

Polk County Auditor and Commissioner of Elections

Jamie Fitzgerald

Polk County Auditor Office

111 Court Avenue #230

Des Moines, IA 50309

Phone: (515) 286.3080 **Fax:** (515) 286.3608

Email: auditor@co.polk.ia.us



Polk County, Iowa
2006 Auditor's Report
For the Fiscal Year Ended June 30, 2006

Jamie Fitzgerald

Polk County Auditor and
Commissioner of Elections

POLK COUNTY, IOWA

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2006

PREPARED BY:

POLK COUNTY AUDITOR'S OFFICE – MICHAEL MAURO

CENTRAL ACCOUNTING DIVISION

Central Accounting Manager
Keith Olson, CPA

Accounting Supervisor
Jo Ellen Bigelow, CPA

Other Staff

Gina Carter
Michelle Morton
Darren Sickerson

BOARD OF SUPERVISOR'S STAFF

Deb Anderson

POLK COUNTY, IOWA

Comprehensive Annual Financial Report For the Year Ended June 30, 2006 Table of Contents

	Page
INTRODUCTORY SECTION	
Table of Contents	1
Letter of Transmittal	3
Officials	11
Organizational Chart	12
Certificate of Achievement for Excellence in Financial Reporting	13
FINANCIAL SECTION	
Independent Auditors' Report	15
Management's Discussion and Analysis	18
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	28
Statement of Activities	29
Fund Financial Statements	
Balance Sheet - Governmental Funds	32
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets	33
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	34
Reconciliation of the Statement of Revenues, Expenditures, and Fund Balances of Governmental Funds to the Statement of Activities	35
Statement of Net Assets - Proprietary Funds	36
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	37
Statement of Cash Flows - Proprietary Funds	38
Statement of Net Assets - Fiduciary Funds	42
Notes to the Financial Statements	43
Required Supplementary Information	
Budgetary Comparison Schedule - All Governmental Funds	68
Notes to the Required Supplementary Information	69
Supplementary Information	
Nonmajor Governmental Funds	
Combining Balance Sheet	74
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	80
Nonmajor Enterprise Funds	
Combining Statement of Net Assets	86
Combining Statement of Revenues, Expenses, and Changes in Net Assets	87
Combining Statement of Cash Flows	88
Internal Service Funds	
Combining Statement of Net Assets	92
Combining Statement of Revenues, Expenses, and Changes in Net Assets	93
Combining Statement of Cash Flows	94
Agency Funds	
Combining Statement of Assets and Liabilities	96
Combining Statement of Changes in Assets and Liabilities	100
Capital Assets Used in the Operation of Governmental Funds	
Capital Assets by Source	102
Schedule of Changes by Function	103
Schedule by Function	104

(continued)

POLK COUNTY, IOWA

**Comprehensive Annual Financial Report
For the Year Ended June 30, 2006
Table of Contents**

	Page
STATISTICAL SECTION	
Net Assets by Component	109
Changes in Net Assets	110
Fund Balances, Governmental Funds	112
Changes in Fund Balances, Governmental Funds	113
Assessed Value and Actual Value of Taxable Property	114
Principal Property Taxpayers	115
Property Tax Levies and Collections	116
Direct and Overlapping Property Tax Rates	118
Ratios of Outstanding Debt by Type	120
Ratios of General Bonded Debt Outstanding	121
Direct and Overlapping Governmental Activities Debt	122
Legal Debt Margin Information	124
Demographic and Economic Statistics	126
Principal Employers	127
Full-Time Equivalent County Government Employees by Function/Program	128
Capital Asset Statistics by Function/Program	130
REPORTS TO COMPLY WITH THE SINGLE AUDIT ACT	
Schedule of Expenditures of Federal Awards	133
Notes to Schedule of Expenditures of Federal Awards	136
Summary Schedule of Prior Audit Findings	137
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 <i>Governmental Auditing Standards</i>	138
Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	140
Schedule of Findings and Questioned Costs	142
Corrective Action Plan	147
	(concluded)



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

MICHAEL A. MAURO
COUNTY AUDITOR
COMMISSIONER OF ELECTIONS

ADMINISTRATION BUILDING
111 COURT AVE.
286-3079

December 8, 2006

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, 2006.

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, 2006, 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, 2006, 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 403,132. 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 15th, 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 31st of the respective fiscal year. The State of Iowa requires passage of an annual budget of total County operating expenditures by major program service areas. Activities of the general fund, special revenue funds, capital projects funds and debt service funds are included in the annual appropriated budget. The legal level of budgetary control is at the total program service area level.

Factors Affecting Financial Condition

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

Local Economy

The current general economic condition of the County is vibrant. The population continues to grow at a moderate pace, up approximately 13.8% since 1997, to 403,132 in 2006. Unemployment is approximately 4.3%, 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 \$2.4 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 \$340 million and are a central component of this development. All projects, excluding the World Food Prize headquarters slated for a 2008 opening, have been completed.

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 \$58 million project will provide a variety of amenities associated with the riverfront and will include an ice skating rink and garden along with such improvements as walkways, lighting, benches, and pedestrian bridges. The City's Gray's Lake Park has undergone significant improvements and has become one of the finest parks in the area, serving as a major focal point of the entryway into downtown. Work is underway to further link Gray's Lake to downtown trails.

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 bar 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 more than doubles the available housing in this area.

In other areas of downtown, more than 500 apartments or condominiums will be added to the real estate market within the next year. 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. At least 15 housing developments are currently underway in the downtown area. 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 will complement other downtown entertainment venues such as the Principal Riverwalk, Science Center, and Iowa Events Center and will encourage 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 \$40 million Davis Tower project will include street level retail, 700 parking spaces, and 100,000 square feet of class A office space.

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 1,570 employees. Similarly, the Wells Fargo Corporation is increasing 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.

In south Des Moines, new commercial parks near the airport are becoming the biggest development in the city. 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, a hotel, 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, and New York. In October 2006, Southridge Mall announced renovation plans including the addition of a 50,000 square foot retail tenant and conversion of empty parking lots into a town-center type atmosphere, with more retail shops and possible housing.

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 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 for an extensive office campus in West Des Moines. The company is constructing four buildings providing 960,000 square feet of office space, with occupancy occurring in phases beginning Fall 2005 and completion expected in 2007. Wells Fargo has committed to hire 1,000 new employees over four years for this campus. 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. The reconstruction of I-235 that runs through the heart of the metropolitan area has recently been completed. Expansion of the MLK Parkway has opened for development 100 acres adjacent to the downtown area.

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

Numerous transportation improvements are underway in the area. A study has been approved to consider a beltway within Polk County, interchange at NW Morningstar Drive and an interchange at IA 945. Des Moines has completed construction of the new downtown Martin Luther King bypass that links major central arteries and has greatly improved the potential of the downtown core area. The reconstruction of I-235 that runs through the heart of the metropolitan area has recently been completed. This approximately \$450 million project will expand the vehicle lanes and make many safety improvements.

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 56th

Street roadway. The project will also provide improved access and additional traffic capacity to accommodate the rapid growth in these communities. The second project is the reconstruction and widening of NW Madrid Drive/West Broadway in Polk City.

The balanced growth initiative is also being addressed in the Polk County 2030 Comprehensive Land Use Plan that was 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.

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.

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. To date, the County has acquired the land for the new jail, engaged the services of an architect, begun installing infrastructure, and contracted with a construction firm. The building construction is approximately 20% complete. The jail is scheduled to open, on budget, in 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, scheduled for a fall 2007 opening, 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. This project is currently in the architectural design phase. Construction costs will be approximately \$10 million, with bids being sought in December 2006.

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 participated in a second strategic planning retreat in May 2006. Having determined that great progress has been made toward the original goal of balanced growth, the Board reaffirmed its commitment to balanced growth and identified additional priorities. The additional priorities include: 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 07/08 budget documents have been revised to emphasize the tie between performance measures and appropriations, and it is anticipated January 2007 budget deliberations will 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.

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 maintain its levy rate, 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.

Long-term Financial Planning

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

The County, consistent with fiscal policy, has developed a five-year budget forecast. Through this process, management will be able 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 4.30%. 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

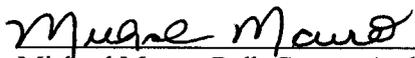
The Government Finance Officers Association of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to Polk County for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2005. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

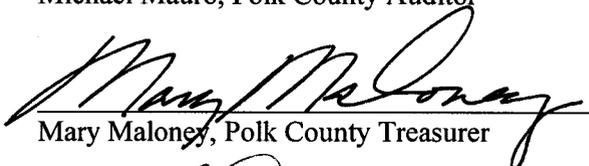
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. A Comprehensive Annual Financial Report must satisfy both generally accepted accounting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

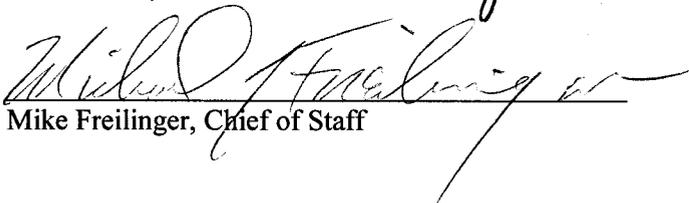
A Certificate of Achievement is valid for a period of one year only. Polk County has received a Certificate of Achievement for the last twelve consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA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

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

Respectfully submitted,


Michael Mauro, Polk County Auditor


Mary Maloney, Polk County Treasurer


Mike Freilinger, Chief of Staff

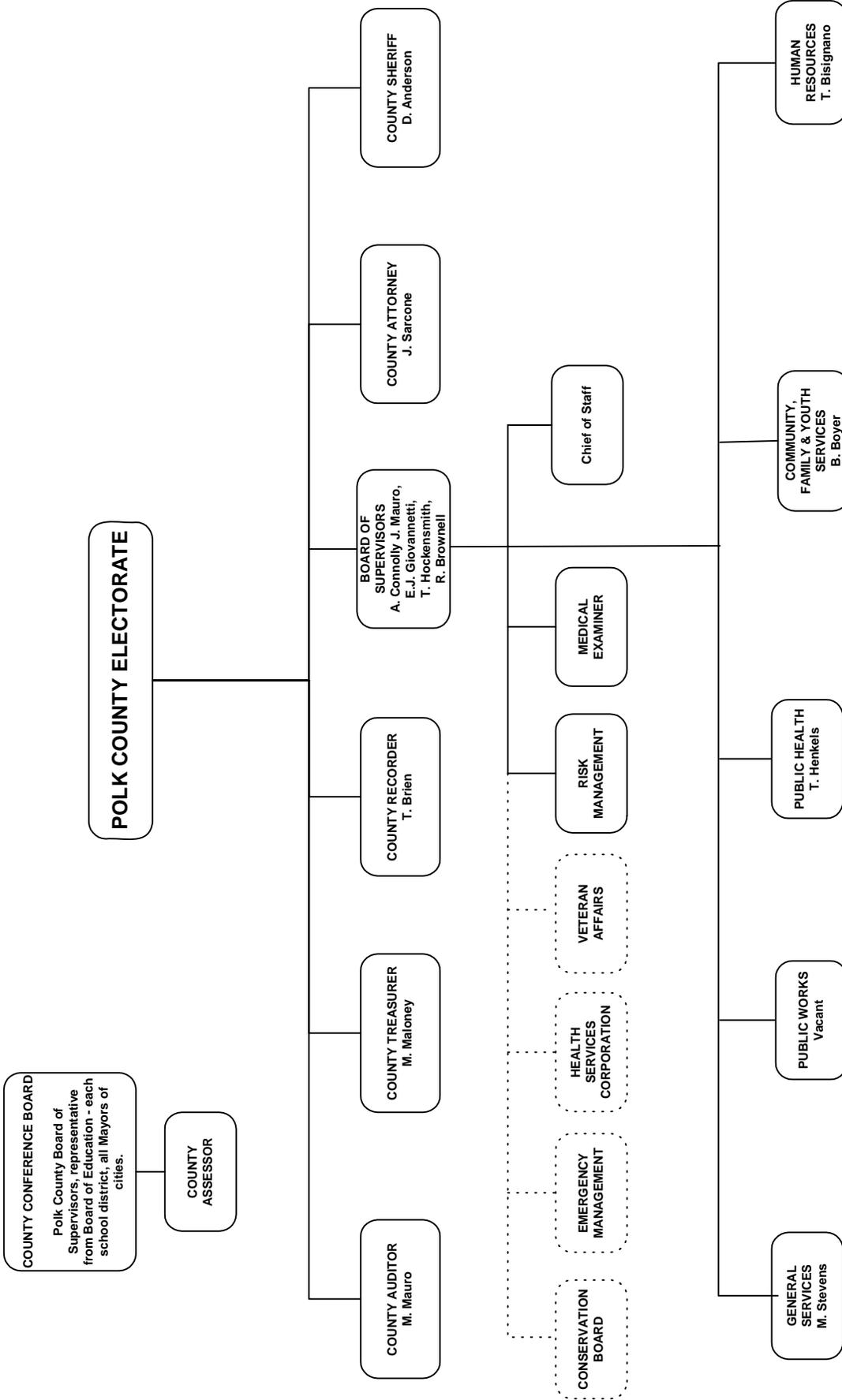
(This page was left blank intentionally)

POLK COUNTY, IOWA

OFFICIALS

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

POLK COUNTY ORGANIZATION



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Polk County
Iowa

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

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.



Carla E. Perry

President

Jeffrey R. Emery

Executive Director

(This page was left blank intentionally)

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, 2006, 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, 2006, 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 17, 2006, 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 26, 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, 2006 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 17, 2006

(This page was left blank intentionally)

POLK COUNTY, IOWA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2006

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, 2006. Please read this section in conjunction with the transmittal letter at the front of this report and with the County's financial statements, which follow this section. All amounts, unless indicated otherwise, are rounded to the nearest hundred thousand dollars.

FINANCIAL HIGHLIGHTS

- The County's total net assets decreased \$3.2 million (1%) to \$303.6 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 \$9.1 million (8%) and business-type activities increased \$5.9 million (3%).
- In the County's governmental activities, total revenues increased \$13.6 million (8%) and total expenditures increased \$17.3 million (10%).
- In the County's business-type activities, total revenues decreased \$7.0 million (12%) while total expenses increased \$12.1 million (56%). The decrease in revenues is primarily due to decreases in capital grants and contributions from Vision Iowa grant monies and Hall of Pride for the completion of the Iowa Events Center and Wells Fargo Arena. Expenses increased primarily due to the opening of the Wells Fargo in July 2005 and Iowa Event Center's Hy-Vee Exhibit Hall being open a full year versus only 7 months in FY 05/06.
- In the County's governmental funds, expenditures were 6% lower than the final amended budgeted expenditures primarily due to delaying major capital improvement projects that had been budgeted and a lower than anticipated cost for adult and juvenile corrections. Additionally, economic development loans were not finalized and paid out as anticipated in FY 05/06 and mental health expenditures were less than budget due to converting the payment methodology for June bills from an accelerated payment schedule to payment within 45 days from receipt.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

Fund Financial Statements

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

The County has three kinds of funds:

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

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

The County maintains two individual major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the MH/MR/DD Services Fund, both of which are considered to be major funds. Data from the other 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 \$3.2 million (1%) primarily attributed to an increased issuance of governmental long-term debt over construction of capital assets.

