,949	1,114,401	3,200,801	7,041,325
<b>TOTAL NET ASSETS</b>	\$ 817,262	\$ 8,236,488	\$ 1,344,337	\$ 7,933,947	\$ 3,304,855	\$ 21,636,889

**POLK COUNTY, IOWA**

**Combining Statement of Revenues, Expenses, and Changes in Net Assets  
Nonmajor Enterprise Funds  
For the Year Ended June 30, 2007**

	<b>Air Pollution</b>	<b>Sanitary Treatment Works</b>	<b>Jester Park Golf Course</b>	<b>Hamilton Urban Drainage District</b>	<b>Urban Sewer</b>	<b>Total Nonmajor Enterprise Funds</b>
<b>OPERATING REVENUES:</b>						
Charges for goods and services:						
Charges for services	\$ 256,331	\$ 588,771	\$ 1,390,168	\$ 131,245	\$ -	\$ 2,366,515
Intergovernmental revenues	648,292	-	-	-	-	648,292
Miscellaneous	-	147,978	3,883	4,658	202	156,721
Total operating revenues	<u>904,623</u>	<u>736,749</u>	<u>1,394,051</u>	<u>135,903</u>	<u>202</u>	<u>3,171,528</u>
<b>OPERATING EXPENSES:</b>						
Cost of goods and services:						
Personal services	602,909	37,559	638,277	14,869	-	1,293,614
Supplies	61,784	-	199,987	-	-	261,771
Professional services	873	64,126	15,505	2,966	-	83,470
Other services/charges	81,367	485,798	221,110	16,730	-	805,005
Cost of goods sold - concession	-	-	159,976	-	-	159,976
Miscellaneous	-	11,135	46,187	4,666	1,109	63,097
Amortization of discount (premium)	-	3,011	-	-	4,446	7,457
Depreciation	26,960	250,886	86,145	229,916	-	593,907
Total operating expenses	<u>773,893</u>	<u>852,515</u>	<u>1,367,187</u>	<u>269,147</u>	<u>5,555</u>	<u>3,268,297</u>
<b>OPERATING INCOME (LOSS)</b>	<u>130,730</u>	<u>(115,766)</u>	<u>26,864</u>	<u>(133,244)</u>	<u>(5,353)</u>	<u>(96,769)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>						
Interest revenue	33,766	60,529	27,358	56,518	252,650	430,821
Interest expense	-	(44,300)	-	-	(228,772)	(273,072)
Total nonoperating revenues (expenses)	<u>33,766</u>	<u>16,229</u>	<u>27,358</u>	<u>56,518</u>	<u>23,878</u>	<u>157,749</u>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	<u>164,496</u>	<u>(99,537)</u>	<u>54,222</u>	<u>(76,726)</u>	<u>18,525</u>	<u>60,980</u>
<b>CAPITAL CONTRIBUTIONS AND TRANSFERS:</b>						
Capital contributions from others	-	642,143	-	-	-	642,143
Transfers in	-	522,878	-	-	-	522,878
Transfers out	-	(42,131)	-	-	-	(42,131)
Total capital contributions and transfers	<u>-</u>	<u>1,122,890</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,122,890</u>
<b>CHANGE IN NET ASSETS</b>	<u>164,496</u>	<u>1,023,353</u>	<u>54,222</u>	<u>(76,726)</u>	<u>18,525</u>	<u>1,183,870</u>
<b>TOTAL NET ASSETS - BEGINNING</b>	<u>652,766</u>	<u>7,213,135</u>	<u>1,290,115</u>	<u>8,010,673</u>	<u>3,286,330</u>	<u>20,453,019</u>
<b>TOTAL NET ASSETS - ENDING</b>	<u>\$ 817,262</u>	<u>\$ 8,236,488</u>	<u>\$ 1,344,337</u>	<u>\$ 7,933,947</u>	<u>\$ 3,304,855</u>	<u>\$ 21,636,889</u>

**POLK COUNTY, IOWA**

**Combining Statement of Cash Flows  
Nonmajor Enterprise Funds  
For the Year Ended June 30, 2007**

	<b>Air Pollution</b>	<b>Sanitary Treatment Works</b>	<b>Jester Park Golf Course</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from customers	\$ 256,331	\$ 670,012	\$ 1,383,469
Cash received from intergovernmental revenues	606,619	-	-
Cash paid to suppliers for goods and services	(135,765)	(627,112)	(612,240)
Cash paid to employees	(657,082)	(37,559)	(669,853)
Net cash flows from operating activities	<u>70,103</u>	<u>5,341</u>	<u>101,376</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Transfers in	-	522,878	-
Transfers out	-	(42,131)	-
Net cash flows from noncapital financing activities	<u>-</u>	<u>480,747</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Proceeds from general obligation debt	-	-	-
Issuance costs paid on long-term debt	-	-	-
Principal paid on long-term debt	-	(185,000)	-
Interest paid on long-term debt	-	(44,723)	-
Purchase of capital assets	(72,438)	(567,434)	-
Net cash flows from capital and related financing activities	<u>(72,438)</u>	<u>(797,157)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest received	33,708	60,510	27,225
Net cash flows from investing activities	<u>33,708</u>	<u>60,510</u>	<u>27,225</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	31,373	(250,559)	128,601
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>566,107</u>	<u>1,260,611</u>	<u>435,172</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 597,480</u>	<u>\$ 1,010,052</u>	<u>\$ 563,773</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ 130,730	\$ (115,766)	\$ 26,864
Components of operating income (loss) not included in operating activities			
Depreciation	26,960	250,886	86,145
Amortization	-	3,011	-
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:			
(Increase) decrease in special assessments receivable	-	(69,033)	-
(Increase) decrease in accounts receivable	-	1,515	10,049
(Increase) decrease in due from other funds	-	-	(22,968)
(Increase) decrease in due from other governments	(41,673)	781	-
(Increase) decrease in inventories	-	-	(2,613)
Increase (decrease) in vouchers payable	8,259	(66,053)	33,138
Increase (decrease) in wages payable	(1,143)	-	(4,174)
Increase (decrease) in payroll taxes payable	(127)	-	(515)
Increase (decrease) in compensated absences payable	(52,903)	-	(26,887)
Increase (decrease) in advance deposits and ticket sales	-	-	2,337
Net cash flows from operating activities	<u>\$ 70,103</u>	<u>\$ 5,341</u>	<u>\$ 101,376</u>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Disposal of fully depreciated capital assets	\$ (12,878)	\$ -	\$ -
Acquisition of capital assets through vouchers payable	-	-	-
Capital contributions from others	-	642,143	-

<b>Hamilton Urban Drainage District</b>	<b>Urban Sewer</b>	<b>Total Nonmajor Enterprise Funds</b>
\$ 135,750	\$ 202	\$ 2,445,764
-	-	606,619
(24,362)	(1,109)	(1,400,588)
(14,869)	-	(1,379,363)
<u>96,519</u>	<u>(907)</u>	<u>272,432</u>
-	-	522,878
-	-	(42,131)
-	-	480,747
-	105,000	105,000
-	(20,276)	(20,276)
-	(175,000)	(360,000)
-	(228,991)	(273,714)
-	(3,733,205)	(4,373,077)
-	(4,052,472)	(4,922,067)
56,303	250,349	428,095
<u>56,303</u>	<u>250,349</u>	<u>428,095</u>
152,822	(3,803,030)	(3,740,793)
951,240	7,674,537	10,887,667
<u>\$ 1,104,062</u>	<u>\$ 3,871,507</u>	<u>\$ 7,146,874</u>
\$ (133,244)	\$ (5,353)	\$ (96,769)
229,916	-	593,907
-	4,446	7,457
-	-	(69,033)
-	-	11,564
-	-	(22,968)
(153)	-	(41,045)
-	-	(2,613)
-	-	(24,656)
-	-	(5,317)
-	-	(642)
-	-	(79,790)
-	-	2,337
<u>\$ 96,519</u>	<u>\$ (907)</u>	<u>\$ 272,432</u>
\$ -	\$ -	\$ (12,878)
-	(929,637)	(929,637)
-	-	642,143

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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, 2007**

	<b>Employee Insurance</b>	<b>Risk Management</b>	<b>Total</b>
<b>ASSETS:</b>			
Current assets:			
Cash and pooled investments	\$ 4,670,215	\$ 3,200,000	\$ 7,870,215
Receivables (net of allowances for uncollectibles):			
Accounts	43,425	-	43,425
Accrued interest	2,761	1,892	4,653
<b>TOTAL ASSETS</b>	<b>4,716,401</b>	<b>3,201,892</b>	<b>7,918,293</b>
<b>LIABILITIES:</b>			
Current liabilities:			
Voucher payable	100,000	-	100,000
Estimated liability for claims and judgments	1,032,031	-	1,032,031
Total current liabilities	1,132,031	-	1,132,031
<b>TOTAL LIABILITIES</b>	<b>1,132,031</b>	<b>-</b>	<b>1,132,031</b>
<b>NET ASSETS</b>			
Unrestricted	3,584,370	3,201,892	6,786,262
<b>TOTAL NET ASSETS</b>	<b>\$ 3,584,370</b>	<b>\$ 3,201,892</b>	<b>\$ 6,786,262</b>

**POLK COUNTY, IOWA**

**Combining Statement of Revenues, Expenses, and  
Changes in Net Assets  
Internal Service Funds  
For the Year Ended June 30, 2007**

	<b>Employee Insurance</b>	<b>Risk Management</b>	<b>Total</b>
<b>REVENUES:</b>			
Charges for services	\$ 10,855,836	\$ -	\$ 10,855,836
Total revenues	<u>10,855,836</u>	<u>-</u>	<u>10,855,836</u>
<b>EXPENSES:</b>			
Other services/charges	68,964	-	68,964
Insurance	10,821,191	-	10,821,191
Total expenses	<u>10,890,155</u>	<u>-</u>	<u>10,890,155</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(34,319)</u>	<u>-</u>	<u>(34,319)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Interest revenue	233,848	(34,067)	199,781
Total nonoperating revenues (expenses)	<u>233,848</u>	<u>(34,067)</u>	<u>199,781</u>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<u>199,529</u>	<u>(34,067)</u>	<u>165,462</u>
<b>TRANSFERS:</b>			
Transfers in	1,500,000	2,025,227	3,525,227
Transfers out	(20,000)	(2,025,227)	(2,045,227)
Total transfers	<u>1,480,000</u>	<u>-</u>	<u>1,480,000</u>
<b>CHANGE IN NET ASSETS</b>	<u>1,679,529</u>	<u>(34,067)</u>	<u>1,645,462</u>
<b>NET ASSETS , BEGINNING</b>	<u>1,904,841</u>	<u>3,235,959</u>	<u>5,140,800</u>
<b>NET ASSETS, ENDING</b>	<u>\$ 3,584,370</u>	<u>\$ 3,201,892</u>	<u>\$ 6,786,262</u>