	Net Assets					
	(In Millions)					
	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 186.4	\$ 182.6	\$ 35.8	\$ 36.3	\$ 222.2	\$ 218.9
Capital assets, net of accumulated depreciation	97.1	88.1	312.2	312.9	409.3	401.0
Total assets	<u>283.5</u>	<u>270.7</u>	<u>348.0</u>	<u>349.2</u>	<u>631.5</u>	<u>619.9</u>
Long-term liabilities outstanding	48.1	34.6	145.7	148.3	193.8	182.9
Other liabilities	122.8	114.4	11.3	15.8	134.1	130.2
Total liabilities	<u>170.9</u>	<u>149.0</u>	<u>157.0</u>	<u>164.1</u>	<u>327.9</u>	<u>313.1</u>
Net assets						
Invested in capital assets, net of related debt	89.0	83.4	171.3	166.2	260.3	249.6
Restricted	18.6	17.4	0.3	-	18.9	17.4
Unrestricted	5.0	20.9	19.4	18.9	24.4	39.8
Total net assets	<u>\$ 112.6</u>	<u>\$ 121.7</u>	<u>\$ 191.0</u>	<u>\$ 185.1</u>	<u>\$ 303.6</u>	<u>\$ 306.8</u>

Net assets of the County’s governmental activities decreased \$9.1 million (8%) to \$112.6 million at June 30, 2006. Approximately 86% of these assets are invested in capital assets (buildings, roads, bridges, etc) or restricted as to the purposes for which they can be used.

The net assets of business-type activities increased \$5.9 million (3%) to \$191.0 million at June 30, 2006. Approximately 90% of these assets are invested in capital assets (buildings, land, infrastructure, etc).

Changes In Net Assets

(In Millions)

	Governmental Activities		Business-type Activities		Total		Variance Change	Percent Change
	2006	2005	2006	2005	2006	2005		
Revenues:								
Program revenues:								
Charges for services	\$ 27.4	\$ 23.3	\$ 37.8	\$ 35.3	\$ 65.2	\$ 58.6	\$ 6.6	11%
Operating grants and contributions	38.4	33.6	0.7	0.7	39.1	34.3	4.8	14%
Capital grants and contributions	2.4	4.4	10.7	20.4	13.1	24.8	(11.7)	-47%
General revenues:								
Property taxes	88.8	85.3	-	-	88.8	85.3	3.5	4%
Other County taxes	4.8	4.8	-	-	4.8	4.8	-	0%
Interest on property taxes	1.1	1.1	-	-	1.1	1.1	-	0%
State replacements	2.7	2.7	-	-	2.7	2.7	-	0%
Use of money and property	5.2	3.2	1.6	1.7	6.8	4.9	1.9	39%
Gain on sale of capital assets	0.3	-	-	-	0.3	-	0.3	0%
Miscellaneous	3.3	2.4	0.4	0.1	3.7	2.5	1.2	48%
Total revenues	174.4	160.8	51.2	58.2	225.6	219.0	6.6	3%
Expenses:								
Public safety and legal services	49.7	43.9	-	-	49.7	43.9	5.8	13%
Physical health and social services	27.5	25.5	-	-	27.5	25.5	2.0	8%
Mental health	44.2	44.9	-	-	44.2	44.9	(0.7)	-2%
County environment and education	21.8	13.6	-	-	21.8	13.6	8.2	60%
Roads and transportation	15.7	15.5	-	-	15.7	15.5	0.2	1%
Government services to residents	5.7	5.6	-	-	5.7	5.6	0.1	2%
Administration	29.6	27.9	-	-	29.6	27.9	1.7	6%
Interest on long-term debt	0.8	0.8	-	-	0.8	0.8	-	0%
Air Pollution	-	-	0.9	0.9	0.9	0.9	-	0%
Sanitary Treatment Works	-	-	1.0	1.3	1.0	1.3	(0.3)	-23%
Prairie Meadows Racetrack/Casino	-	-	5.8	6.4	5.8	6.4	(0.6)	-9%
Jester Park Golf Course	-	-	1.4	1.3	1.4	1.3	0.1	8%
Hamilton Urban Drainage District	-	-	0.3	0.3	0.3	0.3	-	0%
Iowa Events Center	-	-	15.3	11.1	15.3	11.1	4.2	38%
Wells Fargo Arena	-	-	9.1	0.5	9.1	0.5	8.6	1720%
Total expenses	195.0	177.7	33.8	21.8	228.8	199.5	29.3	15%
Excess (deficiency) before transfers	(20.6)	(16.9)	17.4	36.4	(3.2)	19.5	(22.7)	-116%
Special item-contribution expense WRA Sewer	-	-	-	(14.7)	-	(14.7)	14.7	-100%
Transfers	11.5	7.9	(11.5)	(7.9)	-	-	-	-
Increase (decrease) in net assets	(9.1)	(9.0)	5.9	13.8	(3.2)	4.8	(8.0)	-167%
Net assets - beginning	121.7	130.7	185.1	171.3	306.8	302.0	4.8	2%
Net assets - ending	\$ 112.6	\$ 121.7	\$ 191.0	\$ 185.1	\$ 303.6	\$ 306.8	\$ (3.2)	-1%

Statement of Activities - Changes in Net Assets

The governmental-type change in net assets decreased \$9.1 million primarily due to an \$8.2 million increase in expenses for in the county environment service area due to increased economic development grants. The business-type change in net assets increased \$5.9 million primarily due to a \$2.5 million increase in charges for services revenue.

Government-type revenues increased 8% primarily from increased property tax collections. The County maintained property tax rates at the same level as FY 04/05, however, a 3% increase in property valuations and shifting of the aggregate levy rate to the debt service component resulted in a 4% increase in property tax revenue.

The fact that 51% 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 16% of the total governmental revenues, respectively.

Government-type expenses increased 10%, including a 60% increase in the county environment service area due to increased economic development grants. And public safety and legal services expenses increased 13% due to the rising jail population.

The County's expenses cover a range of services, with the largest expenditures relating to public safety and legal services (26% of total government-type expenditures) and mental health (23% of total government-type expenditures).

Governmental Activities Revenues for the County's governmental activities increased \$13.6 million (8%), while expenses increased \$17.3 million (10%). Key elements of these changes include the following:

- \$3.5 million (4%) increase in property tax revenues arising from a 3% increase in taxable valuations and shifting of the levy rate to the countywide-levied debt service fund
- \$4.1 million (18%) increase in charges for services due to increased reimbursement for housing of federal prisoners. Average daily population of federal prisoners increased from 140 in FY 04/05 to 198 in FY 05/06.
- \$4.8 million (14%) increase in operating grants and contributions. The increase includes a one-time reimbursement of \$1.7 million to purchase new voting machines pursuant to the Help America Vote Act. Additionally, the state allocation for the mental health allowed growth factor increased \$2.0 million, and the Department of Human Services allocation for juvenile detention increased \$2.1 million due to the detention cost reimbursements for FY 03/04 and FY 04/05 totaling \$2 million.
- \$5.8 million (13%) increase in public safety and legal services expenditures mainly attributable to a rising jail population. This service area experienced increased costs for prisoner housing, transportation and medical services as well as increased employee salary and benefit costs. This cost increase is partially offset by increased charges for services revenue.
- \$2.0 million (8%) increase in physical health and social services and \$1.8 million (6%) increase in administration expenditures primarily due to increased wages and benefits. After a two-year wage freeze for the years ending June 30, 2004 and June 30, 2005, Polk County awarded a 5.5% base wage increase for all employees.
- \$8.2 million (60%) increase in county environment and education expenditures due to increased economic development grants including a \$5.0 million contribution for a rural water district and a \$1.5 million increase in a grant for the World Food Prize.

Business-type Activities Revenues for the County's business-type activities decreased \$7.0 million (12%), while expenses increased \$12.1 million (56%). Key elements of these changes include the following:

- Capital grants and contributions decreased \$9.6 million due to decreases from Vision Iowa grant monies and Hall of Pride for the completion of the Iowa Events Center and Wells Fargo Arena.
- Charges for Services increased \$2.5 million primarily due to the start of receiving the County's portion (\$1.4 million) of Wells Fargo Arena operating profits which opened July 1, 2005. In addition, the Iowa Event Center's Hy-Vee Exhibit Hall operated a full year versus 7 months in FY05/06.
- Expenses increased \$12.1 million primarily due to the opening of the Wells Fargo in July 2005 (depreciation and interest expense) and Iowa Event Center's Hy-Vee Exhibit Hall being open a full year versus only 7 months in FY 05/06.

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 \$53.2 million at June 30, 2006, which is \$2.7 million less than the prior year. Included in this year's total change in fund balance is an increase of \$4.5 million in the County's General Fund. The

primary reasons for the General Fund’s increase mirror those highlighted in the analysis of governmental activities. Additional changes of note include:

- The Economic Development Fund balance decreased \$2.8 million due to the transfer of \$3.3 million to the Urban Sewer Fund to establish a sewer revolving loan fund. This decrease was partially offset by economic development loan repayments.
- The Equipment Reserve Fund balance decreased \$1.4 million primarily due to an increase in the number of project expenditures and planned balance utilization.
- The Housing Fund balance increased \$2.5 million and the Bond Revolving Fund balance increased \$1.0 million due to unexpended bond proceeds. Bonds were issued in June 2006, with a portion of the proceeds being retained to fund programs in the succeeding fiscal year.
- The Jail Facility Capital Project Fund balance decreased \$5.9 million primarily due to construction of the new jail.

Proprietary Funds Prairie Meadows Racetrack/Casino net assets decreased \$5.7 million due to increased transfers out to the Iowa Event Center and Wells Fargo Arena for construction costs. Wells Fargo Arena net assets increased \$7 million due to transfers in to cover interest expense and remaining construction costs. In addition, other enterprise funds net assets increased \$3.1 million due to Urban Sewer transfers in to cover infrastructure costs.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The County’s capital assets for its governmental and business-type activities as of June 30, 2006, amount to \$409.3 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 \$8.2 million (2%).

Capital assets for the governmental and business-type activities at June 30, 2006 are as follows:

Capital Assets
(In Millions)

	Governmental Activities		Business-Type Activities		Totals	
	2006	2005	2006	2005	2006	2005
Land	\$ 11.8	\$ 8.1	\$ 14.9	\$ 14.9	\$ 26.7	\$ 23.0
Buildings	62.1	61.8	278.9	144.2	341.0	206.0
Improvements other than buildings	0.9	0.8	8.7	8.7	9.6	9.5
Leasehold improvements	-	-	37.5	37.5	37.5	37.5
Infrastructure	84.9	79.6	17.6	17.6	102.5	97.2
Equipment	13.6	12.0	0.8	0.8	14.4	12.8
Vehicles	6.8	6.8	0.1	0.1	6.9	6.9
Construction in progress	6.3	2.0	2.2	126.5	8.5	128.5
Total	<u>186.4</u>	<u>171.1</u>	<u>360.7</u>	<u>350.3</u>	<u>547.1</u>	<u>521.4</u>
Less: accumulated depreciation	<u>(89.3)</u>	<u>(83.0)</u>	<u>(48.5)</u>	<u>(37.4)</u>	<u>(137.8)</u>	<u>(120.4)</u>
Total	<u>\$ 97.1</u>	<u>\$ 88.1</u>	<u>\$ 312.2</u>	<u>\$ 312.9</u>	<u>\$ 409.3</u>	<u>\$ 401.0</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, 2006 are as follows:

- The County completed several road construction projects during the year - \$5.4 million
- Construction in progress of new jail facility - \$4.0 million
- Construction in progress of new building acquired at Oliver Plaza - \$1.0 million
- Construction in progress of sanitary sewer projects - \$0.4 million
- The County completed construction of the new Wells Fargo Arena - \$4.9 million
- Construction in progress of new Urban Sewer Fund projects - \$1.7 million

The County's FY 06/07 capital budget projects spending another \$41.0 million on the new jail facility, \$1.1 million for capital improvement projects, \$11.7 million for renovations to the Oliver Plaza facility, and \$0.7 million for the Southside Senior Center expansion project. Capital improvement projects will represent costs of equipment, repairs, replacements and improvements to County-owned facilities. In addition, the County has projected to spend approximately \$4.3 million on urban sewer projects.

Long-Term Debt

At June 30, 2006, the County had \$180.0 million in bonds and notes outstanding, an increase of \$9.6 million compared to FY 04/05. The increase in debt resulted from \$21.3 million in new debt issued for capital improvements, housing grants, and sewer and water 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 05/06, principal repayments of \$8.6 million were made on the Iowa Events Center/Wells Fargo Arena debt, reducing the outstanding obligation from \$142.1 million to \$134.5 million.

During FY 06/07, Polk County plans to issue \$81 million in additional general obligation debt. This includes \$68.0 million for the new jail facility, \$11.7 million for renovation of office space, and \$0.7 million for expansion of a senior center.

Polk County is well below the statutory debt capacity limitation. The debt capacity is controlled by the constitutional debt limit which is an amount equal to 5% of the actual value of taxable property within the County limits. The County's unused legal debt capability as of June 30, 2006, was \$746.3 million.

Outstanding Debt

(In Millions)

	Governmental Activities		Business-type Activities		Total		Percentage Change 2005-2006
	2006	2005	2006	2005	2006	2005	
General obligation bonds	\$34.5	\$22.2	\$144.9	\$147.6	\$179.4	\$169.8	5.7%
Notes payable	0.6	0.6	0.0	0.0	0.6	0.6	0.0%
Total	\$35.1	\$22.8	\$144.9	\$147.6	\$180.0	\$170.4	5.6%

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 \$11.6 million below and actual revenues were \$2.3 million above final budget amounts. Significant variances included:

- Appropriations for physical health and social services exceeded expenditures by \$1.0 million. This discrepancy included general welfare expenditures of \$0.3 million less than budget due to fewer applications for assistance and youth guidance expenditures of \$0.4 million less than budget due to reduced utilization of out-of-county placement. Actual transportation expenditures were \$0.1 million less than budget due to stricter eligibility screening. And expenditures for services to veterans were \$0.1 million less than budget due to referral to alternative assistance programs.
- Appropriations for mental health exceeded expenditures by \$0.7 million due to a change in payment methodology. Under the previous methodology, payments on June bills were accelerated so that payment would be made by the close of the FY. Under the new methodology, June bills are paid within 45 days of receipt, causing the expense to occur in the next FY.
- County environment and education expenditures were \$0.7 million less than appropriated. This discrepancy included conservation trust fund expenses of \$0.5M less than budget because trail projects were not completed as anticipated, pending approval of formal agreements with project partners. Additionally, \$0.2 million of economic development grants budgeted as a contingency were not awarded.
- Appropriations for administration exceeded expenditures by \$1.7 million. This discrepancy included general services expenditures of \$0.7M less than budgeted due to lower than anticipated postage, supplies, telephone, and lease expenses and an increased allocation of custodial expenses to the Courthouse. Community Development grant expenditures were \$1.0 million less than budgeted due to delaying payment of several grant awards until proper documentation was received and to non-expenditure of a contingency included in the budget.
- Appropriations for capital projects exceeded expenditures by \$6.3 million. This discrepancy included \$0.5 million in conservation trail expenditures that were delayed to the following fiscal year. Additionally, due to rebidding, construction of the new jail did not proceed as quickly as anticipated, causing year-end expenditures to fall \$3.7 million short of fiscal year projections. Building reserve projects of \$1.7 million were not completed as anticipated by June 30th, and the appropriation for these projects will be carried forward to the following fiscal year.
- Revenues from charges for services exceeded budget by \$0.7 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.
- Revenues from use of money and property exceeded budget by \$1.2 million. This discrepancy included \$0.6 million more interest earnings than anticipated due to increased interest rates and \$0.5 million more economic development loan repayments than anticipated due to early receipt of an FY 06/07 repayment and increased tax increment earnings.

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 maintain its levy rate, 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 2006/2007, certified taxable valuations increased 7%, and the tax levy rate remained constant. A budgeted increase of \$6.9 million in property tax revenues due to the valuation change is a significant source of increased revenue.

Polk County's budget for FY 06/07 indicates statutory fund balances will increase by \$9.2 million. The largest component of this balance variance is unexpended bond proceeds for new jail construction. It is anticipated that \$26.1 million of \$68.0 million in jail bond proceeds will remain to be expended as jail construction is completed in FY 07/08. Balances will decline by \$3.9 million due to expenditure of June 2006 bond proceeds for capital improvements, lead abatement, and housing. Additionally, the balance in the economic development fund is budgeted to decrease by \$5.4 million due to completion of a major road project.

In the general funds, balances are expected to decrease by \$2.9 million due to planned balance utilization to bring ending balances in line with the County's adopted financial policies of 25% of expenditures on hand. Balances will be utilized to establish a claims fluctuation reserve in the County's self-insurance fund and to shore up balances in the Secondary Roads fund. Even with this decline in balances, the General Funds' ending balances will equate to 27% of expenditures.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

(This page was left blank intentionally)

POLK COUNTY, IOWA

**Statement of Net Assets
June 30, 2006**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	PCHS
ASSETS				
Cash and pooled investments	\$ 66,394,260	\$ 32,727,430	\$ 99,121,690	\$ 3,459,666
Receivables (net of allowance for uncollectibles)	11,094,818	2,569,639	13,664,457	183,469
Advances to component unit	4,783,679	-	4,783,679	-
Internal balances	452,104	(452,104)	-	-
Inventories	1,054,266	146,078	1,200,344	-
Prepaid items	471,010	61,600	532,610	44,628
Restricted assets - cash and pooled investments	-	250,665	250,665	-
Lease/debt origination costs	270,861	552,872	823,733	-
Succeeding year property taxes receivable	101,806,343	-	101,806,343	-
Net investment in direct financing lease	-	-	-	2,203,968
Capital assets not being depreciated	18,097,111	17,085,434	35,182,545	-
Capital assets being depreciated, net	79,023,279	295,079,914	374,103,193	4,883,348
TOTAL ASSETS	283,447,731	348,021,528	631,469,259	10,775,079
LIABILITIES				
Accounts payable and other current liabilities	20,555,533	9,893,709	30,449,242	282,639
Interest payable	114,446	544,982	659,428	-
Unearned revenues	312,608	511,812	824,420	231,578
Advance deposits and ticket sales	-	345,632	345,632	-
Succeeding year property taxes deferred revenue	101,806,343	-	101,806,343	-
Due within one year:				
General obligation bonds payable	3,773,059	8,463,726	12,236,785	-
Notes payable	35,000	-	35,000	-
Capital leases payable	269,800	-	269,800	-
Compensated absences payable	1,034,620	19,587	1,054,207	-
Estimated liability for claims and judgments	2,111,384	543,983	2,655,367	-
Advances from primary government	-	-	-	664,176
Due in more than one year:				
General obligation bonds payable	30,718,136	136,457,443	167,175,579	-
Notes payable	581,000	-	581,000	-
Capital leases payable	417,603	-	417,603	-
Compensated absences payable	9,150,988	252,691	9,403,679	-
Advances from primary government	-	-	-	4,119,503
TOTAL LIABILITIES	170,880,520	157,033,565	327,914,085	5,297,896
NET ASSETS				
Invested in capital assets, net of related debt	88,986,810	171,295,876	260,282,686	2,312,263
Restricted for:				
Debt service	4,795,356	-	4,795,356	-
Capital improvements	905,850	250,665	1,156,515	-
Enabling legislation	9,282,273	-	9,282,273	-
Bond covenants	3,621,393	-	3,621,393	-
Unrestricted	4,975,529	19,441,422	24,416,951	3,164,920
TOTAL NET ASSETS	\$ 112,567,211	\$ 190,987,963	\$ 303,555,174	\$ 5,477,183

See Notes to Basic Financial Statements

POLK COUNTY, IOWA

Statement of Activities
For the Year Ended June 30, 2006

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		
Primary government:									
Governmental activities:									
Public safety and legal services	\$ 49,691,718	\$ 9,881,061	\$ 1,923,438	\$ -	\$ (37,887,219)	\$ -	\$ -	\$ (37,887,219)	\$ -
Physical health and social services	27,479,491	1,156,011	9,215,815	-	(17,107,665)	-	-	(17,107,665)	-
Mental health	44,253,468	6,454,464	22,265,625	-	(15,533,379)	-	-	(15,533,379)	-
County environment and education	21,791,609	1,074,961	155,397	-	(20,561,251)	-	-	(20,561,251)	-
Roads and transportation	15,662,237	325,313	4,686,880	2,379,801	(8,270,243)	-	-	(8,270,243)	-
Government services to residents	5,702,700	7,413,659	-	-	1,710,959	-	-	1,710,959	-
Administration	29,651,306	1,111,113	129,609	-	(28,410,584)	-	-	(28,410,584)	-
Interest on long-term debt	755,602	16	-	-	(755,586)	-	-	(755,586)	-
Total governmental activities	194,988,131	27,416,598	38,376,764	2,379,801	(126,814,968)	-	-	(126,814,968)	-
Business-type activities:									
Air Pollution	890,104	306,972	710,464	-	-	127,332	-	127,332	-
Sanitary Treatment Works	1,021,679	535,978	-	-	-	(485,701)	-	(485,701)	-
Prairie Meadows Racetrack/Casino	5,796,602	27,130,384	-	-	-	21,333,782	-	21,333,782	-
Jester Park Golf Course	1,404,849	1,489,001	-	-	-	84,152	-	84,152	-
Hamilton Urban Drainage District	259,674	138,401	-	-	-	(121,273)	-	(121,273)	-
Iowa Events Center	15,317,370	6,039,145	-	4,481,637	-	(4,796,588)	-	(4,796,588)	-
Wells Fargo Arena	9,134,360	2,150,216	-	6,275,237	-	(708,907)	-	(708,907)	-
Urban Sewer	18,025	-	-	-	-	(18,025)	-	(18,025)	-
Total business-type activities	33,842,663	37,790,097	710,464	10,756,874	-	15,414,772	-	15,414,772	-
Total primary government	\$ 228,830,794	\$ 65,206,695	\$ 39,087,228	\$ 13,136,675	(126,814,968)	15,414,772	(111,400,196)	(111,400,196)	-
Component unit:									
PCHS	\$ 3,358,246	\$ 1,573,819	\$ 1,912,007	-	-	-	-	-	127,580
General revenues:									
Property taxes					88,765,727	-	-	88,765,727	-
Other county taxes					4,793,069	-	-	4,793,069	-
Interest on property taxes					1,153,332	-	-	1,153,332	-
State replacements					2,670,946	-	-	2,670,946	-
Use of money and property					5,197,356	1,558,005	-	6,755,361	109,217
Gain on sale of capital assets					270,000	-	-	270,000	-
Miscellaneous					3,346,717	432,072	-	3,778,789	65,231
Transfers					11,503,230	(11,503,230)	-	-	-
Total general revenues and transfers					117,700,377	(9,513,153)	-	108,187,224	174,448
Change in net assets					(9,114,591)	5,901,619	-	(3,212,972)	302,028
Net assets - beginning					121,681,802	185,086,344	-	306,768,146	5,175,155
Net assets - ending					\$ 112,567,211	\$ 190,987,963	\$ -	\$ 303,555,174	\$ 5,477,183

(This page was left blank intentionally)

(This page was left blank intentionally)

POLK COUNTY, IOWA

**Balance Sheet
Governmental Funds
June 30, 2006**

	General	MH/MR/DD Services	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and pooled investments	\$ 29,484,724	\$ 6,320,290	\$ 24,789,819	\$ 60,594,833
Receivables (net of allowances for uncollectibles):	-	-	-	-
Taxes	985,295	42,707	28,773	1,056,775
Succeeding year property taxes	77,133,634	14,439,175	10,233,534	101,806,343
Special assessments	37,314	-	4,965	42,279
Accounts	289,128	124,442	20,692	434,262
Notes	-	-	2,151,435	2,151,435
Accrued interest	313,030	-	1,891	314,921
Due from other funds	5,470,028	64,206	45,758	5,579,992
Due from other governments	4,663,682	1,433,453	527,998	6,625,133
Advances to other funds	46,200	-	2,000	48,200
Advances to component unit	-	924,486	3,859,193	4,783,679
Inventories	539,497	-	514,769	1,054,266
Prepaid items	205,061	-	-	205,061
TOTAL ASSETS	\$ 119,167,593	\$ 23,348,759	\$ 42,180,827	\$ 184,697,179
LIABILITIES AND FUND BALANCES				
Liabilities:				
Vouchers payable	\$ 3,363,506	\$ 8,850,344	\$ 6,737,830	\$ 18,951,680
Contract/retainage payable	-	-	200,307	200,307
Wages payable	1,068,455	5,491	74,461	1,148,407
Payroll taxes payable	145,536	753	9,766	156,055
Interest payable	-	-	1,728	1,728
Compensated absences payable	793,721	-	-	793,721
Estimated liability for claims and judgments	105,540	-	-	105,540
Due to other funds	-	-	4,867,397	4,867,397
Deferred revenues	2,873,368	452,191	94,821	3,420,380
Succeeding year property taxes deferred revenue	77,133,634	14,439,175	10,233,534	101,806,343
TOTAL LIABILITIES	85,483,760	23,747,954	22,219,844	131,451,558
Fund balances:				
Reserved for advances to other funds	46,200	-	2,000	48,200
Reserved for advances to component unit	-	924,486	3,859,193	4,783,679
Reserved for noncurrent notes receivable	-	-	1,809,930	1,809,930
Reserved for inventory of supplies	226,889	-	514,769	741,658
Reserved for supplemental levy purposes	5,747,249	-	1,417,869	7,165,118
Reserved for prepaid items	205,061	-	-	205,061
Unreserved, undesignated reported in general fund	27,458,434	-	-	27,458,434
Unreserved, designated reported in special revenue funds	-	-	15,901,830	15,901,830
Unreserved, undesignated reported in special revenue funds	-	(1,323,681)	1,246,346	(77,335)
Unreserved, undesignated reported in capital projects funds	-	-	(5,727,117)	(5,727,117)
Unreserved, undesignated reported in debt service funds	-	-	936,163	936,163
TOTAL FUND BALANCES	33,683,833	(399,195)	19,960,983	53,245,621
TOTAL LIABILITIES AND FUND BALANCES	\$ 119,167,593	\$ 23,348,759	\$ 42,180,827	\$ 184,697,179

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, 2006**

Fund balances - total governmental funds		\$ 53,245,621
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	186,451,417	
Accumulated depreciation	<u>(89,331,027)</u>	97,120,390
Interest payable on long-term obligations that does not require current financial resources and therefore is not reported in the funds.		(112,718)
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.		
		5,140,800
Deferred revenues that are not available to pay for current period expenditures in the funds		
Property taxes	1,043,047	
Special assessments	40,794	
Accounts receivable	205,649	
Due from other governments	1,366,178	
Due from other funds (Prairie Meadows property taxes)	<u>452,104</u>	3,107,772
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds payable (includes premium and loss on advance refunding)		(34,491,195)
Notes payable		(616,000)
Bond issuance costs		270,861
Capital leases payable		(687,403)
Compensated absences payable		(9,391,887)
Estimated liability for claims and judgments		<u>(1,019,030)</u>
Net assets of governmental activities		<u>\$ 112,567,211</u>

POLK COUNTY, IOWA

**Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2006**

	General	MH/MR/DD Services	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Property taxes	\$ 66,092,815	\$ 13,440,338	\$ 8,911,198	\$ 88,444,351
Other County taxes	3,921,818	566,719	304,532	4,793,069
Interest and penalties on delinquent taxes	1,153,332	-	-	1,153,332
Intergovernmental	22,142,732	29,124,727	7,853,843	59,121,302
Licenses and permits	528,408	-	72,572	600,980
Charges for services	10,420,586	-	297,333	10,717,919
Use of money and property	4,843,372	29,022	166,836	5,039,230
Miscellaneous	1,383,089	361,627	699,208	2,443,924
TOTAL REVENUES	110,486,152	43,522,433	18,305,522	172,314,107
EXPENDITURES:				
Current:				
Public safety and legal services	46,060,845	-	539,494	46,600,339
Physical health and social services	26,020,476	-	433,117	26,453,593
Mental health	-	44,253,468	-	44,253,468
County environment and education	5,774,904	-	15,594,251	21,369,155
Roads and transportation	559,331	-	8,616,854	9,176,185
Government services to residents	5,072,757	-	119,327	5,192,084
Administration	23,593,843	-	4,548,070	28,141,913
Nonprogram services	-	-	193,374	193,374
Debt service:				
Principal	-	-	2,749,893	2,749,893
Interest	-	-	714,235	714,235
Capital projects:				
Roadway construction	-	-	3,484,215	3,484,215
Conservation land acquisition and development	227,616	-	959,871	1,187,487
Other capital projects	-	-	12,605,065	12,605,065
TOTAL EXPENDITURES	107,309,772	44,253,468	50,557,766	202,121,006
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	3,176,380	(731,035)	(32,252,244)	(29,806,899)
OTHER FINANCING SOURCES (USES):				
Transfers in	5,894,750	-	33,973,197	39,867,947
Transfers out	(5,091,699)	-	(23,253,018)	(28,344,717)
Issuance of capital leases	557,766	-	-	557,766
Issuance of bonds	-	-	14,975,000	14,975,000
Premium/(discount) on bonds issued	-	-	77,543	77,543
Proceeds from sale of capital assets	2,921	-	38,157	41,078
TOTAL OTHER FINANCING SOURCES (USES)	1,363,738	-	25,810,879	27,174,617
NET CHANGE IN FUND BALANCES	4,540,118	(731,035)	(6,441,365)	(2,632,282)
FUND BALANCE, BEGINNING	29,168,013	331,840	26,491,933	55,991,786
Change in inventory reserve	(24,298)	-	(89,585)	(113,883)
FUND BALANCE, ENDING	\$ 33,683,833	\$ (399,195)	\$ 19,960,983	\$ 53,245,621