**POLK COUNTY, IOWA**

**Combining Statement of Cash Flows  
Internal Service Funds  
For the Year Ended June 30, 2007**

	<b>Employee Insurance</b>	<b>Risk Management</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from customers	\$ 10,705,585	\$ -	\$ 10,705,585
Cash paid to suppliers for goods and services	(10,312,125)	-	(10,312,125)
Net cash flows from operating activities	<u>393,460</u>	<u>-</u>	<u>393,460</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Transfers in	1,500,000	2,025,227	3,525,227
Transfers out	(20,000)	(2,025,227)	(2,045,227)
Net cash flows from noncapital financing activities	<u>1,480,000</u>	<u>-</u>	<u>1,480,000</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest received	232,272	(34,944)	197,328
Net cash flows from investing activities	<u>232,272</u>	<u>(34,944)</u>	<u>197,328</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>2,105,732</b>	<b>(34,944)</b>	<b>2,070,788</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>2,564,483</b>	<b>3,234,944</b>	<b>5,799,427</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b><u>\$ 4,670,215</u></b>	<b><u>\$ 3,200,000</u></b>	<b><u>\$ 7,870,215</u></b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ (34,319)	\$ -	\$ (34,319)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:			
(Increase) decrease in accounts receivable	115,697	-	115,697
(Increase) decrease in prepaid items	265,949	-	265,949
Increase (decrease) in vouchers payable	916	-	916
Increase (decrease) in estimated liability for claims and judgments	45,217	-	45,217
Net cash flows from operating activities	<u>\$ 393,460</u>	<u>\$ -</u>	<u>\$ 393,460</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  
Regional Transit Authority  
E911 Service  
GIMS Implementation  
Joint Disaster Services  
Employee Activities  
Seized Funds Unforfeited  
Mine Task Force

**POLK COUNTY, IOWA**

**Combining Statement of Assets and Liabilities  
Agency Funds  
June 30, 2007**

	Elected Officials					
	Attorney	Auditor	Board of Supervisors - Other	County Conservation Board	Recorder	Sheriff
<b>ASSETS:</b>						
Cash and pooled investments	\$ 4,320	\$ 44,479	\$ 4,035	\$ 115,296	\$ 504,563	\$ 1,919,340
Receivables (net of allowances for uncollectibles):						
Taxes	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-
Accounts	-	-	-	-	-	-
Accrued interest	-	-	-	-	-	-
Due from other governments	-	-	-	-	3,975	-
<b>TOTAL ASSETS</b>	<b>\$ 4,320</b>	<b>\$ 44,479</b>	<b>\$ 4,035</b>	<b>\$ 115,296</b>	<b>\$ 508,538</b>	<b>\$ 1,919,340</b>
<b>LIABILITIES:</b>						
Vouchers payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Wages payable	-	-	-	-	-	-
Payroll taxes payable	-	-	-	-	-	-
Due to other funds	4,320	18,575	4,035	115,296	2,294	210,236
Due to other governments	-	25,904	-	-	506,244	-
Advances from other funds	-	-	-	-	-	-
Trusts payable	-	-	-	-	-	1,709,104
Compensated absences payable	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>\$ 4,320</b>	<b>\$ 44,479</b>	<b>\$ 4,035</b>	<b>\$ 115,296</b>	<b>\$ 508,538</b>	<b>\$ 1,919,340</b>

Total Elected Officials	Other Agency Funds						
	Trust & Agency Treasurer	Trust & Agency Trust Funds Held	County Assessor Expense	County Assessor Special Appraisal	Regional Transit Authority	E911 Service	GIMS Implementation
\$ 2,592,033	\$ 16,476,702	\$ 672,898	\$ 1,263,504	\$ 186,806	\$ 59,552	\$ 2,653,715	\$ 685,668
-	5,627,861	-	12,965	2,369	-	-	-
-	6,991,429	13,243	-	-	-	-	-
-	-	-	-	-	-	654,865	-
-	-	270	-	-	-	1,402	-
3,975	-	-	-	-	-	67,159	-
<b>\$ 2,596,008</b>	<b>\$ 29,095,992</b>	<b>\$ 686,411</b>	<b>\$ 1,276,469</b>	<b>\$ 189,175</b>	<b>\$ 59,552</b>	<b>\$ 3,377,141</b>	<b>\$ 685,668</b>
\$ -	\$ -	\$ -	\$ 22,192	\$ 6,225	\$ -	\$ -	\$ -
-	-	-	59,647	-	-	-	-
-	-	-	7,515	-	-	-	-
354,756	6,117	-	-	-	-	-	-
532,148	29,089,875	363,189	694,236	182,950	59,552	3,377,141	685,668
-	-	38,500	-	-	-	-	-
1,709,104	-	284,722	-	-	-	-	-
-	-	-	492,879	-	-	-	-
<b>\$ 2,596,008</b>	<b>\$ 29,095,992</b>	<b>\$ 686,411</b>	<b>\$ 1,276,469</b>	<b>\$ 189,175</b>	<b>\$ 59,552</b>	<b>\$ 3,377,141</b>	<b>\$ 685,668</b>

(continued)

POLK COUNTY, IOWA

Combining Statement of Assets and Liabilities  
Agency Funds  
June 30, 2007

	Joint Disaster Services	Employee Activities	Seized Funds Unforfeited	Mine Task Force	Total Other Agency Funds	Total Agency Funds
<b>ASSETS:</b>						
Cash and pooled investments	\$ -	\$ 5,921	\$ 89,504	\$ 657,027	\$ 22,751,297	\$ 25,343,330
Receivables (net of allowances for uncollectibles):						
Taxes	-	-	-	-	5,643,195	5,643,195
Special assessments	-	-	-	-	7,004,672	7,004,672
Accounts	4,228	-	-	-	659,093	659,093
Accrued interest	-	-	-	388	2,060	2,060
Due from other governments	51,284	-	-	4,162	122,605	126,580
<b>TOTAL ASSETS</b>	<b>\$ 55,512</b>	<b>\$ 5,921</b>	<b>\$ 89,504</b>	<b>\$ 661,577</b>	<b>\$ 36,182,922</b>	<b>\$ 38,778,930</b>
<b>LIABILITIES:</b>						
Vouchers payable	\$ 216,160	\$ -	\$ -	\$ 1,781	\$ 246,358	\$ 246,358
Wages payable	3,517	-	-	-	63,164	63,164
Payroll taxes payable	465	-	-	-	7,980	7,980
Due to other funds	89,383	-	-	-	95,500	450,256
Due to other governments	(269,799)	-	89,504	659,796	34,932,112	35,464,260
Advances from other funds	-	-	-	-	38,500	38,500
Trusts payable	-	5,921	-	-	290,643	1,999,747
Compensated absences payable	15,786	-	-	-	508,665	508,665
<b>TOTAL LIABILITIES</b>	<b>\$ 55,512</b>	<b>\$ 5,921</b>	<b>\$ 89,504</b>	<b>\$ 661,577</b>	<b>\$ 36,182,922</b>	<b>\$ 38,778,930</b>

(concluded)

**POLK COUNTY, IOWA**

**Combining Statement of Changes in Assets and Liabilities  
Agency Funds  
For the Year Ended June 30, 2007**

	<b>Balance July 1, 2006</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2007</b>
<b>ELECTED OFFICIALS:</b>				
<b>ASSETS:</b>				
Cash and pooled investments	\$ 1,622,648	\$ 969,385	\$ -	\$ 2,592,033
Due from other governments	3,278	697	-	3,975
<b>TOTAL ASSETS</b>	<b>\$ 1,625,926</b>	<b>\$ 970,082</b>	<b>\$ -</b>	<b>\$ 2,596,008</b>
<b>LIABILITIES:</b>				
Due to other funds	\$ 283,986	\$ 70,770	\$ -	\$ 354,756
Due to other governments	597,891	-	65,743	532,148
Trusts payable	744,049	965,055	-	1,709,104
<b>TOTAL LIABILITIES</b>	<b>\$ 1,625,926</b>	<b>\$ 1,035,825</b>	<b>\$ 65,743</b>	<b>\$ 2,596,008</b>
 <b>OTHER AGENCY FUNDS:</b>				
<b>ASSETS:</b>				
Cash and pooled investments	\$ 21,659,207	\$ 1,092,090	\$ -	\$ 22,751,297
Receivables:				
Taxes	4,704,470	938,725	-	5,643,195
Special assessments	5,097,910	1,906,762	-	7,004,672
Accounts	477,576	181,517	-	659,093
Accrued interest	1,395	665	-	2,060
Due from other governments	76,574	46,031	-	122,605
<b>TOTAL ASSETS</b>	<b>\$ 32,017,132</b>	<b>\$ 4,165,790</b>	<b>\$ -</b>	<b>\$ 36,182,922</b>
<b>LIABILITIES:</b>				
Vouchers payable	\$ 86,329	\$ 160,029	\$ -	\$ 246,358
Wages payable	57,344	5,820	-	63,164
Payroll taxes payable	7,455	525	-	7,980
Estimated liability for claims and judgments	112,880	-	112,880	-
Due to other funds	26,203	69,297	-	95,500
Due to other governments	30,928,065	4,004,047	-	34,932,112
Advances from other funds	48,200	-	9,700	38,500
Trusts payable	240,104	50,539	-	290,643
Compensated absences payable	510,552	-	1,887	508,665
<b>TOTAL LIABILITIES</b>	<b>\$ 32,017,132</b>	<b>\$ 4,290,257</b>	<b>\$ 124,467</b>	<b>\$ 36,182,922</b>

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# POLK COUNTY, IOWA

## Capital Assets Used in the Operation of Governmental Funds Capital Assets by Source June 30, 2007

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### GOVERNMENTAL FUNDS CAPITAL ASSETS

Land	\$	11,233,795
Buildings		62,251,049
Improvements other than buildings		954,140
Infrastructure		85,705,351
Equipment		12,891,032
Vehicles		6,765,057
Construction in progress		51,777,136