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, 2006**

Net change in fund balances - total governmental funds	\$ (2,632,282)
Amounts reported for governmental activities in the statement of net assets are different because:	
<p>Governmental funds report capital outlay as expenditures. In addition, donated capital assets are not recorded in governmental funds. In the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$15,244,167), contributed capital assets (\$581,696), and contributed capital by developers (\$1,798,105) exceeded depreciation (\$8,647,414) in the current period.</p>	
	8,976,554
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.</p>	
Change in deferred revenue	(820,152)
<p>Expenses in the statement of activities that do not require the use of current financial resources are not reported as expenditures in governmental funds.</p>	
Change in estimated liabilities for claims and judgments	(367,312)
Change in compensated absences	(767,279)
Amortization of bond premium/(discount)	7,892
Amortization of bond issuance costs	(9,481)
<p>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.</p>	
Change in capital leases	(203,878)
Payments on long-term bonds	2,715,893
Payments on long-term notes	34,000
Proceeds on long-term bonds	(14,975,000)
Premium/discount on the issuance of bond	(77,543)
Bond issuance costs	193,374
<p>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.</p>	
Change in interest payable on general obligation bonds	(41,367)
<p>Internal service funds are used by management to charge the costs of insurance. The net profit(loss) is reported with governmental activities.</p>	
	(1,034,127)
<p>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.</p>	
	<u>(113,883)</u>
Change in net assets of governmental activities	<u>\$ (9,114,591)</u>

POLK COUNTY, IOWA

Statement of Net Assets
Proprietary Funds
June 30, 2006

	Business-type Activities - Enterprise Funds					Governmental Activities- Internal Service Funds
	Prairie Meadows Racetrack/ Casino	Iowa Events Center	Wells Fargo Arena	Other Enterprise Funds	Total	
ASSETS						
Current assets:						
Cash and pooled investments	\$ 15,141,758	\$ 4,249,230	\$ 2,448,775	\$ 10,887,667	\$ 32,727,430	\$ 5,799,427
Receivables (net of allowances for uncollectibles):						
Special assessments	-	-	-	300,692	300,692	-
Accounts	-	295,817	1,674,794	32,499	2,003,110	159,122
Accrued interest	10,762	1,500	-	1,492	13,754	2,200
Due from other funds	-	4,171,711	-	49,698	4,221,409	-
Due from other governments	-	-	-	202,385	202,385	-
Inventories	-	99,393	-	46,685	146,078	-
Prepaid items	-	61,600	-	-	61,600	265,949
Total current assets	15,152,520	8,879,251	4,123,569	11,521,118	39,676,458	6,226,698
Noncurrent assets:						
Restricted assets - cash and pooled investments	-	-	250,665	-	250,665	-
Lease/debt origination costs	-	199,076	255,157	98,639	552,872	-
Capital assets not being depreciated	3,129,000	5,866,003	4,685,820	3,404,611	17,085,434	-
Capital assets being depreciated, net	60,246,113	94,655,381	126,779,674	13,398,746	295,079,914	-
Total noncurrent assets	63,375,113	100,720,460	131,971,316	16,901,996	312,968,885	-
TOTAL ASSETS	78,527,633	109,599,711	136,094,885	28,423,114	352,645,343	6,226,698
LIABILITIES						
Current liabilities:						
Vouchers payable	-	1,117,802	832,078	1,049,695	2,999,575	99,084
Contract/retainage payable	-	1,803,480	2,490,520	-	4,294,000	-
Wages payable	-	59,458	-	26,483	85,941	-
Payroll taxes payable	-	4,231	-	3,268	7,499	-
Interest payable	-	222,016	301,388	21,578	544,982	-
Estimated liability for claims and judgments	-	228,473	315,510	-	543,983	986,814
Due to other funds	452,104	-	4,171,711	-	4,623,815	-
Due to other governments	2,506,694	-	-	-	2,506,694	-
Advance deposits and ticket sales	-	326,477	-	19,155	345,632	-
Deferred revenues	-	11,812	500,000	-	511,812	-
General obligation bonds payable	-	3,537,887	4,566,660	359,179	8,463,726	-
Compensated absences payable	-	6,871	-	12,715	19,587	-
Total current liabilities	2,958,798	7,318,507	13,177,867	1,492,073	24,947,246	1,085,898
Noncurrent liabilities:						
General obligation bonds payable	-	55,265,754	74,877,708	6,313,981	136,457,443	-
Compensated absences payable	-	88,651	-	164,041	252,691	-
Total noncurrent liabilities	-	55,354,405	74,877,708	6,478,022	136,710,134	-
TOTAL LIABILITIES	2,958,798	62,672,912	88,055,575	7,970,095	161,657,380	1,085,898
NET ASSETS						
Invested in capital assets, net of related debt	63,375,113	41,916,819	52,276,283	13,727,661	171,295,876	-
Restricted for capital improvements	-	-	250,665	-	250,665	-
Unrestricted	12,193,722	5,009,980	(4,487,638)	6,725,358	19,441,422	5,140,800
TOTAL NET ASSETS	\$ 75,568,835	\$ 46,926,799	\$ 48,039,310	\$ 20,453,019	\$ 190,987,963	\$ 5,140,800

POLK COUNTY, IOWA

**Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2006**

	Business-type Activities - Enterprise Funds					Governmental Activities- Internal Service Funds
	Prairie Meadows Racetrack/ Casino	Iowa Events Center	Wells Fargo Arena	Other Enterprise Funds	Total	
OPERATING REVENUES:						
Charges for goods and services:						
Charges for services	\$ 20,000,000	\$ 1,833,876	\$ -	\$ 2,470,352	\$ 24,304,228	\$ 10,325,508
Intergovernmental revenues	-	-	-	710,464	710,464	-
Project income	7,130,384	350,000	340,480	-	7,820,864	-
Parking income	-	249,844	-	-	249,844	-
Concession sales	-	3,051,054	-	-	3,051,054	-
Commissions income	-	524,399	1,559,071	-	2,083,470	-
PFMS user fee on ticket sales	-	29,972	250,665	-	280,637	-
Miscellaneous	-	395,313	-	36,759	432,072	-
Total operating revenues	<u>27,130,384</u>	<u>6,434,458</u>	<u>2,150,216</u>	<u>3,217,575</u>	<u>38,932,633</u>	<u>10,325,508</u>
OPERATING EXPENSES:						
Cost of goods and services:						
Personal services	-	2,857,581	-	1,402,300	4,259,881	-
Supplies	-	185,386	-	209,377	394,763	-
Professional services	650	137,099	27,480	94,499	259,728	-
Other services/charges	2,958,799	2,362,275	576,126	1,031,739	6,928,939	79,921
Insurance	-	146,671	136,942	-	283,613	11,417,840
Direct event expense	-	404,385	-	-	404,385	-
Cost of goods sold - concession	-	2,347,669	-	172,223	2,519,892	-
Management expense	-	180,000	-	-	180,000	-
Miscellaneous	-	1,983	-	46,504	48,487	-
Amortization of discount (premium)	-	51,454	(258,334)	3,011	(203,869)	-
Depreciation	2,837,153	3,480,547	4,371,713	567,152	11,256,565	-
Total operating expenses	<u>5,796,602</u>	<u>12,155,050</u>	<u>4,853,927</u>	<u>3,526,805</u>	<u>26,332,384</u>	<u>11,497,761</u>
OPERATING INCOME (LOSS)	<u>21,333,782</u>	<u>(5,720,592)</u>	<u>(2,703,711)</u>	<u>(309,230)</u>	<u>12,600,249</u>	<u>(1,172,253)</u>
NONOPERATING REVENUES (EXPENSES):						
Interest revenue	1,067,317	(400,279)	732,960	158,007	1,558,005	158,126
Interest expense	-	(3,162,320)	(4,280,433)	(67,526)	(7,510,279)	-
Total nonoperating revenues (expenses)	<u>1,067,317</u>	<u>(3,562,599)</u>	<u>(3,547,473)</u>	<u>90,481</u>	<u>(5,952,274)</u>	<u>158,126</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>22,401,099</u>	<u>(9,283,191)</u>	<u>(6,251,184)</u>	<u>(218,749)</u>	<u>6,647,975</u>	<u>(1,014,127)</u>
CAPITAL CONTRIBUTIONS AND TRANSFERS:						
Capital contributions from other funds	466,618	-	-	-	466,618	-
Capital contributions to other funds	-	-	-	(466,618)	(466,618)	-
Capital contributions from others	-	4,481,637	6,275,237	-	10,756,874	-
Transfers in	-	6,278,789	6,929,218	3,823,659	17,031,666	2,633,997
Transfers out	(28,534,896)	-	-	-	(28,534,896)	(2,653,997)
Total capital contributions and transfers	<u>(28,068,278)</u>	<u>10,760,426</u>	<u>13,204,455</u>	<u>3,357,041</u>	<u>(746,356)</u>	<u>(20,000)</u>
CHANGE IN NET ASSETS	<u>(5,667,179)</u>	<u>1,477,235</u>	<u>6,953,271</u>	<u>3,138,292</u>	<u>5,901,619</u>	<u>(1,034,127)</u>
NET ASSETS - BEGINNING	<u>81,236,014</u>	<u>45,449,564</u>	<u>41,086,039</u>	<u>17,314,727</u>	<u>185,086,344</u>	<u>6,174,927</u>
NET ASSETS - ENDING	<u>\$ 75,568,835</u>	<u>\$ 46,926,799</u>	<u>\$ 48,039,310</u>	<u>\$ 20,453,019</u>	<u>\$ 190,987,963</u>	<u>\$ 5,140,800</u>

POLK COUNTY, IOWA

**Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2006**

	Business-type Activities -		
	Prairie Meadows Racetrack/ Casino	Iowa Events Center	Wells Fargo Arena
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ -	\$ 6,566,660	\$ 1,771,548
Cash received from intergovernmental revenue	-	-	-
Cash received from racetrack/casino	27,130,384	-	-
Cash paid to suppliers for goods and services	(2,586,705)	(5,807,363)	(753,380)
Cash paid to employees	-	(2,849,743)	-
Net cash flows from operating activities	<u>24,543,679</u>	<u>(2,090,446)</u>	<u>1,018,168</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	-	6,278,789	6,929,218
Transfers out	(28,534,896)	-	-
Cash (paid)/received (to)/from other funds	521,897	(4,300,878)	4,300,878
Net cash flows from noncapital financing activities	<u>(28,012,999)</u>	<u>1,977,911</u>	<u>11,230,096</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from general obligation debt	-	1,015,000	-
Issuance costs paid on long-term debt	-	(149)	-
Principal paid on long-term debt	-	(4,422,100)	(4,207,900)
Interest paid on long-term debt	-	(3,129,383)	(3,979,044)
Capital contributions from others	-	4,481,637	6,275,237
Purchase of capital assets	-	(1,242,564)	(13,708,740)
Net cash flows from capital and related financing activities	<u>-</u>	<u>(3,297,559)</u>	<u>(15,620,447)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	1,120,250	(366,684)	732,960
Net cash flows from investing activities	<u>1,120,250</u>	<u>(366,684)</u>	<u>732,960</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(2,349,070)</u>	<u>(3,776,778)</u>	<u>(2,639,223)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>17,490,828</u>	<u>8,026,008</u>	<u>5,338,663</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 15,141,758</u>	<u>\$ 4,249,230</u>	<u>\$ 2,699,440</u>

Enterprise Funds		Governmental Activities- Internal Service Funds
Other Enterprise Funds	Total	
\$ 2,538,458	\$ 10,876,666	\$ 10,635,156
729,814	729,814	-
-	27,130,384	-
(1,498,842)	(10,646,290)	(11,602,674)
(1,421,473)	(4,271,216)	-
<u>347,957</u>	<u>23,819,358</u>	<u>(967,518)</u>
3,823,659	17,031,666	2,633,997
-	(28,534,896)	(2,653,997)
196,899	718,796	-
<u>4,020,558</u>	<u>(10,784,434)</u>	<u>(20,000)</u>
5,319,685	6,334,685	-
(57,079)	(57,228)	-
(185,000)	(8,815,000)	-
(49,913)	(7,158,340)	-
(466,618)	10,290,256	-
(1,345,063)	(16,296,367)	-
<u>3,216,012</u>	<u>(15,701,994)</u>	<u>-</u>
156,820	1,643,346	156,494
<u>156,820</u>	<u>1,643,346</u>	<u>156,494</u>
7,741,347	(1,023,724)	(831,024)
3,146,320	34,001,819	6,630,451
<u>\$ 10,887,667</u>	<u>\$ 32,978,095</u>	<u>\$ 5,799,427</u>

(continued)

POLK COUNTY, IOWA

**Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2006**

	Business-type Activities -		
	Prairie Meadows Racetrack/ Casino	Iowa Events Center	Wells Fargo Arena
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET			
CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating income (loss)	\$ 21,333,782	\$ (5,720,592)	\$ (2,703,711)
Components of operating income (loss) not included in operating activities:			
Depreciation	2,837,153	3,480,547	4,371,713
Amortization	-	51,454	(258,334)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:			
(Increase) decrease in special assessments receivable	-	-	-
(Increase) decrease in accounts receivable	-	(109,102)	(1,394,458)
(Increase) decrease in due from other governments	-	62,500	515,790
(Increase) decrease in inventories	-	3,657	-
(Increase) decrease in prepaid items	-	(10,724)	-
Increase (decrease) in estimated liability for claims and judgments	-	-	-
Increase (decrease) in vouchers payable	-	(34,828)	(12,832)
Increase (decrease) in due to other governments	372,744	-	-
Increase (decrease) in wages payable	-	(35,074)	-
Increase (decrease) in payroll taxes payable	-	(3,841)	-
Increase (decrease) in compensated absences payable	-	46,753	-
Increase (decrease) in advance deposits and ticket sales	-	166,992	-
Increase (decrease) in deferred revenue	-	11,812	500,000
Net cash flows from operating activities	<u>\$ 24,543,679</u>	<u>\$ (2,090,446)</u>	<u>\$ 1,018,168</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:			
Disposal of fully depreciated capital assets	\$ -	\$ (66,111)	\$ -
Acquisition of capital assets through vouchers payable	-	255,441	(4,267,905)
Acquisition of issuance costs through vouchers payable	-	-	-
Acquisition of capital assets through contract/retainage payable	-	1,803,480	(4,103,480)
Acquisition of capital assets through estimated liabilities for claims	-	228,473	(161,260)
Acquisition of capital assets through interest payable	-	(10,685)	(316,144)

See Notes to Basic Financial Statements

Enterprise Funds		Total	Governmental Activities- Internal Service Funds
Other Enterprise Funds			
\$ (309,230)	\$ 12,600,249	\$ (1,172,253)	
567,152	11,256,565	-	
3,011	(203,869)	-	
10,276	10,276	-	
16,141	(1,487,419)	309,648	
8,899	587,189	-	
8,790	12,447	-	
-	(10,724)	-	
-	-	(115,328)	
46,710	(950)	10,415	
-	372,744	-	
(37,956)	(73,030)	-	
(4,766)	(8,607)	-	
23,549	70,302	-	
15,381	182,373	-	
-	511,812	-	
<u>\$ 347,957</u>	<u>\$ 23,819,358</u>	<u>\$ (967,518)</u>	

\$ (19,670)	\$ (85,781)	\$ -
770,191	(3,242,273)	-
18,751	18,751	-
-	(2,300,000)	-
-	67,213	-
-	(326,829)	-

(concluded)

POLK COUNTY, IOWA

Statement of Net Assets Fiduciary Funds June 30, 2006

	Total Agency Funds
ASSETS	
Cash and pooled investments	\$ 23,281,855
Receivables (net of allowances for uncollectibles):	
Taxes	4,704,470
Special assessments	5,097,910
Accounts	477,576
Accrued interest	1,395
Due from other governments	79,852
	<hr/>
TOTAL ASSETS	\$ 33,643,058
	<hr/> <hr/>
LIABILITIES	
Vouchers payable	\$ 86,329
Wages payable	57,344
Payroll taxes payable	7,455
Estimated liability for claims and judgments	112,880
Due to other funds	310,189
Due to other governments	31,525,956
Advances from other funds	48,200
Trusts payable	984,153
Compensated absences payable	510,552
	<hr/>
TOTAL LIABILITIES	\$ 33,643,058
	<hr/> <hr/>

See Notes to Basic Financial Statements

POLK COUNTY, IOWA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2006

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, 2006, 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 \$44 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.