TOTAL \$ 231,577,560

### INVESTMENT IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE:

General fund	\$	25,703,096
Special revenue funds		83,835,699
Capital projects funds		27,026,407
General obligation bond proceeds		68,504,266
Federal and state grants		3,837,653
Donated funds		4,985,624
Iowa Department of Transportation - Farm-to-Market		17,684,815

TOTAL \$ 231,577,560

# POLK COUNTY, IOWA

## Capital Assets Used in the Operation of Governmental Funds Schedule of Changes by Function For the Year Ended June 30, 2007

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	<b>Governmental Funds Capital Assets</b>			
	<b>July 1, 2006</b>	<b>Additions</b>	<b>Deductions</b>	<b>June 30, 2007</b>
Public safety and legal services	\$ 49,107,367	\$ 43,320,420	\$ (458,967)	\$ 91,968,820
Physical health and social services	10,950,861	1,738,150	(20,739)	12,668,272
County environment and education	6,369,054	263,418	(565,611)	6,066,861
Roads and transportation	96,256,517	3,587,757	(2,990,385)	96,853,889
Governmental services to residents	2,546,321	-	(28,979)	2,517,342
Administration	21,221,297	982,661	(701,582)	21,502,376
<b>TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS</b>	<b>\$ 186,451,417</b>	<b>\$ 49,892,406</b>	<b>\$ (4,766,263)</b>	<b>\$ 231,577,560</b>

**POLK COUNTY, IOWA**

**Capital Assets Used in the Operation of Governmental Funds  
Schedule by Function  
June 30, 2007**

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	<b>Land</b>	<b>Buildings</b>	<b>Improvements Other Than Buildings</b>
Public safety and legal services	\$ 2,182,903	\$ 37,831,504	\$ 376,945
Physical health and social services	357,491	10,083,885	-
County environment and education	845,770	3,044,947	359,195
Roads and transportation	48,200	2,563,512	218,000
Governmental services to residents	-	-	-
Administration	7,799,431	8,727,201	-
<b>TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS</b>	<b>\$ 11,233,795</b>	<b>\$ 62,251,049</b>	<b>\$ 954,140</b>

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<b>Infrastructure</b>	<b>Equipment</b>	<b>Vehicles</b>	<b>Construction in Progress</b>	<b>Total</b>
\$ -	\$ 1,131,096	\$ 2,675,998	\$ 47,770,374	\$ 91,968,820
-	28,495	136,885	2,061,516	12,668,272
-	462,710	1,167,047	187,192	6,066,861
85,705,351	5,369,315	2,302,711	646,800	96,853,889
-	2,517,342	-	-	2,517,342
-	3,382,074	482,416	1,111,254	21,502,376
<b>\$ 85,705,351</b>	<b>\$ 12,891,032</b>	<b>\$ 6,765,057</b>	<b>\$ 51,777,136</b>	<b>\$ 231,577,560</b>

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## STATISTICAL SECTION

The statistical section of the County's comprehensive annual financial report presents detailed information as a context for understanding what the information presented in the financial statements, note disclosures and required supplementary information say about the County's overall financial health.

**Financial Trends** – These schedules contain trend information to show how the County's financial performance and well being have changed over time.

**Revenue Capacity** – These schedules contain information to assess the County's most significant local revenue sources, the property tax.

**Debt Capacity** – These schedules present information to assess the affordability of the County's current level of outstanding debt and the County's ability to issue additional debt in the future.

**Demographic and Economic Information** – These schedules offer demographic and economic indicators to show the environment within which the County's financial activities take place.

**Operating Information** – These schedules contain service and infrastructure data to show how the information in the County's financial report relates to the services the County provides and the activities it performs.

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual report for the relevant year. The County implemented GASB 34 in fiscal year 2002; schedules presenting government-wide information include information beginning in that year.

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**POLK COUNTY, IOWA**

**Net Assets by Component  
Last Five Fiscal Years  
(accrual basis of accounting)**

	Fiscal Year				
	2003	2004	2005	2006	2007
Governmental activities:					
Invested in capital assets, net of related debt	\$ 81,063,142	\$ 85,216,029	\$ 83,433,110	\$ 88,986,810	\$ 88,071,556
Restricted	24,563,223	26,088,234	17,401,988	18,604,872	21,722,629
Unrestricted	15,803,414	19,388,897	20,846,704	4,975,529	(5,283,556)
<b>Total governmental activities net assets</b>	<b>\$ 121,429,779</b>	<b>\$ 130,693,160</b>	<b>\$ 121,681,802</b>	<b>\$ 112,567,211</b>	<b>\$ 104,510,629</b>
Business-type activities:					
Invested in capital assets, net of related debt	\$ (11,198,177)	\$ 74,864,786	\$ 166,183,976	\$ 171,295,876	\$ 171,678,408
Restricted	-	-	-	250,665	575,235
Unrestricted	151,686,535	96,387,965	18,902,368	19,441,422	20,941,711
<b>Total business-type activities net assets</b>	<b>\$ 140,488,358</b>	<b>\$ 171,252,751</b>	<b>\$ 185,086,344</b>	<b>\$ 190,987,963</b>	<b>\$ 193,195,354</b>
Primary government:					
Invested in capital assets, net of related debt	\$ 69,864,965	\$ 160,080,815	\$ 249,617,086	\$ 260,282,686	\$ 259,749,964
Restricted	24,563,223	26,088,234	17,401,988	18,855,537	22,297,864
Unrestricted	167,489,949	115,776,862	39,749,072	24,416,951	15,658,155
<b>Total primary government net assets</b>	<b>\$ 261,918,137</b>	<b>\$ 301,945,911</b>	<b>\$ 306,768,146</b>	<b>\$ 303,555,174</b>	<b>\$ 297,705,983</b>

**POLK COUNTY, IOWA**

**Changes in Net Assets  
Last Five Fiscal Years  
(accrual basis of accounting)**

	Fiscal Year				
	2003	2004	2005	2006	2007
<b>Expenses:</b>					
Governmental activities:					
Public safety and legal services	\$ 40,411,107	\$ 41,242,228	\$ 43,906,960	\$ 49,691,718	\$ 50,943,331
Physical health and social services	27,708,547	26,343,547	25,528,316	27,479,491	27,939,503
Mental health	37,951,234	35,871,973	44,893,946	44,253,468	47,580,948
County environment and education	18,158,228	13,851,729	13,611,135	21,791,609	17,911,180
Roads and transportation	14,406,203	15,469,578	15,429,274	15,662,237	14,384,813
Governmental services to residents	4,892,851	5,079,335	5,625,475	5,702,700	6,068,908
Administration	23,077,505	21,325,551	27,880,553	29,651,306	31,230,881
Interest on long-term debt	663,719	715,335	778,112	755,602	3,143,577
<b>Total governmental activities expenses</b>	<b>167,269,394</b>	<b>159,899,276</b>	<b>177,653,771</b>	<b>194,988,131</b>	<b>199,203,141</b>
Business-type activities:					
Air Pollution	792,979	824,969	868,170	890,104	773,893
Convention Complex	2,791,366	3,046,810	-	-	-
Veterans Memorial Auditorium	4,766,112	4,824,978	-	-	-
Sanitary Treatment Works	573,753	663,311	1,327,274	1,021,679	896,815
Prairie Meadows Racetrack/Casino	5,849,793	6,322,144	6,379,323	5,796,602	6,589,760
Jester Park Golf Course	1,269,480	1,527,129	1,343,601	1,404,849	1,367,187
Hamilton Urban Drainage District	259,788	256,019	257,173	259,674	269,147
Iowa Events Center	212,541	1,450,814	11,052,531	15,317,370	14,584,039
Wells Fargo Arena	-	-	511,976	9,134,360	8,390,198
Urban Sewer	-	-	-	18,025	234,327
<b>Total business-type activities expenses</b>	<b>16,515,812</b>	<b>18,916,174</b>	<b>21,740,048</b>	<b>33,842,663</b>	<b>33,105,366</b>
<b>Total government expenses</b>	<b>\$ 183,785,206</b>	<b>\$ 178,815,450</b>	<b>\$ 199,393,819</b>	<b>\$ 228,830,794</b>	<b>\$ 232,308,507</b>
<b>Program revenues:</b>					
Governmental activities:					
Charges for services:					
Public safety and legal services	\$ 6,268,827	\$ 6,572,418	\$ 7,729,226	\$ 9,881,061	\$ 11,186,397
Physical health and social services	1,275,959	1,311,539	1,229,497	1,156,011	1,115,878
Mental health	4,708,156	5,199,260	4,730,128	6,454,464	5,848,459
County environment and education	853,103	744,504	995,812	1,074,961	1,241,881
Roads and transportation	361,106	446,904	463,326	325,313	566,269
Governmental services to residents	7,528,152	7,717,311	6,918,675	7,413,659	7,041,509
Administration	1,004,028	1,264,511	1,186,472	1,111,113	1,123,749
Interest on long-term debt	-	-	7	16	8
Operating grants and contributions	34,395,431	34,724,045	33,588,436	38,376,764	40,462,381
Capital grants and contributions	8,602,189	7,919,206	4,397,521	2,379,801	340,200
<b>Total governmental activities program revenues</b>	<b>64,996,951</b>	<b>65,899,698</b>	<b>61,239,100</b>	<b>68,173,163</b>	<b>68,926,731</b>
Business-type activities:					
Charges for services:					
Air Pollution	162,708	267,758	216,107	306,972	256,331
Convention Complex	2,504,334	2,753,773	-	-	-
Veterans Memorial Auditorium	3,169,810	3,100,190	-	-	-
Sanitary Treatment Works	492,986	490,660	516,014	535,978	588,771
Prairie Meadows Racetrack/Casino	22,803,430	24,840,877	26,314,007	27,130,384	27,183,708
Jester Park Golf Course	1,319,134	1,301,554	1,388,515	1,489,001	1,390,168
Hamilton Urban Drainage District	137,926	122,750	129,326	138,401	131,245
Iowa Events Center	-	-	6,446,233	6,039,145	7,176,134
Wells Fargo Arena	-	-	260,000	2,150,216	2,170,233
Operating grants and contributions	654,205	624,372	660,817	710,464	648,292
Capital grants and contributions	49,816,143	16,364,366	20,367,596	10,756,874	1,537,235
<b>Total business-type activities program revenues</b>	<b>81,060,676</b>	<b>49,866,300</b>	<b>56,298,615</b>	<b>49,257,435</b>	<b>41,082,117</b>
<b>Total government program revenues</b>	<b>\$ 146,057,627</b>	<b>\$ 115,765,998</b>	<b>\$ 117,537,715</b>	<b>\$ 117,430,598</b>	<b>\$ 110,008,848</b>

(continued)

**POLK COUNTY, IOWA**

**Changes in Net Assets  
Last Five Fiscal Years  
(accrual basis of accounting)**

	Fiscal Year				
	2003	2004	2005	2006	2007
Net (expense)/revenue:					
Governmental activities	\$ (102,272,443)	\$ (93,999,578)	\$ (116,414,671)	\$ (126,814,968)	\$ (130,276,410)
Business-type activities	64,544,864	30,950,126	34,558,567	15,414,772	7,976,751
<b>Total government net expense</b>	<b>\$ (37,727,579)</b>	<b>\$ (63,049,452)</b>	<b>\$ (81,856,104)</b>	<b>\$ (111,400,196)</b>	<b>\$ (122,299,659)</b>
General revenues and other changes in net assets:					
Governmental activities:					
Taxes:					
Property taxes	\$ 76,388,149	\$ 80,195,570	\$ 85,283,346	\$ 88,765,727	\$ 95,414,667
Other county taxes	4,522,965	5,007,702	4,809,582	4,793,069	4,539,835
Interest on property taxes	1,036,820	1,050,605	1,061,401	1,153,332	1,147,313
State replacements	4,248,944	2,982,019	2,746,785	2,670,946	2,658,239
Use of money and property	2,007,490	1,709,951	3,210,740	5,197,356	8,347,209
Miscellaneous	2,581,325	2,102,807	2,401,601	3,346,717	2,068,863
Gain on sale of capital assets	-	-	-	270,000	-
Transfers	5,590,123	10,214,305	7,889,858	11,503,230	8,043,702
<b>Total governmental activities</b>	<b>96,375,816</b>	<b>103,262,959</b>	<b>107,403,313</b>	<b>117,700,377</b>	<b>122,219,828</b>
Business-type activities:					
Use of money and property	1,282,188	1,343,852	1,679,914	1,558,005	1,854,206
Miscellaneous	674,307	8,684,720	185,513	432,072	420,136
Special item - contribution expense WRA Sewer	-	-	(14,700,543)	-	-
Transfers	(5,590,123)	(10,214,305)	(7,889,858)	(11,503,230)	(8,043,702)
<b>Total business-type activities</b>	<b>(3,633,628)</b>	<b>(185,733)</b>	<b>(20,724,974)</b>	<b>(9,513,153)</b>	<b>(5,769,360)</b>
<b>Total government</b>	<b>\$ 92,742,188</b>	<b>\$ 103,077,226</b>	<b>\$ 86,678,339</b>	<b>\$ 108,187,224</b>	<b>\$ 116,450,468</b>
Change in net assets:					
Governmental activities	\$ (5,896,627)	\$ 9,263,381	\$ (9,011,358)	\$ (9,114,591)	\$ (8,056,582)
Business-type activities	60,911,236	30,764,393	13,833,593	5,901,619	2,207,391
<b>Total primary government</b>	<b>\$ 55,014,609</b>	<b>\$ 40,027,774</b>	<b>\$ 4,822,235</b>	<b>\$ (3,212,972)</b>	<b>\$ (5,849,191)</b>

(concluded)

**POLK COUNTY, IOWA**

**Fund Balances, Governmental Funds  
Last Five Fiscal Years  
(modified accrual basis of accounting)**

	Fiscal Year				
	2003	2004	2005	2006	2007
General Fund:					
Reserved:					
Advances to other funds	\$ 69,300	\$ 61,600	\$ 53,900	\$ 46,200	\$ 38,500
Inventory of supplies	267,170	270,277	251,187	226,889	270,940
Supplemental levy purposes	7,447,969	10,289,216	7,763,378	5,747,249	4,527,232
Prepaid items	480,372	325,794	326,591	205,061	170,936
Unreserved:					
Undesignated, reported in:					
General Fund	15,845,457	19,786,798	20,772,957	27,458,434	31,554,143
<b>Total General Fund</b>	<b>\$ 24,110,268</b>	<b>\$ 30,733,685</b>	<b>\$ 29,168,013</b>	<b>\$ 33,683,833</b>	<b>\$ 36,561,751</b>
MH/MR/DD Services:					
Reserved:					
Advances to component unit	\$ 1,096,391	\$ 1,040,786	\$ 983,501	\$ 924,486	\$ 863,685
Unreserved:					
Undesignated, reported in:					
Special revenue funds	48,504	4,634,376	(651,661)	(1,323,681)	(3,180,810)
<b>Total MH/MR/DD Services</b>	<b>\$ 1,144,895</b>	<b>\$ 5,675,162</b>	<b>\$ 331,840</b>	<b>\$ (399,195)</b>	<b>\$ (2,317,125)</b>
Jail Facility Fund:					
Unreserved:					
Undesignated, reported in:					
Capital projects funds	N/A	N/A	N/A	N/A	18,559,904
<b>Total Jail Facility Fund</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 18,559,904</b>
All other governmental funds:					
Reserved for:					
Advances to other funds	\$ -	\$ -	\$ 44,000	\$ 2,000	\$ -
Advances to component unit	5,476,341	4,964,293	4,422,240	3,859,193	3,270,132
Noncurrent notes receivable	3,439,245	2,691,781	2,281,459	1,809,930	3,604,943
Inventory of supplies	834,381	771,964	604,354	514,769	578,060
Supplemental levy purposes	1,367,051	1,436,719	1,539,791	1,417,869	164,896
Unreserved:					
Designated, reported in:					
Special revenue funds	14,390,087	16,920,295	15,491,382	15,901,830	8,116,722
Undesignated, reported in:					
Special revenue funds	2,568,905	(2,293,373)	(1,830,588)	1,246,346	(795,114)
Capital projects funds	4,070,063	3,592,801	3,149,526	(5,727,117)	9,597,713
Debt service funds	836,776	993,781	789,769	936,163	417,138
<b>Total all other governmental funds</b>	<b>\$ 32,982,849</b>	<b>\$ 29,078,261</b>	<b>\$ 26,491,933</b>	<b>\$ 19,960,983</b>	<b>\$ 24,954,490</b>

## POLK COUNTY, IOWA

### Changes in Fund Balances, Governmental Funds Last Five Fiscal Years (modified accrual basis of accounting)

	Fiscal Year				
	2003	2004	2005	2006	2007
<b>Revenues:</b>					
Property taxes	\$ 76,432,075	\$ 80,073,560	\$ 84,979,971	\$ 88,444,351	\$ 95,065,943
Other County taxes	4,522,965	5,007,702	4,809,582	4,793,069	4,539,835
Interest and penalties on delinquent taxes	1,036,820	1,050,605	1,061,401	1,153,332	1,147,313
Intergovernmental	49,871,180	50,386,963	48,116,800	59,121,302	59,267,106
Licenses and permits	966,497	890,166	943,081	600,980	481,516
Charges for service	9,533,000	9,516,163	9,619,485	10,717,919	10,734,667
Use of money and property	1,879,148	1,688,882	3,145,534	5,039,230	8,147,428
Fines, forfeitures and defaults	478,546	-	-	-	-
Miscellaneous	2,067,715	2,785,644	1,824,317	2,443,924	1,763,992
<b>Total revenues</b>	<b>146,787,946</b>	<b>151,399,685</b>	<b>154,500,171</b>	<b>172,314,107</b>	<b>181,147,800</b>
<b>Expenditures:</b>					
Public safety and legal services	38,159,485	38,605,232	41,340,119	46,600,339	48,709,314
Physical health and social services	27,385,372	25,901,227	24,781,328	26,453,593	27,175,301
Mental health	37,943,410	35,871,973	44,893,946	44,253,468	47,580,948
County environment and education	17,288,250	13,181,319	13,086,191	21,369,155	16,670,606
Roads and transportation	7,579,979	9,263,306	7,881,246	9,176,185	8,731,835
Governmental services to residents	4,599,552	4,831,067	5,243,386	5,192,084	5,717,290
Administration	21,119,416	19,064,885	25,221,121	28,141,913	29,266,591
Nonprogram services	30,565	30,110	70,697	193,374	709,229
Debt service:					
Principal	1,854,176	2,416,089	2,526,980	2,749,893	3,791,808
Interest	653,421	720,409	776,022	714,235	2,895,372
Capital Projects:					
Roadway construction	2,432,847	4,459,987	2,768,779	3,484,215	4,003,795
Conservation land acquisition and development	220,017	114,419	195,324	1,187,487	853,962
Other capital projects	4,719,875	2,709,348	3,270,594	12,605,065	48,382,141
<b>Total expenditures</b>	<b>163,986,365</b>	<b>157,169,371</b>	<b>172,055,733</b>	<b>202,121,006</b>	<b>244,488,192</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(17,198,419)</b>	<b>(5,769,686)</b>	<b>(17,555,562)</b>	<b>(29,806,899)</b>	<b>(63,340,392)</b>
<b>Other financing sources (uses):</b>					
Transfers in	20,005,619	20,962,438	23,278,866	39,867,947	99,924,310
Transfers out	(14,320,997)	(8,928,133)	(18,869,008)	(28,344,717)	(93,360,608)
Proceeds from issuance of conduit debt	-	1,530,000	-	-	-
Payment to refunded bond escrow agent-conduit debt	-	(1,511,213)	-	-	-
Proceeds from issuance of bonds	6,258,387	1,025,000	3,770,000	14,975,000	80,915,000
Premium (discount) on bonds issued	-	-	25,652	77,543	24,675
Issuance of capital leases	-	-	-	557,766	168,920
Proceeds from the sale of capital assets	88,150	-	41,430	41,078	74,152
<b>Total other financing sources (uses)</b>	<b>12,031,159</b>	<b>13,078,092</b>	<b>8,246,940</b>	<b>27,174,617</b>	<b>87,746,449</b>
<b>Net change in fund balances</b>	<b>\$ (5,167,260)</b>	<b>\$ 7,308,406</b>	<b>\$ (9,308,622)</b>	<b>\$ (2,632,282)</b>	<b>\$ 24,406,057</b>
Debt service as % of noncapital expenditures	1.60%	2.09%	1.99%	1.87%	3.50%