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service funds.

Enterprise Funds - Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises: (a) where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds - Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis. The County has two internal service funds that account for employee insurance and risk management activities.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's enterprise funds and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

The County reports the following major proprietary funds:

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

Iowa Events Center – Accounts for activity of the Convention Complex, Veteran's Auditorium and Hy-Vee Hall.

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

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. 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 2005 on the assessed valuation of property located in the County as of January 1, 2004, 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, 2005. Taxes were receivable in two installments on September 30, 2005, and March 31, 2006. 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, 2006. 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, 2006 are as follows:

Major Fund:	
MH/MR/DD Services	\$ (399,195)
Special Revenue:	
Secondary Roads	(3,499,283)
Capital Projects:	
Jail Facility	(6,632,967)

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, 2006, consist of mutual funds, U.S. government securities, and commercial paper.

As of June 30, 2006, the cash and pooled investments of the County consist of:

Cash and cash items in vault	\$	62,399
Cash on hand not yet deposited		88,799
Cash held by trustee		1,034,944
Bank account deposits		71,437,636
Mutual funds		23,044,463
Mutual funds - restricted		250,665
U.S. government securities		15,000,000
Commercial paper		<u>11,735,304</u>
Total cash and pooled investments	\$	<u>122,654,210</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 \$981,248 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, 2006, 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. The County's investments at June 30, 2006, are not subject to such risk.

Custodial credit risk. For deposits, this is the risk that in the event of bank failure, the County's deposits may not be returned to it. For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Chapter 12C of the Code of Iowa requires all County funds be deposited into an approved depository and be either insured or collateralized. The County's bank account deposits at June 30, 2006, 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, 2006, 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, 2006, 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, 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 WFA. As of June 30, 2006, \$250,665 is being held by the County in Renewal Account.

5. DUE FROM/TO OTHER FUNDS

Amounts due from/to other funds at June 30, 2006, are as follows:

	Due To					
	General Fund	MH/MR/DD Services	Nonmajor Governmental	Iowa Events Center	Nonmajor Enterprise	Total
Due from						
Prairie Meadows Racetrack/Casino	\$ 342,629	\$ 64,206	\$ 45,269	\$ -	\$ -	\$ 452,104
Wells Fargo Arena	-	-	-	4,171,711	-	4,171,711
Nonmajor Governmental	4,867,397	-	-	-	-	4,867,397
Fiduciary	<u>260,002</u>	<u>-</u>	<u>489</u>	<u>-</u>	<u>49,698</u>	<u>310,189</u>
Total	<u>\$ 5,470,028</u>	<u>\$ 64,206</u>	<u>\$ 45,758</u>	<u>\$ 4,171,711</u>	<u>\$ 49,698</u>	<u>\$ 9,801,401</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	\$ 4,887,273
June 2006 monthly activity owed to various funds from various Elected Officials Agency Funds	283,986
Property taxes owed to various funds from Prairie Meadows Racetrack/Casino Enterprise Fund	452,104
Debt payment owed to Iowa Events Center from Wells Fargo Arena	4,171,711

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, 2006, is as follows:

Drainage District fund interfund loans payable to the following funds:	
General Fund	\$ 46,200
Special Revenue: Economic Development Fund	<u>2,000</u>
Total	<u>\$ 48,200</u>

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

	Drainage Districts
During the year ending June 30:	
2007	\$ 9,700
2008	7,700
2009	7,700
2010	<u>23,100</u>
Total	<u>\$ 48,200</u>

7. ADVANCES TO COMPONENT UNIT

At June 30, 2006, the County, the primary government, has seven notes receivables totaling \$4,783,679 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, 2006, based on where related underlying debt will be paid:

MH/MR/DD Services Fund	
Purchase of mental health homes	\$ 924,486
Debt Service Fund	
1998A Polk County Health Services	2,212,594
1998B Polk County Health Services	<u>1,646,599</u>
	<u>3,859,193</u>
Total	<u>\$ 4,783,679</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:		
2007	\$ 664,177	\$ 193,294
2008	679,264	181,059
2009	702,068	150,751
2010	737,886	119,312
2011	769,784	85,305
2012-2016	934,435	126,314
2017-2021	252,280	26,714
2022-2026	<u>43,785</u>	<u>988</u>
Total	\$ <u>4,783,679</u>	\$ <u>883,737</u>

8. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006, is as follows:

	Balance 7/1/2005	Additions	Disposals	Balance 6/30/2006
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 8,135,840	\$ 3,636,006	\$ -	\$ 11,771,846
Construction in progress	<u>2,000,827</u>	<u>6,410,367</u>	<u>(2,085,929)</u>	<u>6,325,265</u>
Total capital assets, not being depreciated	<u>10,136,667</u>	<u>10,046,373</u>	<u>(2,085,929)</u>	<u>18,097,111</u>
Capital assets, being depreciated:				
Buildings	61,812,798	323,919	-	62,136,717
Improvements other than buildings	758,296	130,934	-	889,230
Infrastructure	79,619,824	5,423,059	(177,793)	84,865,090
Equipment	12,025,773	3,261,785	(1,653,801)	13,633,757
Vehicles	<u>6,825,068</u>	<u>523,829</u>	<u>(519,385)</u>	<u>6,829,512</u>
Total capital assets being depreciated	<u>161,041,759</u>	<u>9,663,526</u>	<u>(2,350,979)</u>	<u>168,354,306</u>
Less accumulated depreciation for:				
Buildings	(32,630,382)	(1,618,773)	-	(34,249,155)
Improvements other than buildings	(422,618)	(30,540)	-	(453,158)
Infrastructure	(36,081,686)	(4,935,373)	177,791	(40,839,268)
Equipment	(8,722,714)	(1,464,893)	1,653,801	(8,533,806)
Vehicles	<u>(5,177,190)</u>	<u>(597,835)</u>	<u>519,385</u>	<u>(5,255,640)</u>
Total accumulated depreciation	<u>(83,034,590)</u>	<u>(8,647,414)</u>	<u>2,350,977</u>	<u>(89,331,027)</u>
Total capital assets being depreciated, net	<u>78,007,169</u>	<u>1,016,112</u>	<u>(2)</u>	<u>79,023,279</u>
Governmental activities capital assets, net	\$ <u>88,143,836</u>	\$ <u>11,062,485</u>	\$ <u>(2,085,931)</u>	\$ <u>97,120,390</u>

	Balance 7/1/2005	Additions	Disposals	Balance 6/30/2006
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 14,852,969	\$ -	\$ -	\$ 14,852,969
Construction in progress	126,461,245	2,062,656	(126,291,436)	2,232,465
Total capital assets, not being depreciated	<u>141,314,214</u>	<u>2,062,656</u>	<u>(126,291,436)</u>	<u>17,085,434</u>
Capital assets, being depreciated:				
Buildings	144,245,838	134,670,660	(1,346)	278,915,152
Improvements other than buildings	8,737,316	-	-	8,737,316
Leasehold improvements	37,487,588	-	-	37,487,588
Infrastructure	17,620,761	-	-	17,620,761
Equipment	807,874	52,599	(84,436)	776,037
Vehicles	126,071	-	-	126,071
Total capital assets being depreciated	<u>209,025,448</u>	<u>134,723,259</u>	<u>(85,782)</u>	<u>343,662,925</u>
Less accumulated depreciation for:				
Buildings	(20,010,196)	(9,382,456)	1,346	(29,391,306)
Improvements other than buildings	(8,403,338)	186,416	-	(8,216,922)
Leasehold improvements	(3,748,760)	(1,499,504)	-	(5,248,264)
Infrastructure	(4,602,831)	(440,519)	-	(5,043,350)
Equipment	(558,212)	(108,823)	84,436	(582,599)
Vehicles	(88,891)	(11,679)	-	(100,570)
Total accumulated depreciation	<u>(37,412,228)</u>	<u>(11,256,565)</u>	<u>85,782</u>	<u>(48,583,011)</u>
Total capital assets being depreciated, net	<u>171,613,220</u>	<u>123,466,694</u>	<u>-</u>	<u>295,079,914</u>
Business-type activities capital assets, net	<u>\$ 312,927,434</u>	<u>\$ 125,529,350</u>	<u>\$ (126,291,436)</u>	<u>\$ 312,165,348</u>

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

Government activities:	
Public safety and legal services	\$ 1,608,107
Physical health and social services	339,858
County environment and education	258,615
Roads and transportation	5,564,774
Government services to residents	352,434
Administration	<u>523,626</u>
Total depreciation expense - governmental activities	<u>\$ 8,647,414</u>
Business-type activities:	
Air Pollution	\$ 21,540
Sanitary Treatment Works	210,603
Prairie Meadows Racetrack/Casino	2,837,153
Jester Park Golf Course	105,093
Hamilton Urban Drainage District	229,916
Iowa Events Center	3,480,547
Wells Fargo Arena	<u>4,371,713</u>
Total depreciation expense - business-type activities	<u>\$ 11,256,565</u>

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

- One road project and two bridge projects previously recorded as construction in progress were completed during the year. An additional capital contribution of \$0.6 million was recognized as a result of the transaction. Financing for these projects came from the County's Farm-to-Market (FM) account - \$1.9 million
- Four road projects were constructed by a developer - \$1.8 million

9. LONG-TERM LIABILITIES

The following is a summary of long-term liability activity for the year ended June 30, 2006:

	Balance			Balance	
	July 1, 2005	Additions	Deletions	June 30, 2006	Due Within One Year
Governmental activities:					
General obligation bonds payable	\$ 22,094,862	\$ 14,975,000	\$ (2,715,893)	\$ 34,353,969	\$ 3,756,807
Add: unamortized premium (discount)	67,575	77,543	(7,892)	137,226	16,252
Notes payable	650,000	-	(34,000)	616,000	35,000
Capital leases payable	483,525	557,766	(353,888)	687,403	269,800
Accrued compensated absences	9,284,113	6,641,610	(5,740,115)	10,185,608	1,034,620
Estimated liability for claims and judgements	<u>1,974,233</u>	<u>11,719,425</u>	<u>(11,582,274)</u>	<u>2,111,384</u>	<u>2,111,384</u>
Total	\$ <u>34,554,308</u>	\$ <u>33,971,344</u>	\$ <u>(20,434,062)</u>	\$ <u>48,091,590</u>	\$ <u>7,223,863</u>
Business-type activities:					
General obligation bonds payable	\$ 143,630,000	\$ 6,345,000	\$ (8,815,000)	\$ 141,160,000	\$ 8,205,000
Add: unamortized premium (discount)	4,019,769	(354)	(258,246)	3,761,169	258,726
Less: loss on advance refunding	(31,532)	-	31,532	-	-
Accrued compensated absences	201,976	188,707	(118,405)	272,278	19,587
Estimated liability for claims and judgements	<u>476,770</u>	<u>215,585</u>	<u>(148,372)</u>	<u>543,983</u>	<u>543,983</u>
Total	\$ <u>148,296,983</u>	\$ <u>6,748,938</u>	\$ <u>(9,308,491)</u>	\$ <u>145,737,430</u>	\$ <u>9,027,296</u>

General Obligation Bonds Payable

	Original Amount	Date Issued	Interest Rates	Due Date	Amount Outstanding
Governmental activities					
General Purpose	\$ 5,065,000	5/1/1998	4.5-4.875%	6/1/2011	\$ 2,203,969
General Purpose	2,850,000	5/1/1998	4.625-5%	6/1/2014	1,640,000
General Purpose	4,780,000	12/1/1999	4.3-5%	6/1/2010	2,195,000
General Purpose	7,200,000	6/1/2001	3.8-4.625%	6/1/2012	4,665,000
General Purpose	6,200,000	12/15/2002	3-4%	6/1/2013	4,205,000
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	3,445,000
General Purpose	8,865,000	6/1/2006	4-4.25%	6/1/2016	8,865,000
General Purpose	6,110,000	6/1/2006	4-4.5%	6/1/2026	<u>6,110,000</u>
Total					\$ <u>34,353,969</u>

	Original Amount	Date Issued	Interest Rates	Due Date	Amount Outstanding
Business-type activities					
Sanitary Treatment	\$ 700,000	6/1/2001	3.8-4.45%	6/1/2011	\$ 350,000
Sanitary Treatment	1,230,000	12/15/2003	2.15-3.55%	6/1/2014	1,005,000
IEC/C Complex	515,000	12/15/2003	2.15-3.55%	6/1/2008	250,000
Iowa Events Center	45,000,000	12/1/2001	4-5%	6/1/2017	35,200,000
Iowa Events Center	73,000,000	12/15/2002	5%	6/1/2021	60,555,000
Iowa Events Center	40,900,000	12/15/2002	4-5.2%	6/1/2017	37,455,000
IEC/C Complex	1,015,000	6/1/2006	4-4.25%	6/1/2016	1,015,000
Urban Sewer	5,330,000	6/1/2006	4-4.5%	6/1/2026	<u>5,330,000</u>
Total					\$ <u>141,160,000</u>

Notes Payable

	Original Amount	Date Issued	Interest Rates	Due Date	Amount Outstanding
Governmental activities					
General Purpose	\$ 800,000	8/9/2000	3.53%	12/1/2019	\$ <u>616,000</u>

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

	Bonds Payable		Notes Payable		Total Principal and Interest
	Principal	Interest	Principal	Interest	
Governmental activities					
During the year ending June 30:					
2007	\$ 3,756,807	\$ 1,418,697	\$ 35,000	\$ 21,127	\$ 5,231,631
2008	3,941,698	1,271,117	36,000	19,874	5,268,689
2009	3,992,611	1,113,251	37,000	18,585	5,161,447
2010	4,146,481	949,506	39,000	17,244	5,152,231
2011	3,711,372	775,565	40,000	15,850	4,542,787
2012-2016	11,075,000	1,993,204	221,000	56,744	13,345,948
2017-2021	1,650,000	691,935	208,000	15,038	2,564,973
2022-2026	<u>2,080,000</u>	<u>289,350</u>	-	-	<u>2,369,350</u>
Total	34,353,969	8,502,625	616,000	164,462	43,637,056
Add: unamortized premium	<u>137,226</u>	-	-	-	<u>137,226</u>
Total	\$ <u>34,491,195</u>	\$ <u>8,502,625</u>	\$ <u>616,000</u>	\$ <u>164,462</u>	\$ <u>43,774,282</u>

	Bonds Payable		Total Principal and Interest
	Principal	Interest	
Business-type activities			
During the year ending June 30:			
2007	\$ 8,205,000	\$ 6,859,266	\$ 15,064,266
2008	8,565,000	6,491,995	15,056,995
2009	9,265,000	6,107,660	15,372,660
2010	9,745,000	5,689,061	15,434,061
2011	10,285,000	5,222,689	15,507,689
2012-2016	58,870,000	18,038,875	76,908,875
2017-2021	34,410,000	4,820,808	39,230,808
2022-2026	<u>1,815,000</u>	<u>252,900</u>	<u>2,067,900</u>
Total	141,160,000	53,483,254	194,643,254
Add: unamortized premium	<u>3,761,169</u>	-	<u>3,761,169</u>
Total	\$ <u>144,921,169</u>	\$ <u>53,483,254</u>	\$ <u>198,404,423</u>

There were no due and unredeemed bonds or notes at June 30, 2006. In addition, there was no special assessment debt outstanding at June 30, 2006. Management does not believe an arbitrage liability exists at June 30, 2006.

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

Changes in debt for PCHS for the year ended June 30, 2006 are as follows:

	Balance 7/1/2005	Additions	Deletions	Balance 6/30/2006	Due Within One Year
Advances from primary government	\$ 5,405,741	\$ -	\$ (622,062)	\$ 4,783,679	\$ 664,176
Total	\$ 5,405,741	\$ -	\$ (622,062)	\$ 4,783,679	\$ 664,176

10. CONDUIT DEBT OBLIGATIONS

As of June 30, 2006, there were various conduit debt obligations outstanding. The aggregate principal amount payable for such debt is \$8,216,031.

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, 2006 amounted to \$198,035,000.

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 \$1,494,384. 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, 2006:

During the year ending June 30:		
2007	\$	293,127
2008		140,130
2009		123,616
2010		123,616
2011		<u>61,809</u>
Total minimum lease payments		742,298
Less: amount representing interest		<u>(54,895)</u>
Present value of total minimum lease payments	\$	<u><u>687,403</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, 2006 is \$1,794,259. Following is a schedule of minimum future rentals for non-cancelable operating leases in effect at June 30, 2006:

During the year ending June 30:		
2007	\$	1,557,400
2008		1,240,978
2009		978,954
2010		<u>504,242</u>
Total	\$	<u><u>4,281,574</u></u>

The above schedule represents operating leases in effect at June 30, 2006. 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, community betterment, economic development and contingency as indicated by the appropriate fund name. The following special revenue funds balances are designated at June 30, 2006:

Equipment Reserve Fund	\$	3,746,377
Community Betterment Fund		31,792
Economic Development Fund (Note 18)		7,123,661
Contingency Reserve Fund		<u>5,000,000</u>
Total	\$	<u><u>15,901,830</u></u>

14. TRANSFER RECONCILIATION

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

	Transfer to						Total
	General Fund	Iowa Event Center	Wells Fargo Arena	Nonmajor Governmental	Nonmajor Enterprise	Internal Service	
Transfer from							
General Fund	\$ -	\$ -	\$ -	\$ 2,457,702	\$ -	\$ 2,633,997	\$ 5,091,699
Prairie Meadows Racetrack/Casino	2,457,663	6,278,789	6,929,218	12,345,567	523,659	-	28,534,896
Nonmajor Governmental	783,090	-	-	19,169,928	3,300,000	-	23,253,018
Internal Service	<u>2,653,997</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,653,997</u>
Total	<u>\$ 5,894,750</u>	<u>\$ 6,278,789</u>	<u>\$ 6,929,218</u>	<u>\$ 33,973,197</u>	<u>\$ 3,823,659</u>	<u>\$ 2,633,997</u>	<u>\$ 59,533,610</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

In the year ending June 30, 2006, the county made the following significant transfers:

Prairie Meadows Racetrack/Casino Enterprise fund made transfers to various governmental/enterprise funds. These transfers provided economic development or provided funding to assist in the repayment of the respective fund's debt.	\$ 28,534,896
General fund made transfers to Risk Management Internal Service funds for funding of current year activities.	2,633,997
General fund and Rural Services fund made transfers to Secondary Roads fund in accordance with state statutes.	5,099,789
Bond Revolving Special Revenue fund made transfers to the various governmental funds relating to 2006 general obligation bond proceeds.	13,750,000
Economic Development Special Revenue fund made transfers to Urban Sewer Enterprise for future projects funding.	3,300,000

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, 2006, 2005, and 2004 were \$3,627,341, \$3,426,585, and \$3,263,056, 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, 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	304,000,000	100,000
Fidelity bond	5,000,000	50,000
Workers' compensation	Statutory/ 1,000,000	400,000
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, 2006. There has been one claim in excess of the insurance coverage in the last three fiscal years. This workers compensation claim exceeded the \$400,000 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, 2006 and 2005 are as follows:

	Year Ended	
	6/30/2006	6/30/2005
Beginning balance	\$ 872,091	\$ 483,720
Current year claims and changes in estimates	1,685,231	1,098,934
Claim payments	<u>(1,432,752)</u>	<u>(710,563)</u>
Ending Balance	\$ <u><u>1,124,570</u></u>	\$ <u><u>872,091</u></u>

Employee Insurance Fund

The County has established an Internal Service Fund to account for its employee medical and dental benefits. Changes in the estimated liability for probable losses recorded in the Employee Insurance Fund for the years ended June 30, 2006 and 2005 are as follows:

	Year Ended	
	6/30/2006	6/30/2005
Beginning balance	\$ 1,102,142	\$ 1,078,422
Current year claims and changes in estimates	10,034,194	9,565,515
Claim payments	<u>(10,149,522)</u>	<u>(9,541,795)</u>
Ending Balance	\$ <u><u>986,814</u></u>	\$ <u><u>1,102,142</u></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, 2006 and 2005 are as follows:

	Year Ended	
	6/30/2006	6/30/2005
Beginning balance	\$ 476,770	\$ 623,796
Current year claims and changes in estimates	(12,888)	800,753
Claim payments	<u>(148,372)</u>	<u>(947,779)</u>
Ending Balance	\$ <u><u>315,510</u></u>	\$ <u><u>476,770</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:

Community Betterment Fund:		
Drake Stadium Revitalization		\$ 800,000
Des Moines City Gaming Pymts		13,466,666
Des Moines Schools Gaming Pymts		1,200,000
Hoover Meredith Athletic Center		350,000
Science Center		800,000
	Total	\$ <u><u>16,616,666</u></u>
Economic Development Special Revenue Fund:		
Kemin Industries		\$ 1,250,000
Mitchellville Road Project		300,736
NE 66th Intersection Study		5,320,000
	Total	\$ <u><u>6,870,736</u></u>
Housing Development Special Revenue Fund:		
Housing Trust Fund		\$ 1,500,000
Neighborhood Finance Corporation		1,600,000
	Total	\$ <u><u>3,100,000</u></u>
Capital Improvements Projects Fund:		
Oliver Plaza		\$ <u><u>348,800</u></u>
Jail Fund:		
Jail Facility		\$ <u><u>63,496,075</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 has had agreements with the Racing Association of Central Iowa ("RACI") for several years for the operation of the Prairie Meadows Racetrack facility owned by the County. The Racetrack opened for business on March 1, 1989, as a horse racing facility.

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

Chapter 99F of the Code of Iowa, as enacted by the 1994 Legislature, defined authorized gambling games as slot machines. During the 2004 Legislative Session, the Iowa Legislature amended the definition of authorized gambling games to include table games.

In October 2004, Prairie Meadows Racetrack and Casino, Inc. selected an architectural firm to design an expansion of the casino. The \$60 million expansion will include additional space for up to 65 table games and 2,000 slot machines, an event/meeting space for 600 sit-down or 1,200 theater style, a steakhouse and a new buffet, new paddock, jockeys quarter and walking ring (racing improvements were completed April 2006). Expansion plans were approved by the Polk County Board of Supervisors and the Iowa Racing and Gaming Commission in early 2005. Completion is scheduled for February 2007.

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

The new lease also addresses the taxation lawsuit heard by the United States Supreme Court. The Supreme Court found differential taxation of pari-mutuel and riverboat casinos to be unconstitutional. In response, the Iowa Legislature reduced the pari-mutuel gaming receipts taxation rate from 36% to 24%. Polk County's lease with RACI requires RACI to pay Polk County one-third of the resulting improvement in net receipts. In June 2004, Polk County received \$5.3 million due to the tax rate change that Prairie Meadows experienced in calendar year 2003, January 2005, Polk County received \$6.3 million, and in January 2006, Polk County received \$7.1 million due to the tax rate change. Future tax-rate-change payments are estimated at approximately \$7.0 million annually.

20. IOWA EVENTS CENTER PROJECT

Polk County completed construction of the Iowa Events Center (the "Project") in July 2005. The Project consists of a new arena, exhibit hall and improvements to Veterans Auditorium. The Project budget was \$217 million and was financed by a combination of public and private revenues. Polk County issued \$158.9 million in General Obligation bonds to provide most of the local matching funds for the Project. The County will use gaming revenues from the Racetrack/Casino Enterprise Fund to offset debt service costs for building the facility. Other sources to repay debt service include private payments and local municipal contributions.

Although the major construction work was completed in the summer of 2005, minor construction activity and adjustments to technical equipment have continued throughout the fiscal year. This work did not interfere with operations of the facilities. All initial work is expected to be complete by December 2006.

During construction, major delays in work occurred due to the bankruptcy and temporary cessation in operations of the steel contractor. Primarily as a result of this delay, 18 contractors filed claims for additional costs; the original amounts claimed totaled approximately \$18,783,000. The County engaged the services of outside legal counsel and two construction claim consultants to assist it in reviewing claims and negotiating with contractors that did not reach agreement with the County's construction manager.

As of June 30, 2006, 12 claims totaling \$6,125,000 have been resolved at a cost of \$2,333,581. Additional claims are in the process of negotiation. It is anticipated that the pending claims will be resolved at amounts that are substantially discounted from the amount claimed. Polk County has also initiated action against the bonding company of the steel contractor in an attempt to recover damages due to the claims of the other contractors and other related delay costs.

Unspent budget resources are expected to be depleted during FY 06/07 as retainage and other contract balances are paid to contractors. In addition, the project delay claim payments and other delay-related expenses will result in costs that will exceed the budget. As noted above, it is the County's plan to seek recovery of these additional costs.

21. RELATED PARTY TRANSACTIONS

The Iowa Events Center is managed by Global Spectrum which is a subsidiary of Philadelphia-based Comcast-Spectacor. The Comcast-Spectacor Group includes Ovations Food Services and New Era Tickets. The following is a summary of transactions and balances with affiliates as of and for the year ended June 30, 2006:

Concessions and catering revenue from Ovations	\$ 3,051,054
Ticket revenue and fees received from New Era	169,474
Ticket fees paid to New Era	45,561
Due to Ovations	39,700
Due to Ovations FY 06 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, 2006, the County has a future commitment for approximately \$2,554,512 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 2006, the County will issue approximately \$81 million in general obligation bonds to provide funds for \$68 million for jail project and \$13 million for Southside Senior Center expansion, Oliver Plaza office space renovation, Bondurant Urban Service Area Sewer and issuance costs. These bonds will be retired from property taxes to be levied in the future.

24. NEW ACCOUNTING PRONOUNCEMENTS

As of June 30, 2006, the County adopted the following Governmental Accounting Standards Board (GASB) statements:

- In November of 2003, GASB issued Statement No. 42 (“GASB 42”), “*Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries.*” GASB 42 established new guidance for accounting and reporting for the impairment of capital assets and for insurance recoveries. The adoption of this statement had no effect on the County in the current year.
- In June of 2004, the GASB issued Statement No. 44 (“GASB 44”), “*Economic Condition Reporting: The Statistical Section.*” GASB 44 established new guidance to enhance and update the statistical section that accompanies a state or local governments’ basic financial statements. As a result of the adoption of this statement the County modified its statistical section.
- In December of 2004, the GASB issued Statement No. 46 (“GASB 46”), “*Net Assets Restricted by Enabling Legislation*” as an amendment of GASB 34. GASB 46 established and modified requirements related to restrictions of net assets resulting from enabling legislation. The adoption of this statement had no effect on the County in the current year.
- In June of 2005, the GASB issued Statement No. 47 (“GASB 47”), “*Accounting for Termination Benefits.*” GASB 47 established accounting standards for termination benefits. In financial statements prepared on the accrual basis of accounting, employers should recognize a liability and expense for voluntary termination benefits (early retirement incentives) when the offer is accepted and the amount can be estimated. A liability for involuntary termination benefits (severance benefits) should be recognized when a plan of termination has been approved by those with the authority to commit the government to the plan, the plan has been communicated to the employees, and the amount can be estimated. In financial statements prepared on the modified accrual basis of accounting, liabilities and expenditures for termination benefits should be recognized to the extent the liabilities are normally expected to be liquidated with expendable available financial resources. The adoption of this statement had no effect on the County in the current year.

As of June 30, 2006, 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:

- In April of 2004, GASB issued Statement No. 43 (“GASB 43”), “*Financial Reporting for Postemployment Benefit Plans Other Pension Plans.*” GASB 43, which is required to be adopted by the County in its fiscal year ending June 30, 2007, established uniform financial reporting standards for other postemployment benefit plans (OPEB plans) and supercedes existing guidance.

- In June of 2004, the GASB issued Statement No. 45 (“GASB 45”), “*Accounting and Financial Reporting by Employers for Postretirement Benefits Other Than Pensions.*” GASB 45, which is required to be adopted by the County in its fiscal year ending June 30, 2008, established standards for the measurement, recognition and display of other postretirement benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information.
- In September of 2006, the GASB issued Statement No. 48 (“GASB 48”), “*Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues.*” GASB 48, which is effective for the County beginning with its fiscal year ending June 30, 2008, 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.