**POLK COUNTY, IOWA**

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

Fiscal Year Ended June 30	Residential Property	Commercial Property	Industrial Property	Agricultural Property & Building	Reimb / Non-Reimb M&E/Comp & Railroads	Utilities W/O Gas & Electric	Less:		Total Taxable Assessed Property	Total Direct Tax Rate (c)
							Military Tax-Exempt Property	Property		
1998	\$ 9,667,560,647	\$ 4,142,641,065	\$ 313,647,460	\$ 170,158,900	\$ 193,149,717	\$ 720,783,485	\$ (41,606,266)	\$ 15,166,335,008	\$ 6.43	
1999	10,620,986,052	4,418,165,947	315,256,711	189,960,850	152,102,827	142,997,725	(41,054,876)	15,798,415,236	6.43	
2000	10,972,089,760	4,544,145,029	308,715,875	188,802,070	107,989,493	150,812,967	(40,578,940)	16,231,976,254	6.38	
2001	12,380,092,744	4,852,939,650	332,230,057	176,524,720	69,973,080	157,018,188	(40,004,442)	17,928,773,997	6.35	
2002	12,762,231,179	5,113,030,508	330,155,953	175,130,730	22,802,745	167,252,805	(39,460,588)	18,531,143,332	6.35	
2003	14,638,527,938	5,464,460,568	336,451,459	121,726,940	24,988,015	143,937,792	(38,666,548)	20,691,426,164	6.35	
2004	15,240,749,267	5,650,708,433	333,764,600	120,506,340	26,017,475	151,005,921	(37,963,717)	21,484,788,319	6.35	
2005	17,199,501,990	6,091,367,498	347,505,667	118,207,210	26,095,792	162,418,793	(37,737,570)	23,907,359,380	6.35	
2006	17,989,044,550	6,323,324,900	360,678,980	118,019,020	24,874,251	138,971,954	(37,507,856)	24,917,405,799	6.35	
<b>2007</b>	N/A (b)	N/A (b)	N/A (b)	N/A (b)	N/A (b)	N/A (b)	N/A (b)	N/A (b)	N/A (b)	

**Source:** 2006 Valuation workpaper from Ron Carzoli, Tax/GIS Department Supervisor.

- Notes:**
- (a) Property is assessed at actual value; therefore, the assessed values are equal to the actual value.
  - (b) 2007 Calendar Year Assessment is for taxes due in fiscal year 2007/2008 and is not yet available
  - (c) Tax rates are per \$1,000 of assessed value.

**POLK COUNTY , IOWA**

**Principal Property Taxpayers  
Current Year and Nine Years Ago**

<b>Taxpayer</b>	<b>2007</b>			<b>1998</b>		
	<b>2005 Taxable Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total County Taxable Assessed Value</b>	<b>1996 Taxable Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total County Taxable Assessed Value</b>
Principal Life Insurance Co.	\$ 259,269,890	1	1.8%	\$ 208,818,824	2	2.1%
R & R Investors	220,575,770	2	1.5%	-		-
Knapp, William	151,290,130	3	1.0%	-		-
Mid America Investments	109,444,400	4	0.8%	60,573,907	5	0.6%
Hubbell Realty Co.	103,966,700	5	0.7%	-		-
Qwest/US West Communications	101,497,343	6	0.7%	76,342,796	3	0.8%
Wells Fargo	100,431,550	7	0.7%	-		-
Nationwide Mutual Insurance	89,829,350	8	0.6%	-		-
Polk County (Prairie Meadows)	83,923,000	9	0.6%	-		-
Valley West Mall	82,868,700	10	0.6%	-		-
Mid American Energy	-		-	550,899,281	1	5.5%
McMurray, William and Eunice	-		-	73,231,210	4	0.7%
John Deere	-		-	46,909,743	6	0.5%
Iowa Methodist	-		-	44,769,950	7	0.4%
Ruan	-		-	42,125,912	8	0.4%
Pioneer Hi-Bred	-		-	40,904,014	9	0.4%
Bridgestone-Firestone	-		-	40,579,273	10	0.4%
<b>Total</b>	<b>\$ 1,303,096,833</b>		<b>9.0%</b>	<b>\$ 1,185,154,910</b>		<b>11.9%</b>

Source: Polk County Assessor website

# POLK COUNTY, IOWA

## Property Tax Levies and Collections, Last Ten Fiscal Years

Fiscal Year Ended June 30	Property Taxes Levied for the Fiscal Year	Property Taxes Collected Within the Fiscal Year of the Levy (a)		Property Tax Collections In Subsequent Years (b)	Property Tax Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1998	\$ 68,344,905	\$ 67,703,576	99.1%	\$ 14,757	\$ 67,718,333	99.1%
1999	71,172,237	70,953,772	99.7%	46,985	71,000,757	99.8%
2000	74,349,431	74,238,715	99.9%	42,060	74,280,775	99.9%
2001	73,826,332	73,606,134	99.7%	69,996	73,676,130	99.8%
2002	77,002,424	76,663,227	99.6%	38,366	76,701,593	99.6%
2003	79,465,301	79,087,899	99.5%	63,924	79,151,823	99.6%
2004	82,823,976	82,559,416	99.7%	119,750	82,679,166	99.8%
2005	87,950,229	87,623,125	99.6%	58,083	87,681,208	99.7%
2006	91,360,000	91,060,220	99.7%	10,946	91,071,166	99.7%
<b>2007</b>	<b>98,107,703</b>	<b>97,654,105</b>	<b>99.5%</b>	<b>27,061</b>	<b>97,681,166</b>	<b>99.6%</b>

**Source:** County Property Tax Rates per Iowa Department of Management and Cash Receipt Status Report

**Notes:** (a) Property taxes collected within the fiscal year of levy 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) Property tax collections in subsequent years include delinquent tax collections and TIF reimbursements. All collections are on cash basis.

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**POLK COUNTY, IOWA**

**Direct and Overlapping Property Tax Rates  
Last Ten Years  
(rate per \$1,000 of assessed value)**

	Year Taxes are Payable				
	1998	1999	2000	2001	2002
Countywide service rates:					
General Basic	\$ 3.50	\$ 3.50	\$ 3.50	\$ 3.50	\$ 3.50
General Supplemental	1.49	1.54	1.53	1.53	1.59
MH/DD Service	1.45	1.39	1.32	1.26	1.21
Debt Service	-	-	0.03	0.05	0.05
<b>Total Countywide Rate</b>	<b>6.43</b>	<b>6.43</b>	<b>6.38</b>	<b>6.35</b>	<b>6.35</b>
Rural service rates	4.86	4.86	4.86	4.79	4.71
<b>Total Rural Rate</b>	<b>11.29</b>	<b>11.29</b>	<b>11.25</b>	<b>11.14</b>	<b>11.06</b>
City rates:					
Alleman	7.58	8.10	7.37	7.00	6.71
Altoona	10.67	8.93	8.91	8.90	8.90
Ankeny	9.65	9.65	9.52	9.65	9.65
Bondurant	14.54	14.87	14.88	14.90	14.36
Carlisle	10.46	10.67	11.95	12.39	12.38
Clive	7.61	7.70	7.91	7.91	8.45
Des Moines	16.25	16.94	16.82	16.57	17.05
Elkhart	7.25	8.10	8.10	8.10	8.10
Granger	-	-	-	-	10.39
Grimes	11.02	12.27	11.61	11.61	11.73
Johnston	9.65	9.86	9.48	9.94	11.19
Mitchellville	13.57	13.60	13.42	14.19	13.15
Norwalk	-	-	-	-	-
Pleasant Hill	13.28	12.06	11.67	11.61	11.78
Polk City	8.30	8.22	8.19	8.15	8.01
Runnells	8.10	8.10	8.10	8.10	8.10
Sheldahl	3.58	3.41	3.23	3.28	2.86
Urbandale	8.52	8.49	8.84	8.97	8.96
Windsor Heights	10.66	10.87	10.92	10.92	11.03
West Des Moines	10.90	10.90	10.90	10.90	10.90
School District Rates:					
North Polk	17.18	16.59	15.90	14.60	14.63
Southeast Polk	18.01	16.41	16.54	15.31	15.13
Bondurant-Farrar	15.74	15.30	15.05	14.57	14.60
Ankeny	17.39	17.50	17.09	17.09	17.01
Carlisle	19.03	18.32	16.85	17.06	16.33
West Des Moines	13.58	13.67	13.51	13.50	13.49
Des Moines Independent	17.05	17.71	16.96	16.95	17.14
Saydel	15.67	15.75	16.57	16.76	14.78
Johnston	14.82	14.67	14.99	14.84	15.10
Woodward-Granger	-	-	-	-	13.92
Dallas	17.40	16.86	18.35	18.35	17.82
Dallas	-	-	-	-	-
Urbandale	15.43	14.43	14.38	12.34	12.91
Urbandale	-	-	-	-	-
Other:					
State	0.01	0.01	0.01	0.01	0.01
Area XI Community College	0.47	0.51	0.52	0.55	0.54
Broadlawns County Hospital	2.39	2.49	2.55	2.56	2.91
Ag. Extension	0.03	0.03	0.03	0.04	0.04
Assessor	0.33	0.33	0.31	0.31	0.34

Source: 2005/2006 Tax Rates Payable Fiscal Year Ended June 30, 2007 obtained from Ron Carzoli, Tax/GIS Dept Supervisor

**Year Taxes are Payable**

	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
\$	3.50	\$ 3.50	\$ 3.50	\$ 3.50	\$ 3.50
	1.56	1.61	1.59	1.57	1.64
	1.18	1.13	1.06	1.03	0.96
	0.11	0.11	0.20	0.24	0.24
	6.35	6.35	6.35	6.35	6.35
	4.59	4.59	4.59	4.59	4.59
	10.94	10.94	10.95	10.94	10.94

6.92	7.81	8.07	7.89	8.05
8.89	8.89	8.89	8.79	8.64
9.90	9.90	10.39	10.39	10.34
14.21	14.56	14.45	14.39	14.38
12.92	12.89	12.92	13.99	13.97
8.97	8.92	8.93	9.11	9.25
17.05	17.05	17.06	16.52	16.45
10.82	8.10	11.70	11.55	11.69
11.31	11.52	12.20	12.99	12.65
12.77	12.82	12.84	12.83	12.75
10.89	10.89	10.81	10.74	11.31
13.62	13.87	13.34	13.47	12.45
-	12.43	12.43	12.43	13.92
11.60	11.48	11.48	11.48	11.48
8.09	7.90	7.90	7.90	7.90
8.10	8.10	8.83	9.02	9.08
2.79	2.71	2.63	2.55	3.43
8.97	9.07	9.07	9.07	9.07
11.59	12.35	12.63	12.63	12.22
11.60	11.60	11.73	11.73	11.95

14.94	15.12	16.04	16.42	16.13
15.42	17.37	17.28	17.99	20.99
15.43	15.28	16.26	16.71	17.23
17.25	17.10	16.90	16.70	16.71
17.96	18.88	18.37	18.37	17.21
13.50	13.50	13.50	13.50	13.70
17.10	17.36	18.03	18.01	18.02
14.86	14.80	14.67	13.13	13.39
15.65	16.73	17.21	17.35	17.35
14.83	15.95	17.02	16.76	17.52
17.49	17.50	17.51	17.51	17.50
14.46	14.74	14.88	14.96	15.68
13.44	12.96	12.13	13.70	13.48
13.02	12.61	11.99	13.51	13.48

0.00	0.00	0.00	0.00	0.00
0.55	0.58	0.60	0.68	0.69
2.99	3.06	3.26	3.20	3.49
0.04	0.04	0.04	0.04	0.04
0.34	0.32	0.32	0.35	0.30

## POLK COUNTY, IOWA

### Ratios of Outstanding Debt by Type Last Ten Fiscal Years

Fiscal Year	Governmental Activities				Business-Type Activities				Total Government	Percentage of Personal Income*	Per Capita*
	General Obligation Bonds Payable	Notes Payable	Capital Leases Payable		General Obligation Bonds Payable	Notes Payable					
1998	\$ 13,015,000	\$ 1,005,294	\$ 283,921	\$	\$ 8,269,081	\$ 6,955,876	\$	29,529,172	0.27%	\$ 83.38	
1999	11,178,065	670,623	413,373		7,401,071	6,391,401		26,054,533	0.22%	72.41	
2000	13,965,217	325,000	428,051		6,483,061	5,810,865		27,012,194	0.22%	74.07	
2001	18,967,369	772,000	583,571		6,212,001	5,223,681		31,758,622	0.25%	84.78	
2002	17,804,107	743,000	1,460,564		50,689,273	4,613,174		75,310,118	0.56%	196.83	
2003	22,235,306	713,000	972,395		162,855,294	3,999,006		190,775,001	1.37%	498.62	
2004	20,869,657	682,000	793,822		158,849,951	3,386,366		184,581,796	1.24%	472.54	
2005	22,162,437	650,000	483,525		147,618,237	-		170,914,199	1.08%	430.35	
2006	34,491,195	616,000	687,403		144,921,169	-		180,715,767	1.15%	448.28	
<b>2007</b>	<b>111,657,091</b>	<b>581,000</b>	<b>550,926</b>		<b>136,562,443</b>	<b>-</b>		<b>249,351,460</b>	<b>1.58%</b>	<b>609.83</b>	

\* Calculation made using population and personal income figures from Demographics and Economic Statistics Table.

**Notes:** 2006 and 2007 percentages calculated using 2005 personal income data, which is the most recent available.

# POLK COUNTY, IOWA

## Ratios of General Bonded Debt Outstanding Last Ten Fiscal Years

Fiscal Year	General Bonded Debt Outstanding			Percentage Actual Taxable Value of Property	Per Capita*
	General Obligation Bonds	Less Amounts Restricted to Repaying Principal	Total		
1998	\$ 21,284,081	\$ 353,969	\$ 20,930,112	0.14%	\$ 59.10
1999	18,579,136	20,806	18,558,330	0.12%	51.58
2000	20,448,278	264,630	20,183,648	0.12%	55.35
2001	25,179,370	416,572	24,762,798	0.14%	66.10
2002	68,493,380	656,237	67,837,143	0.37%	177.30
2003	185,090,600	836,776	184,253,824	0.89%	481.57
2004	179,719,608	993,781	178,725,827	0.83%	457.55
2005	169,780,674	789,769	168,990,905	0.71%	425.51
2006	179,412,364	936,163	178,476,201	0.72%	442.72
<b>2007</b>	248,219,534	417,138	247,802,396	N/A (a)	606.04

\* Calculated using population figure from Demographics and Economic Statistics Table.

**Note:** (a) 2007 Calendar Year Assessment is for taxes due in fiscal year 2007/2008 and is not yet available.

# POLK COUNTY, IOWA

## Direct and Overlapping Governmental Activities Debt As of June 30, 2007

Governmental Unit	Taxable Valuation	Debt Outstanding	Totals
County direct debt	\$ 14,442,262,477	\$ 248,219,534	<u>\$ 248,219,534</u>
City debt:			
Alleman	15,407,110	161,000	
Altoona	377,274,946	31,255,000	
Ankeny	1,394,274,037	42,455,000	
Bondurant	59,362,171	1,390,000	
Clive	775,800,183	37,190,000	
Des Moines	5,525,482,721	348,750,000	
Elkhart	10,254,338	205,000	
Grimes	223,814,492	5,860,000	
Johnston	780,658,307	34,787,778	
Mitchellville	38,763,012	425,000	
Pleasant Hill	254,847,106	10,390,000	
Polk City	81,712,716	-	
Runnells	7,931,588	-	
Sheldahl	2,895,782	-	
Urbandale	1,682,298,791	40,055,000	
Windsor Heights	176,643,876	8,020,000	
West Des Moines	2,286,813,364	136,315,733	
<b>Subtotal, City debt</b>		<u>697,259,511</u>	
School district debt:			
Ankeny Community	1,576,520,597	22,915,000	
Bondurant-Farrar	156,492,655	465,000	
Dallas	307,169,738	24,865,000	
Des Moines Independent	5,528,517,528	-	
Johnston Community	1,356,027,565	41,750,000	
North Polk Community	195,406,834	2,435,000	
Saydel	498,041,680	4,855,000	
Southeast Polk	868,887,881	49,835,000	
Urbandale Community	918,664,109	42,015,000	
West Des Moines Community	3,490,250,919	4,770,000	
<b>Subtotal, school district debt</b>		<u>193,905,000</u>	
Other:			
Urbandale Sanitary Sewer		5,084,000	
Urbandale/Windsor Heights Sanitary Sewer		-	
<b>Subtotal, other</b>		<u>5,084,000</u>	
<b>Total, overlapping debt</b>			<u>896,248,511</u>
<b>Total direct and overlapping debt:</b>			<u>\$ 1,144,468,045</u>

**Source:** Cities and school districts within Polk County

**Note:** Fiscal year 2007 is matched to 2005 assessment year

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**POLK COUNTY, IOWA**

**Legal Debt Margin Information  
As of June 30, 2007**

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	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
Debt limit	\$ 671,295,136	\$ 736,719,808	\$ 758,316,750	\$ 789,920,762	\$ 811,598,813
Total net debt applicable to limit	89,515,978	80,821,484	89,053,595	173,524,083	193,242,685
Legal debt margin	\$ 581,779,158	\$ 655,898,324	\$ 669,263,155	\$ 616,396,679	\$ 618,356,128
<b>Total net debt applicable to the limit as a percentage of debt limit</b>	15.39%	12.32%	13.31%	28.15%	31.25%

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

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Legal Debt Margin Calculation for Fiscal Year 2007 Assessed Value	<b>\$ 23,907,359,380</b>
Debt limit (5% of assessed value)	<b>1,195,367,969</b>
Less: Debt applicable to debt limit; Outstanding County indebtedness (a)	<u><b>419,214,286</b></u>
Legal debt margin	<u><b>\$ 776,153,683</b></u>

	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
\$	896,438,700	\$ 926,557,167	\$ 1,034,571,308	\$ 1,074,239,416	\$ 1,195,367,969
	315,568,208	317,765,656	313,142,908	327,914,085	419,214,286
\$	<u>580,870,492</u>	<u>\$ 608,791,511</u>	<u>\$ 721,428,400</u>	<u>\$ 746,325,331</u>	<u>\$ 776,153,683</u>
	54.33%	52.20%	43.41%	43.94%	54.01%

# POLK COUNTY, IOWA

## Demographic and Economic Statistics Last Ten Calendar Years

Year	(a) Estimated Population	(b) Personal Income (000's)	(b) Per Capita Personal Income	Unemployment Statistics (c)		
				Polk County		State of Iowa
				Labor Force	Rate	
1998	354,150	\$ 11,031,940	\$ 30,217	210,700	2.7%	3.3%
1999	359,826	11,636,115	31,399	212,500	2.2%	2.8%
2000	364,672	12,299,159	32,728	210,700	1.9%	2.5%
2001	374,601	12,735,942	33,487	212,900	2.0%	2.6%
2002	382,609	13,421,332	34,858	216,400	2.6%	3.3%
2003	382,609	13,960,668	35,852	228,700	3.5%	4.0%
2004	390,615	14,918,628	37,862	225,000	4.0%	4.5%
2005	397,152	15,754,629	39,215	224,900	4.8%	4.8%
2006	403,132	*	*	232,200	4.3%	4.6%
<b>2007</b>	408,888	*	*	234,900	3.4%	3.7%

**Source:** (a) Greater Des Moines Chamber of Commerce Federation.  
 (b) U.S. Bureau of Economic Analysis  
 (c) Iowa Workforce Development LMI Bureau website.

\*Information not available

# POLK COUNTY, IOWA

## Principal Employers Current Year and Nine Years Ago

Employer	2007			1998		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Wells Fargo Banks, N.A.	11,700	1	4.05%	-		*
State of Iowa	8,800	2	3.05%	-		*
Principal Financial Group	8,000	3	2.77%	8,300	1	*
Mercy Medical Center-Des Moines	7,900	4	2.74%	2,200	5	*
Iowa Health Des Moines	5,300	5	1.84%	5,200	3	*
Federal Government	5,200	6	1.80%	-		*
Des Moines Public Schools	4,520	7	1.57%	-		*
Nationwide (Allied Group)	4,275	8	1.48%	1,255	10	*
Hy-Vee Food Stores	3,730	9	1.29%	6,000	2	*
MidAmerican Energy Holdings Co.	3,500	10	1.21%	-		*
Communications Data Services	-		-	3,000	4	*
Wellmark (Blue Cross/Blue Shield)	-		-	2,066	6	*
Pioneer Hi-Bred International Co.	-		-	1,441	7	*
Firestone Agricultural Tire Co.	-		-	1,400	8	*
U.S. West Communications	-		-	1,400	9	*
<b>Total</b>	<b>62,925</b>		<b>21.81%</b>	<b>32,262</b>		<b>*</b>