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, 2006

	Original Budget	Amended Budget	Actual	Variance
REVENUES:				
Property taxes	\$ 88,184,087	\$ 87,887,424	\$ 88,434,449	\$ 547,025
Other County taxes	4,848,009	4,644,508	4,807,247	162,739
Interest and penalty on delinquent taxes	962,000	1,025,000	1,153,332	128,332
Intergovernmental	50,123,497	56,399,836	55,652,606	(747,230)
Licenses and permits	937,205	579,705	600,980	21,275
Charges for services	8,743,585	10,106,790	10,825,056	718,266
Use of money and property	5,748,385	7,462,255	8,621,168	1,158,913
Miscellaneous	1,791,048	2,074,922	2,227,370	152,448
Capital contributions	-	9,500	9,500	-
General long-term debt proceeds	3,650,000	14,800,000	14,960,327	160,327
Proceeds from disposal of capital assets	199,000	199,000	184,877	(14,123)
Total receipts	165,186,816	185,188,940	187,476,912	2,287,972
EXPENDITURES:				
Current:				
Public safety and legal services	44,517,541	47,745,926	47,148,620	597,306
Physical health and social services	26,545,427	26,801,045	25,773,847	1,027,198
Mental health	43,071,013	45,436,379	44,686,917	749,462
County environment and education	14,367,996	22,447,568	21,790,556	657,012
Roads and transportation	9,060,637	9,209,481	9,064,296	145,185
Government services to residents	5,681,985	5,736,988	5,330,543	406,445
Administration	25,049,195	28,935,555	27,202,415	1,733,140
Nonprogram services	50,000	50,000	40,263	9,737
Debt service	5,316,594	5,316,919	5,316,919	-
Capital projects	6,609,103	21,248,174	14,966,567	6,281,607
Total disbursements	180,269,491	212,928,035	201,320,943	11,607,092
OTHER FINANCING SOURCES (USES):				
Transfers in (out)	10,445,583	12,523,329	11,523,231	(1,000,098)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES - BUDGETARY BASIS				
	\$ (4,637,092)	\$ (15,215,766)	(2,320,800)	\$ 12,894,966
RECONCILIATION TO GAAP BASIS:				
Basis differences:				
Increase (decrease) in accrual basis assets			330,185	
(Increase) decrease in accrual basis liabilities			(641,667)	
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses - GAAP basis			(2,632,282)	
Fund balance at beginning of year - GAAP basis			55,991,786	
Changes in inventory reserves			(113,883)	
Fund balance at end of year - GAAP basis			\$ 53,245,621	

See Notes to Required Supplementary Information.

POLK COUNTY, IOWA

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2006

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.

(This page was left blank intentionally)

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.

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.

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

Debt Service Funds

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

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

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

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

(concluded)

(This page was left blank intentionally)

POLK COUNTY, IOWA

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006**

	Rural Services	Sheriff Seized Property (State)	Sheriff Seized Property (Federal)	Attorney Seized Property
ASSETS				
Cash and pooled investments	\$ 1,658,093	\$ 237,854	\$ 145,135	\$ 388,861
Receivables (net of allowances for uncollectibles):				
Taxes	17,143	-	-	-
Succeeding year property taxes	5,901,220	-	-	-
Special assessments	-	-	-	-
Accounts	16,525	-	-	-
Notes	-	-	-	-
Accrued interest	-	174	67	180
Due from other funds	26,037	-	-	-
Due from other governments	46,000	-	-	17,976
Advances to other funds	-	-	-	-
Advances to component unit	-	-	-	-
Inventories	-	-	-	-
TOTAL ASSETS	\$ 7,665,018	\$ 238,028	\$ 145,202	\$ 407,017
LIABILITIES				
Vouchers payable	\$ 112,991	\$ -	\$ -	\$ 456
Contract/retainage payable	-	-	-	-
Wages payable	4,763	-	-	921
Payroll taxes payable	9,645	-	-	121
Interest payable	-	-	-	-
Due to other funds	-	-	-	-
Deferred revenues	41,403	-	-	-
Succeeding year property taxes deferred revenues	5,901,220	-	-	-
TOTAL LIABILITIES	6,070,022	-	-	1,498
FUND BALANCES				
Reserved for advances to other funds	-	-	-	-
Reserved for advances to component unit	-	-	-	-
Reserved for noncurrent notes receivable	-	-	-	-
Reserved for inventory of supplies	-	-	-	-
Reserved for supplemental levy purposes	1,417,869	-	-	-
Unreserved, designated (Note 13)	-	-	-	-
Unreserved, undesignated	177,127	238,028	145,202	405,519
TOTAL FUND BALANCES	1,594,996	238,028	145,202	405,519
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,665,018	\$ 238,028	\$ 145,202	\$ 407,017

Special Revenue									
Conservation Land Acquisition Trust	Equipment Reserve	Community Betterment	Secondary Roads	County Recorder Records Management	Economic Development	County Recorder Electronic Transaction	Township Fire Protection		
\$ 414,535	\$ 3,924,592	\$ 170,000	\$ 194,228	\$ 70,751	\$ 6,850,609	\$ 2,299	\$ 4,579		
-	-	-	-	-	-	-	709		
-	-	-	-	-	-	-	325,149		
-	-	-	3,570	-	-	-	-		
-	-	-	-	-	2,151,435	-	-		
-	-	-	-	33	-	1	-		
-	-	-	-	489	-	-	1,479		
18,169	46,208	-	348,984	-	-	-	-		
-	-	-	-	-	2,000	-	-		
-	-	-	-	-	-	-	-		
-	-	-	514,769	-	-	-	-		
\$ 432,704	\$ 3,970,800	\$ 170,000	\$ 1,061,551	\$ 71,273	\$ 9,004,044	\$ 2,300	\$ 331,916		
\$ 1,050	\$ 224,423	\$ 138,208	\$ 4,383,158	\$ -	\$ 68,453	\$ -	\$ -		
-	-	-	108,899	-	-	-	-		
-	-	-	68,777	-	-	-	-		
-	-	-	-	-	-	-	-		
-	-	-	-	-	-	-	-		
18,169	-	-	-	-	-	-	2,176		
-	-	-	-	-	-	-	325,149		
19,219	224,423	138,208	4,560,834	-	68,453	-	327,325		
-	-	-	-	-	2,000	-	-		
-	-	-	-	-	-	-	-		
-	-	-	-	-	1,809,930	-	-		
-	-	-	514,769	-	-	-	-		
-	-	-	-	-	-	-	-		
-	3,746,377	31,792	-	-	7,123,661	-	-		
413,485	-	-	(4,014,052)	71,273	-	2,300	4,591		
413,485	3,746,377	31,792	(3,499,283)	71,273	8,935,591	2,300	4,591		
\$ 432,704	\$ 3,970,800	\$ 170,000	\$ 1,061,551	\$ 71,273	\$ 9,004,044	\$ 2,300	\$ 331,916		

(continued)

POLK COUNTY, IOWA

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006**

	Treasurer Banking Reserve	REAP	Housing Development	Contingency Reserve
ASSETS				
Cash and pooled investments	\$ 4,229	\$ 125,921	\$ 2,500,000	\$ 5,000,000
Receivables (net of allowances for uncollectibles):				
Taxes	-	-	-	-
Succeeding year property taxes	-	-	-	-
Special assessments	-	-	-	-
Accounts	597	-	-	-
Notes	-	-	-	-
Accrued interest	2	70	-	-
Due from other funds	-	-	-	-
Due from other governments	-	50,661	-	-
Advances to other funds	-	-	-	-
Advances to component unit	-	-	-	-
Inventories	-	-	-	-
TOTAL ASSETS	\$ 4,828	\$ 176,652	\$ 2,500,000	\$ 5,000,000
LIABILITIES				
Vouchers payable	\$ -	\$ -	\$ -	\$ -
Contract/retainage payable	-	-	-	-
Wages payable	-	-	-	-
Payroll taxes payable	-	-	-	-
Interest payable	-	-	-	-
Due to other funds	-	-	-	-
Deferred revenues	-	-	-	-
Succeeding year property taxes deferred revenues	-	-	-	-
TOTAL LIABILITIES	-	-	-	-
FUND BALANCES				
Reserved for advances to other funds	-	-	-	-
Reserved for advances to component unit	-	-	-	-
Reserved for noncurrent notes receivable	-	-	-	-
Reserved for inventory of supplies	-	-	-	-
Reserved for supplemental levy purposes	-	-	-	-
Unreserved, designated (Note 13)	-	-	-	5,000,000
Unreserved, undesignated	4,828	176,652	2,500,000	-
TOTAL FUND BALANCES	4,828	176,652	2,500,000	5,000,000
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,828	\$ 176,652	\$ 2,500,000	\$ 5,000,000

Bond Revolving	Total Special Revenue	Capital Projects			Debt Service		
		Courthouse Annex	Capital Improvements Projects	Jail Facility	Total Capital Projects	NW 84th Water Main Debt Service	Hamilton Drain Debt Service
\$ 1,182,288	\$ 22,873,974	\$ 855,425	\$ 124,459	\$ -	\$ 979,884	\$ 132,544	\$ -
-	17,852	-	-	-	-	-	-
-	6,226,369	-	-	-	-	-	-
-	-	-	-	-	-	-	4,965
-	20,692	-	-	-	-	-	-
-	2,151,435	-	-	-	-	-	-
-	527	-	-	-	-	61	-
-	28,005	-	-	-	-	-	-
-	527,998	-	-	-	-	-	-
-	2,000	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	514,769	-	-	-	-	-	-
\$ 1,182,288	\$ 32,363,621	\$ 855,425	\$ 124,459	\$ -	\$ 979,884	\$ 132,605	\$ 4,965
\$ 60,895	\$ 4,989,634	\$ -	\$ 74,034	\$ 1,674,162	\$ 1,748,196	\$ -	\$ -
-	108,899	-	-	91,408	91,408	-	-
-	74,461	-	-	-	-	-	-
-	9,766	-	-	-	-	-	-
-	-	-	-	-	-	1,728	-
-	-	-	-	4,867,397	4,867,397	-	-
-	61,748	-	-	-	-	-	4,965
-	6,226,369	-	-	-	-	-	-
60,895	11,470,877	-	74,034	6,632,967	6,707,001	1,728	4,965
-	2,000	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	1,809,930	-	-	-	-	-	-
-	514,769	-	-	-	-	-	-
-	1,417,869	-	-	-	-	-	-
-	15,901,830	-	-	-	-	-	-
1,121,393	1,246,346	855,425	50,425	(6,632,967)	(5,727,117)	130,877	-
1,121,393	20,892,744	855,425	50,425	(6,632,967)	(5,727,117)	130,877	-
\$ 1,182,288	\$ 32,363,621	\$ 855,425	\$ 124,459	\$ -	\$ 979,884	\$ 132,605	\$ 4,965

(continued)

POLK COUNTY, IOWA

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006**

	<u>Debt Service</u>		Total Nonmajor Governmental Funds
	Debt Service	Total Debt Service	
ASSETS			
Cash and pooled investments	\$ 803,417	\$ 935,961	\$ 24,789,819
Receivables (net of allowances for uncollectibles):			
Taxes	10,921	10,921	28,773
Succeeding year property taxes	4,007,165	4,007,165	10,233,534
Special assessments	-	4,965	4,965
Accounts	-	-	20,692
Notes	-	-	2,151,435
Accrued interest	1,303	1,364	1,891
Due from other funds	17,753	17,753	45,758
Due from other governments	-	-	527,998
Advances to other funds	-	-	2,000
Advances to component unit	3,859,193	3,859,193	3,859,193
Inventories	-	-	514,769
TOTAL ASSETS	\$ 8,699,752	\$ 8,837,322	\$ 42,180,827
LIABILITIES			
Vouchers payable	\$ -	\$ -	\$ 6,737,830
Contract/retainage payable	-	-	200,307
Wages payable	-	-	74,461
Payroll taxes payable	-	-	9,766
Interest payable	-	1,728	1,728
Due to other funds	-	-	4,867,397
Deferred revenues	28,108	33,073	94,821
Succeeding year property taxes deferred revenues	4,007,165	4,007,165	10,233,534
TOTAL LIABILITIES	4,035,273	4,041,966	22,219,844
FUND BALANCES			
Reserved for advances to other funds	-	-	2,000
Reserved for advances to component unit	3,859,193	3,859,193	3,859,193
Reserved for noncurrent notes receivable	-	-	1,809,930
Reserved for inventory of supplies	-	-	514,769
Reserved for supplemental levy purposes	-	-	1,417,869
Unreserved, designated (Note 13)	-	-	15,901,830
Unreserved, undesignated	805,286	936,163	(3,544,608)
TOTAL FUND BALANCES	4,664,479	4,795,356	19,960,983
TOTAL LIABILITIES AND FUND BALANCES	\$ 8,699,752	\$ 8,837,322	\$ 42,180,827

(concluded)

(This page was left blank intentionally)

POLK COUNTY, IOWA

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2006**

	Rural Services	Sheriff Seized Property (State)	Sheriff Seized Property (Federal)	Attorney Seized Property
REVENUES:				
Property taxes	\$ 5,144,934	\$ -	\$ -	\$ -
Other County taxes	163,075	-	-	-
Intergovernmental	260,959	21,272	-	-
Licenses and permits	-	-	-	-
Charges for services	7,557	-	-	-
Use of money and property	-	13,021	3,961	15,267
Miscellaneous	48,970	66,474	51,098	144,174
TOTAL REVENUES	5,625,495	100,767	55,059	159,441
EXPENDITURES:				
Current:				
Public safety and legal services	-	61,269	79,239	89,793
Physical health and social services	-	-	-	-
County environment and education	1,349,613	-	-	-
Roads and transportation	1,231,806	-	-	-
Government services to residents	-	-	-	-
Administration	-	-	-	-
Nonprogram services	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital projects:				
Roadway construction	-	-	-	-
Conservation land acquisition and development	-	-	-	-
Other capital projects	-	-	-	-
TOTAL EXPENDITURES	2,581,419	61,269	79,239	89,793
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	3,044,076	39,498	(24,180)	69,648
OTHER FINANCING SOURCES (USES):				
Transfers in	424,864	-	-	-
Transfers out	(3,645,128)	-	-	-
Issuance of bonds	-	-	-	-
Premium/(discount) on bonds issued	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(3,220,264)	-	-	-
NET CHANGE IN FUND BALANCES	(176,188)	39,498	(24,180)	69,648
FUND BALANCE, BEGINNING	1,771,184	198,530	169,382	335,871
Change in inventory reserve	-	-	-	-
FUND BALANCE, ENDING	\$ 1,594,996	\$ 238,028	\$ 145,202	\$ 405,519