**Source:** Greater Des Moines Chamber of Commerce Federation.

\*Information not available

# POLK COUNTY, IOWA

## Full-Time Equivalent County Government Employees by Function /Program Last Ten Fiscal Years

Function / Program	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Public safety	316	322	338	342	344	349	349	351	358	361
Human services	165	162	165	198	194	168	166	159	159	163
Roads and engineering	83	81	82	78	73	74	74	72	72	68
Administration	159	162	169	172	165	148	148	151	151	149
Other	368	381	386	388	387	383	376	344	347	351
<b>Total</b>	<b>1,091</b>	<b>1,108</b>	<b>1,140</b>	<b>1,178</b>	<b>1,163</b>	<b>1,122</b>	<b>1,113</b>	<b>1,077</b>	<b>1,087</b>	<b>1,092</b>

Source: County Budget Office

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**POLK COUNTY, IOWA**

**Operating Indicators by Function/Program  
Last Ten Fiscal Years**

Function / Program	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Public safety and legal services:										
Sheriff:										
# of E911 calls	*	*	*	30,236	40,394	46,075	45,257	47,550	42,474	N/A (a)
# of civil papers served	*	*	*	34,294	35,123	42,875	37,303	42,154	46,164	N/A (a)
# of average daily jail population	*	*	*	649	778	772	834	959	993	N/A (a)
# of bookings	*	*	*	14,018	14,275	12,990	14,454	17,234	17,377	17,978
Medical Examiner:										
# of death investigations	*	*	*	768	920	800	876	939	995	996
# of autopsies	*	*	*	123	172	150	187	235	212	169
Physical health and social services:										
Health Department:										
# of patient visits to STD clinic	*	*	*	3,916	4,269	4,424	4,698	4,435	4,074	4,752
Public Works:										
# of septic/well inspections	*	*	*	*	*	646	824	811	795	817
# of food inspections	*	*	*	2,296	2,448	2,974	2,481	2,787	N/A (b)	-
Veteran Affairs:										
# of clients interviewed	*	*	*	5,729	5,376	6,882	6,001	4,164	6,213	5,726
# of vouchers issued	*	*	*	4,351	5,328	3,069	2,585	2,876	3,548	3,516
Mental Health:										
# of individuals served	*	*	*	5,820	6,764	7,125	7,033	7,487	7,282	7,224
# of individuals receiving ongoing/intensive svc	*	*	*	2,758	2,887	2,895	2,983	3,174	3,225	3,399
County environment and education:										
Public Works:										
# of requests of service for weed eradication	*	*	*	1,446	1,964	4,463	2,538	4,342	3,994	3,781
# of lots cleaned up	*	*	*	85	82	67	38	46	33	28

**POLK COUNTY, IOWA**

**Operating Indicators by Function/Program  
Last Ten Fiscal Years**

Function / Program	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Roads and transportation:										
Public Works:										
# of gravel miles maintained	*	*	*	269	244	226	218	201	187	182
# of paved miles maintained	*	*	*	492	513	517	548	548	582	570
Governmental services to residents,										
Treasurer:										
# of titles	*	*	*	156,228	168,828	162,770	169,846	172,545	146,641	134,329
# of registrations	*	*	*	404,897	417,345	405,811	416,446	494,924	593,767	569,082
Auditor / Elections:										
# of registered voters	*	*	*	240,000	240,000	245,000	250,000	265,000	253,400	275,511

\*Information not available

Source: County records

Notes: (a) 2007 information is not yet available.  
(b) turned over to State in July 2005.

# POLK COUNTY, IOWA

## Capital Asset Statistics by Function/Program Last Ten Fiscal Years

Function / Program	Fiscal Year			
	1998 (a)	1999 (a)	2000 (a)	2001 (a)
Public safety and legal services	\$ 2,998,641	\$ 2,359,789	\$ 2,418,490	\$ 3,364,761
Physical health and social services	115,976	101,066	101,066	101,066
Mental health	-	-	-	-
County environment and education	1,786,138	2,063,982	2,203,425	2,345,624
Roads and transportation	6,826,093	8,060,493	8,771,314	8,117,117
Governmental services to residents	1,322,026	2,093,314	2,195,178	2,224,430
Administration	-	-	-	-
Interprogram	14,447,703	16,174,945	16,616,582	18,908,064
Nonprogram-financing/capital projects	44,148,716	47,827,710	50,539,221	62,526,700

**Notes:** (a) Function/Program for these years is before the GASB34 conversion.

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<b>Fiscal Year</b>						
<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	
\$ 41,622,924	\$ 41,803,545	\$ 41,798,054	\$ 42,377,518	\$ 49,107,367	\$ 91,968,820	
8,042,448	9,936,678	10,085,394	10,111,029	10,950,861	12,668,272	
54,768	54,768	54,768	-	-	-	
4,653,147	5,071,794	5,303,553	5,317,890	6,369,054	6,066,861	
67,830,894	76,407,203	86,828,497	91,571,796	96,256,517	96,853,889	
1,417,453	1,417,453	1,417,453	1,448,189	2,546,321	2,517,342	
22,036,438	22,254,209	20,596,001	20,352,004	21,221,297	21,502,376	
-	-	-	-	-	-	
-	-	-	-	-	-	

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**POLK COUNTY, IOWA**

**Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2007**

<b>Grantor/Program</b>	<b>CFDA Number</b>	<b>Contract Number</b>	<b>Total Federal Expenditures For Fiscal Year 2007</b>
<b>OFFICE OF NATIONAL DRUG CONTROL POLICY</b>			
Direct Program - Iowa Enforcement Initiative (HIDTA) Grant	07.Unknown	I6PMWP556Z	\$ 41,152
Direct Program - Iowa Enforcement Initiative (HIDTA) Grant	07.Unknown	I7PMWP556Z	53,493
Total Office of National Drug Control Policy			<u>94,645</u>
<b>DEPARTMENT OF AGRICULTURE</b>			
Direct Program - Commodity Supplemental Food Distribution	10.565	N/A	651,049
Direct Program - Wetland Restoration Program-Chichaqua Bottoms	10.072	65-6114-XXX	7,561
Direct Program - Soil and Water Conservation	10.902	N/A	3,000
Passed through Iowa Department of Human Services:			
Local Administration Expense Reimbursement	10.561	N/A	198,346
Commodity Supplemental Food Program	10.565	N/A	162,097
Commodity Supplemental Food Program	10.565	N/A	51,387
Passed through Iowa Department of Education:			
National School Breakfast Program	10.553	77-8810	25,715
National School Lunch Program	10.555	77-8810	39,073
Child Care Food Program	10.558	77-8050	1,001,357
Child Care Food Program	10.558	77-8050	331,173
Total Department of Agriculture			<u>2,470,758</u>
<b>U.S. FISH AND WILDLIFE SERVICE</b>			
Direct Program - Challenge Cost-Share Program	15.642	301816J089	-
Passed through Iowa Department of Natural Resources:			
Outdoor Recreation - Acquisition, Development and Planning	15.916	19-01245	-
Total U.S. Fish and Wildlife Service			<u>-</u>
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
Direct Program - Economic Development Initiative - Special Project, Neighborhood Initiative and Miscellaneous Grants	14.251	B-06-SP-IA-0284	626,247
Passed through Iowa Department of Economic Development:			
Community Development Block Grants	14.228	06-HSG-025	-
Passed through Iowa Institute for Community Alliances:			
Emergency Shelter Grant Program	14.231	06-11-77027	16,000
Total Department of Housing and Urban Development			<u>642,247</u>
<b>DEPARTMENT OF JUSTICE</b>			
Direct Program - State Criminal Alien Assistance Program	16.606	2007APBX0675	9,579
Direct Program - State Criminal Alien Assistance Program	16.606	2006APBX0002	16,332
Passed through Iowa Department of Human Rights:			
Juvenile Accountability Incentive Block Grant	16.523	JAB-S07-45	14,371
Passed through Iowa Department of Justice:			
Crime Victim Assistance (VOCA)	16.575	VA-07-26	103,426
Violence Against Women Formula Grants	16.588	VW-07-26	10,000
Passed through Governor's Office of Drug Control Policy:			
Project Safe Neighborhoods (Bomb Dog)	16.609	03-SD08	1,742
Project Safe Neighborhoods	16.609	03S-SD08	3,892
Edward Byrne Justice Assistance Grant (JAG) Program	16.738	06-JAG-A37	597,377
Total Department of Justice			<u>756,719</u>
<b>DEPARTMENT OF TRANSPORTATION</b>			
Passed through Iowa Department of Transportation:			
Highway Planning and Construction - Central Iowa Trail Loop	20.205	04-STPES-114	280,294
Highway Planning and Construction	20.205	03-STPE-129	199,593
Highway Planning and Construction	20.205	2007-16-13	197,987
Recreational Trails Program	20.219	2006-NT-008	-

(continued)

**POLK COUNTY, IOWA**

**Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2007**

Grantor/Program	CFDA Number	Contract Number	Total Federal Expenditures For Fiscal Year 2007
Passed through Ia. Dept. of Public Safety/Governor's Traffic Safety Bureau:			
Section 402 Highway Safety Grant	20.600	PAP 05-02 Task 14	\$ 3,549
Seat Belt Use Incentive Grant	20.604	PAP 06-157 Task 139	846
Passed through Iowa Department of Public Defense:			
2006 HMEP - Training	20.703	N/A	2,400
2007 HMEP - Training	20.703	N/A	2,275
2007 HMEP - Planning	20.703	N/A	5,100
2007 Hazmat Symposium	20.703	N/A	6,279
Total Department of Transportation			<u>698,323</u>
<b>ENVIRONMENTAL PROTECTION AGENCY</b>			
Passed through Iowa Department of Natural Resources:			
Air Pollution Control Implementation Plan Agreement	66.001	2007-7230-02	183,791
Total Environmental Protection Agency			<u>183,791</u>
<b>DEPARTMENT OF ENERGY</b>			
Passed through Iowa Department of Human Rights:			
Weatherization Assistance for Low-Income Persons	81.042	DOE-06-20S	230,679
Weatherization Assistance for Low-Income Persons	81.042	DOE-07-20S	279,146
Total Department of Energy			<u>509,825</u>
<b>DEPARTMENT OF EDUCATION</b>			
Passed through Iowa Department of Education and DMACC:			
Iowa New Choices	84.048	N/A	3,836
Total Department of Education			<u>3,836</u>
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed through Aging Resource of Central Iowa:			
Title IIIB - Emergency Transportation	93.044	N/A	8,340
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	1,843
Title IIIB - Advocacy/Counseling	93.044	N/A	18,600
Title IIIC-1 - Nutrition	93.045	N/A	218,832
Special Program for the Aging - Title IV and Title II Discretionary Projects	93.048	29707E20	44,186
Nutrition Services Incentive Program	93.053	N/A	80,767
Passed through Iowa Department of Human Rights:			
Low-Income Home Energy Assistance	93.568	HEAP-06-20S	429,477
Low-Income Home Energy Assistance	93.568	HEAP-07-20S	273,668
Passed through Iowa Department of Human Services:			
Family Development and Self Sufficiency	93.558	FADSS-07-20-FS	217,798
Local Purchase Allocation Social Services Block Grant	93.667	N/A	1,499,637
Local Administration Expense Reimbursement	93.037	N/A	100
Refugee and Entrant Assistance State Administered Programs	93.566	N/A	466
Local Administration Expense Reimbursement-TANF	93.558	N/A	268,164
Local Administration Expense Reimbursement	93.596	N/A	59,247
Local Administration Expense Reimbursement	93.658	N/A	147,867
Local Administration Expense Reimbursement	93.659	N/A	29,957
Local Administration Expense Reimbursement	93.667	N/A	176,277
Local Administration Expense Reimbursement-Medical Assistance Program	93.778	N/A	349,993
State Children's Insurance Program	93.767	N/A	1,805

(continued)

**POLK COUNTY, IOWA**

**Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2007**

<b>Grantor/Program</b>	<b>CFDA Number</b>	<b>Contract Number</b>	<b>Total Federal Expenditures For Fiscal Year 2007</b>
Passed through Iowa Department of Public Health:			
Tuberculosis Elimination	93.116	MOU-2006-TB07	\$ 17,328
Tuberculosis Elimination	93.116	MOU-2007-TB02	4,968
Childhood Lead Poisoning	93.197	5887LP06	75,818
I-4 Project	93.268	5886I457	20,254
I-4 Project	93.268	5887I457	14,206
Bioterrorism Preparedness Planning Program	93.283	5886BT01	45,831
Bioterrorism Preparedness Planning Program	93.283	5887BT01	65,861
Bioterrorism Preparedness Planning Program	93.283	5887BT07	39
Bioterrorism Preparedness Planning Program	93.283	5886BT07	68,520
Bioterrorism Preparedness Planning Program - City Readiness Initiative	93.283	5887BT17	122,523
Wisewoman	93.283	5887WW11	25,135
Iowa Breast and Cervical Cancer Early Detection Program	93.283	5887NB20	121,380
EMS Disaster Preparedness	93.889	5886EM176	7,021
EMS Disaster Preparedness	93.889	5887EM176	5,742
HIV Counseling, Testing and Referral	93.940	5887AP10	4,397
HIV Counseling, Testing and Referral	93.940	5886AP13	51,393
HIV Preventative Health Block Grant	93.991	5886AP13	1,681
Total Department of Health and Human Services			<u>4,613,621</u>
<b>DEPARTMENT OF HOMELAND SECURITY</b>			
Passed through United Way:			
FEMA	97.024	Phase XXV	25,279
FEMA	97.024	Phase XXIV	1,800
Passed through City of Des Moines:			
Law Enforcement Terrorism Prevention Program	97.074	FY2005-LETPP-LIEN5-05	54,658
Passed through Iowa Department of Public Defense:			
Pre-Disaster Mitigation Competitive Grant Program	97.017	PDMC-PL-07-LA-2005-099	6,527
FEMA	97.036	DR-1688-IA	193,305
FEMA	97.036	DR-3239-IA	226
State Homeland Security Grant Program (05 Region 1)	97.067	N/A	6,590
Emergency Management Performance Grant (EMPG)	97.067	N/A	53,098
Total Department of Homeland Security			<u>341,483</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$ 10,315,248</u></u>

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, 2007**

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**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, 2007. 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 grant is recognized when they become both measurable and available. Expenditures are recognized when they become a demand on current available financial resources.

**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
Economic Development Initiative - Special Project, Neighborhood Initiative and Miscellaneous Grants	14.251	\$ 452,600
Juvenile Accountability Incentive Block Grant	16.523	\$ 14,371
Edward Byrne Justice Assistance Grant (JAG) Program	16.738	\$ 380,337

**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, 2007, was \$651,049. As of June 30, 2007, the County had commodities on hand with a value of \$294,966.

The County also received noncash assistance in the form of equipment for the State Homeland Security Grant Program (05 Region 1) – CFDA No. 97.067. Equipment in the amount of \$4,000 was purchased for the County during the fiscal year.

**Polk County, Iowa  
Summary Schedule of Prior Audit Findings**

**Year Ended June 30, 2007**

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Number	Comment	Status	Corrective Action or Other Explanation
<b>Findings Related to the Basic Financial Statements</b>			
06-II-A	The County golf course has an inadequate segregation of duties over cash receipts.	Corrected	N/A
<b>Findings and Questioned Costs for Federal Awards</b>			
06-III-A	The County does not maintain adequate documentation of the employees who work solely with the Commodity Supplemental Food Distribution Program, the Edward Byrne Justice Assistance Grant and the Title III C-1 Nutrition Program.	Corrected	N/A
06-III-B	The County does not have an adequate system in place to ensure compliance with subrecipient monitoring requirements.	Corrected	N/A

# 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 Government Auditing Standards**

To the Board of Supervisors  
Polk County, Iowa  
Des Moines, 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, 2007, which collectively comprise Polk County, Iowa's basic financial statements and have issued our report thereon dated November 27, 2007. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Polk County Iowa's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Polk County, Iowa's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## **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*.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2007 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.

We noted certain matters that we have reported to management of Polk County, Iowa in a separate letter dated November 27, 2007.

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 27, 2007

# McGladrey & Pullen

Certified Public Accountants

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

To the Board of Supervisors  
Polk County, Iowa  
Des Moines, 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, 2007. 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, 2007.

### **Internal Control Over Compliance**

The management of Polk County, Iowa is responsible for establishing and maintaining effective internal control over compliance with the 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 the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Polk County, Iowa's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 07-III-A to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness.

Polk County, Iowa's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Polk County, Iowa's response and, accordingly, we express no opinion on it.

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 27, 2007

Polk County, Iowa

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2007

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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
- Significant deficiencies 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
- Significant deficiencies 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
14.251	Economic Development Initiative
20.205	Highway Planning and Construction
93.283	Bioterrorism Preparedness Planning Program, Wisewoman and Iowa Breast and Cervical Cancer Early Detection Program
93.568	Low-Income Home Energy Assistance
93.667	Local Purchase Allocation Social Services Block Grant

Dollar threshold used to distinguish between type A and type B programs: \$309,457

Auditee qualified as low-risk auditee?  Yes  No

Polk County, Iowa

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2007

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II. Findings Related to the Basic Financial Statements

A. Significant Deficiencies in Internal Control

None

B. Compliance

None

III. Findings and Questioned Costs for Federal Awards

Significant Deficiencies in Administering Federal Awards

07-III-A

**U.S Department of Health and Human Services, Passed through the Iowa Department of Public Health, Wisewoman and Iowa Breast and Cervical Cancer Early Detection Programs (CFDA 93.283)**

**Federal Award Years 2006 – 2007**

Finding: The County does not have an adequate system in place for ensuring that vendors used for the Iowa Breast and Cervical Cancer Early Detection Program and the Wisewoman programs are not suspended or debarred from participation in federal programs.

Condition: The County does not have a system in place for this program to ensure vendors used have not been suspended or debarred from participation in federal programs. The County had one vendor that the County expended \$25,000 or more for this program during the fiscal year.

Effect: Federal compliance requirements may not be met.

Criteria/Context: The Office of Management and Budget Circular A-133 dictates when a nonfederal entity (i.e. the County) enters into a contract or purchase order with an entity (vendor), the nonfederal entity must verify the entity is not suspended or debarred from participation in federal program/grants when expending \$25,000 or more in a year with the vendor. The County had one vendor the County expended \$25,000 or more for this program during the fiscal year.

Recommendation: We recommend the County implements a system of ensuring vendors used have not been suspended or debarred prior to entering into contracts or purchase orders for all transactions (federal and nonfederal).

Response and Corrective Action Plan: The County attorney is currently reviewing the County's procedures on how to best comply with this regulation.

**Instances of Noncompliance:**

None

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2007

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IV. Other Findings Related to Required Statutory Reporting

- A. **Certified Budget:** Disbursements during the year ended June 30, 2007 did not exceed the amounts budgeted.
- B. **Questionable Expenditures:** We noted no expenditures for parties, banquets or other entertainment for employees during the year ended June 30, 2007 that we believe may constitute unlawful expenditures from public funds as defined in an Attorney General's opinion dated April 25, 1979.
- C. **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, 2007.
- D. **Business Transactions:** No business transactions between the County and County officials or employees were noted for the year ended June 30, 2007.
- E. **Bond Coverage:** Surety bond coverage of County officials and employees is in accordance with statutory provisions.
- F. **Board Minutes:** No transactions were found that we believe should have been approved in the Board minutes but were not.
- G. **Deposits and Investments:** No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- H. **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).

Polk County, Iowa

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2007

- I. **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	\$ 549,288
Interest/receipts from other sources	765,254
	<u>1,314,542</u>

**Disbursements:**

Salaries	159,406
FICA, IPERS and insurance benefits	46,746
Travel	6,009
Facility costs	157,386
Insurance, legal notice and other	1,637
Office supplies	8,838
Communication	19,112
Equipment/repair	14,045
Project activity expense	1,631
Cost share	73,082
Fee programs expense	215,894
Resale	6,218
Grant and contract programs	402,952
Interest expense	172
Other	1,011
	<u>1,114,139</u>
Excess of receipts over disbursements	200,403
Cash balance, beginning of year	331,761
Cash balance, end of year	<u>\$ 532,164</u>

Total expenditures during the year ended June 30, 2007 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
Communication	\$ 19,112	\$ 13,000
Cost share	73,082	69,853
Fee programs expense	215,894	210,000
Resale	6,218	4,500
Grants and contract programs	402,952	350,000
Interest expense	172	100

- J. **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, 2007 did not exceed the amounts budgeted.

**Polk County, Iowa**

**Corrective Action Plan  
Year Ended June 30, 2007**

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Comment Number	Comment	Corrective Action Plan	Contact Person	Initial Date of Communication	Anticipated Date of Completion
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**Findings and Questioned Costs for Federal Awards**

07-III-A	The County does not have an adequate system in place for ensuring that vendors used for the Iowa Breast and Cervical Cancer Early Detection Program and the Wisewoman programs are not suspended or debarred from participation in federal programs.	See corrective action plan at 07-III-A.	Keith Olson, Auditor	November 2007	June 2008
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