Special Revenue						
Conservation Land Acquisition Trust	Equipment Reserve	Community Betterment	Secondary Roads	County Recorder Records Management	Economic Development	County Recorder Electronic Transaction
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
840,000	1,728,838	-	4,794,828	-	-	-
-	-	-	72,572	-	-	-
-	-	-	163,793	121,536	-	-
-	-	-	-	2,265	1,026	1,380
10,000	983	-	46,428	-	313,650	-
850,000	1,729,821	-	5,077,621	123,801	314,676	1,380
-	-	-	-	-	-	-
-	-	433,117	-	-	-	-
-	-	-	-	-	11,644,638	-
-	-	-	7,385,048	-	-	-
-	-	-	-	82,442	-	36,885
-	-	4,548,070	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	3,484,215	-	-	-
860,317	-	-	-	-	-	-
-	4,368,034	-	-	-	-	-
860,317	4,368,034	4,981,187	10,869,263	82,442	11,644,638	36,885
(10,317)	(2,638,213)	(4,981,187)	(5,791,642)	41,359	(11,329,962)	(35,505)
-	5,291,661	5,085,125	5,290,673	-	11,745,874	-
-	-	-	-	-	(3,300,000)	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	23,621	-	14,536	-	-	-
-	5,315,282	5,085,125	5,305,209	-	8,445,874	-
(10,317)	2,677,069	103,938	(486,433)	41,359	(2,884,088)	(35,505)
423,802	1,069,308	(72,146)	(2,923,265)	29,914	11,819,679	37,805
-	-	-	(89,585)	-	-	-
\$ 413,485	\$ 3,746,377	\$ 31,792	\$ (3,499,283)	\$ 71,273	\$ 8,935,591	\$ 2,300

(continued)

POLK COUNTY, IOWA

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2006**

	Township Fire Protection	Treasurer Banking Reserve	REAP	Housing Development
REVENUES:				
Property taxes	\$ 292,003	\$ -	\$ -	\$ -
Other County taxes	8,533	-	-	-
Intergovernmental	13,100	-	97,723	-
Licenses and permits	-	-	-	-
Charges for services	-	4,447	-	-
Use of money and property	-	2	8,676	-
Miscellaneous	-	-	-	-
TOTAL REVENUES	313,636	4,449	106,399	-
EXPENDITURES:				
Current:				
Public safety and legal services	309,193	-	-	-
Physical health and social services	-	-	-	-
County environment and education	-	-	-	2,600,000
Roads and transportation	-	-	-	-
Government services to residents	-	-	-	-
Administration	-	-	-	-
Nonprogram services	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital projects:				
Roadway construction	-	-	-	-
Conservation land acquisition and development	-	-	99,554	-
Other capital projects	-	-	-	-
TOTAL EXPENDITURES	309,193	-	99,554	2,600,000
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	4,443	4,449	6,845	(2,600,000)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	5,000,000
Transfers out	-	-	-	-
Issuance of bonds	-	-	-	-
Premium/(discount) on bonds issued	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	5,000,000
NET CHANGE IN FUND BALANCES	4,443	4,449	6,845	2,400,000
FUND BALANCE, BEGINNING	148	379	169,807	100,000
Change in inventory reserve	-	-	-	-
FUND BALANCE, ENDING	\$ 4,591	\$ 4,828	\$ 176,652	\$ 2,500,000

			Capital Projects				
Contingency Reserve	Bond Revolving	Total Special Revenues	Courthouse Annex	Capital Improvements Projects	Jail Facility	Total Capital Projects	
\$ -	\$ -	\$ 5,436,937	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	171,608	-	-	-	-	-
-	-	7,756,720	-	-	-	-	-
-	-	72,572	-	-	-	-	-
-	-	297,333	-	-	-	-	-
-	12,224	57,822	-	-	-	-	-
-	-	681,777	-	49	139	-	188
-	12,224	14,474,769	-	49	139	-	188
-	-	539,494	-	-	-	-	-
-	-	433,117	-	-	-	-	-
-	-	15,594,251	-	-	-	-	-
-	-	8,616,854	-	-	-	-	-
-	-	119,327	-	-	-	-	-
-	-	4,548,070	-	-	-	-	-
-	193,374	193,374	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	3,484,215	-	-	-	-	-
-	-	959,871	-	-	-	-	-
-	-	4,368,034	1,361	2,236,368	5,999,302	-	8,237,031
-	193,374	38,856,607	1,361	2,236,368	5,999,302	-	8,237,031
-	(181,150)	(24,381,838)	(1,361)	(2,236,319)	(5,999,163)	-	(8,236,843)
-	-	32,838,197	-	1,135,000	-	-	1,135,000
-	(13,750,000)	(20,695,128)	-	(1,774,800)	-	-	(1,774,800)
-	14,975,000	14,975,000	-	-	-	-	-
-	77,543	77,543	-	-	-	-	-
-	-	38,157	-	-	-	-	-
-	1,302,543	27,233,769	-	(639,800)	-	-	(639,800)
-	1,121,393	2,851,931	(1,361)	(2,876,119)	(5,999,163)	-	(8,876,643)
5,000,000	-	18,130,398	856,786	2,926,544	(633,804)	-	3,149,526
-	-	(89,585)	-	-	-	-	-
\$ 5,000,000	\$ 1,121,393	\$ 20,892,744	\$ 855,425	\$ 50,425	\$ (6,632,967)	\$ -	\$ (5,727,117)

(continued)

POLK COUNTY, IOWA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2006

	Debt Service		Total Debt Service	Total Nonmajor Governmental Funds
	NW 84th Water Main Debt Service	Debt Service		
REVENUES:				
Property taxes	\$ -	\$ 3,474,261	\$ 3,474,261	\$ 8,911,198
Other County taxes	-	132,924	132,924	304,532
Intergovernmental	-	97,123	97,123	7,853,843
Licenses and permits	-	-	-	72,572
Charges for services	-	-	-	297,333
Use of money and property	6,551	102,463	109,014	166,836
Miscellaneous	17,243	-	17,243	699,208
TOTAL REVENUES	23,794	3,806,771	3,830,565	18,305,522
EXPENDITURES:				
Current:				
Public safety and legal services	-	-	-	539,494
Physical health and social services	-	-	-	433,117
County environment and education	-	-	-	15,594,251
Roads and transportation	-	-	-	8,616,854
Government services to residents	-	-	-	119,327
Administration	-	-	-	4,548,070
Nonprogram services	-	-	-	193,374
Debt service:				
Principal	34,000	2,715,893	2,749,893	2,749,893
Interest	22,575	691,660	714,235	714,235
Capital projects:				
Roadway construction	-	-	-	3,484,215
Conservation land acquisition and development	-	-	-	959,871
Other capital projects	-	-	-	12,605,065
TOTAL EXPENDITURES	56,575	3,407,553	3,464,128	50,557,766
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(32,781)	399,218	366,437	(32,252,244)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	33,973,197
Transfers out	-	(783,090)	(783,090)	(23,253,018)
Issuance of bonds	-	-	-	14,975,000
Premium/(discount) on bonds issued	-	-	-	77,543
Proceeds from sale of capital assets	-	-	-	38,157
TOTAL OTHER FINANCING SOURCES (USES)	-	(783,090)	(783,090)	25,810,879
NET CHANGE IN FUND BALANCES	(32,781)	(383,872)	(416,653)	(6,441,365)
FUND BALANCE, BEGINNING	163,658	5,048,351	5,212,009	26,491,933
Change in inventory reserve	-	-	-	(89,585)
FUND BALANCE, ENDING	\$ 130,877	\$ 4,664,479	\$ 4,795,356	\$ 19,960,983

(concluded)

NONMAJOR ENTERPRISE FUNDS

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

Air Pollution - Accounts for activity of the Air Pollution Program in accordance with requirements imposed by the 1990 Federal Clean Air Act. The Air Pollution Program is primarily financed through user charges (air pollution control permits) and federal grant revenue.

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, 2006**

	Air Pollution	Sanitary Treatment Works	Jester Park Golf Course	Hamilton Urban Drainage District	Urban Sewer	Total Nonmajor Enterprise Funds
ASSETS						
Current assets:						
Cash and pooled investments	\$ 566,107	\$ 1,260,611	\$ 435,172	\$ 951,240	\$ 7,674,537	\$ 10,887,667
Receivables (net of allowances for uncollectibles):						
Special assessments	-	300,692	-	-	-	300,692
Accounts	-	16,760	15,739	-	-	32,499
Accrued interest	302	543	208	439	-	1,492
Due from other funds	-	-	49,698	-	-	49,698
Due from other governments	174,029	18,824	-	9,532	-	202,385
Inventories	-	-	46,685	-	-	46,685
Total current assets	740,438	1,597,430	547,502	961,211	7,674,537	11,521,118
Noncurrent assets:						
Lease/debt origination costs	-	20,034	-	-	78,605	98,639
Capital assets not being depreciated	-	500,290	76,593	996,553	1,831,175	3,404,611
Capital assets being depreciated, net	53,395	6,524,502	767,940	6,052,909	-	13,398,746
Total noncurrent assets	53,395	7,044,826	844,533	7,049,462	1,909,780	16,901,996
TOTAL ASSETS	793,833	8,642,256	1,392,035	8,010,673	9,584,317	28,423,114
LIABILITIES						
Current liabilities:						
Vouchers payable	105	72,093	17,220	-	960,277	1,049,695
Wages payable	10,587	-	15,896	-	-	26,483
Payroll taxes payable	1,368	-	1,900	-	-	3,268
Interest payable	-	3,553	-	-	18,025	21,578
Advance deposits and ticket sales	-	-	19,155	-	-	19,155
General obligation bonds payable	-	184,695	-	-	174,484	359,179
Compensated absences payable	9,280	-	3,435	-	-	12,715
Total current liabilities	21,340	260,341	57,606	-	1,152,786	1,492,073
Noncurrent liabilities:						
General obligation bonds payable	-	1,168,780	-	-	5,145,201	6,313,981
Compensated absences payable	119,727	-	44,314	-	-	164,041
Total noncurrent liabilities	119,727	1,168,780	44,314	-	5,145,201	6,478,022
TOTAL LIABILITIES	141,067	1,429,121	101,920	-	6,297,987	7,970,095
NET ASSETS						
Invested in capital assets, net of related debt	53,395	5,691,351	844,533	7,049,462	88,920	13,727,661
Unrestricted	599,371	1,521,784	445,582	961,211	3,197,410	6,725,358
TOTAL NET ASSETS	\$ 652,766	\$ 7,213,135	\$ 1,290,115	\$ 8,010,673	\$ 3,286,330	\$ 20,453,019

POLK COUNTY, IOWA

**Combining Statement of Revenues, Expenses, and Changes in Net Assets
Nonmajor Enterprise Funds
For the Year Ended June 30, 2006**

	Air Pollution	Sanitary Treatment Works	Jester Park Golf Course	Hamilton Urban Drainage District	Urban Sewer	Total Nonmajor Enterprise Funds
OPERATING REVENUES:						
Charges for goods and services:						
Charges for services	\$ 306,972	\$ 535,978	\$ 1,489,001	\$ 138,401	\$ -	\$ 2,470,352
Intergovernmental revenues	710,464	-	-	-	-	710,464
Miscellaneous	-	28,984	3,580	4,195	-	36,759
Total operating revenues	<u>1,017,436</u>	<u>564,962</u>	<u>1,492,581</u>	<u>142,596</u>	<u>-</u>	<u>3,217,575</u>
OPERATING EXPENSES:						
Cost of goods and services:						
Personal services	698,843	9,883	681,394	12,180	-	1,402,300
Supplies	63,998	-	145,379	-	-	209,377
Professional services	422	64,405	20,923	8,749	-	94,499
Other services/charges	105,301	684,253	237,450	4,735	-	1,031,739
Cost of goods sold - concession	-	-	172,223	-	-	172,223
Miscellaneous	-	23	42,387	4,094	-	46,504
Amortization of discount (premium)	-	3,011	-	-	-	3,011
Depreciation	21,540	210,603	105,093	229,916	-	567,152
Total operating expenses	<u>890,104</u>	<u>972,178</u>	<u>1,404,849</u>	<u>259,674</u>	<u>-</u>	<u>3,526,805</u>
OPERATING INCOME (LOSS)	<u>127,332</u>	<u>(407,216)</u>	<u>87,732</u>	<u>(117,078)</u>	<u>-</u>	<u>(309,230)</u>
NONOPERATING REVENUES (EXPENSES):						
Interest revenue	25,153	65,813	23,718	38,968	4,355	158,007
Interest expense	-	(49,501)	-	-	(18,025)	(67,526)
Total nonoperating revenues (expenses)	<u>25,153</u>	<u>16,312</u>	<u>23,718</u>	<u>38,968</u>	<u>(13,670)</u>	<u>90,481</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>152,485</u>	<u>(390,904)</u>	<u>111,450</u>	<u>(78,110)</u>	<u>(13,670)</u>	<u>(218,749)</u>
TRANSFERS:						
Capital contributions to other funds	(76,613)	-	(390,005)	-	-	(466,618)
Transfers in	-	523,659	-	-	3,300,000	3,823,659
Total transfers	<u>(76,613)</u>	<u>523,659</u>	<u>(390,005)</u>	<u>-</u>	<u>3,300,000</u>	<u>3,357,041</u>
CHANGE IN NET ASSETS	<u>75,872</u>	<u>132,755</u>	<u>(278,555)</u>	<u>(78,110)</u>	<u>3,286,330</u>	<u>3,138,292</u>
TOTAL NET ASSETS - BEGINNING	<u>576,894</u>	<u>7,080,380</u>	<u>1,568,670</u>	<u>8,088,783</u>	<u>-</u>	<u>17,314,727</u>
TOTAL NET ASSETS - ENDING	<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>

POLK COUNTY, IOWA

**Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2006**

	Air Pollution	Sanitary Treatment Works	Jester Park Golf Course
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 306,972	\$ 584,655	\$ 1,513,767
Cash received from intergovernmental revenues	729,814	-	-
Cash paid to suppliers for goods and services	(169,811)	(687,661)	(623,684)
Cash paid to employees	(711,325)	(9,883)	(688,085)
Net cash flows from operating activities	<u>155,650</u>	<u>(112,889)</u>	<u>201,998</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	-	523,659	-
Cash (paid)/received (to)/from other funds	-	-	198,149
Net cash flows from noncapital financing activities	<u>-</u>	<u>523,659</u>	<u>198,149</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
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	-	(49,913)	-
Capital contributions to other funds	(76,613)	-	(390,005)
Purchase of capital assets	(18,190)	(401,290)	(34,409)
Net cash flows from capital and related financing activities	<u>(94,803)</u>	<u>(636,203)</u>	<u>(424,414)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	24,898	65,407	23,552
Net cash flows from investing activities	<u>24,898</u>	<u>65,407</u>	<u>23,552</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	85,745	(160,026)	(715)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	480,362	1,420,637	435,887
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 566,107</u>	<u>\$ 1,260,611</u>	<u>\$ 435,172</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating income (loss)	\$ 127,332	\$ (407,216)	\$ 87,732
Components of operating income (loss) not included in operating activities			
Depreciation	21,540	210,603	105,093
Amortization	-	3,011	-
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:			
(Increase) decrease in special assessments receivable	-	10,276	-
(Increase) decrease in accounts receivable	-	12,773	3,368
(Increase) decrease in due from other governments	19,350	(3,356)	2,437
(Increase) decrease in inventories	-	-	8,790
Increase (decrease) in vouchers payable	(90)	61,020	(14,112)
Increase (decrease) in wages payable	(17,102)	-	(20,854)
Increase (decrease) in payroll taxes payable	(2,226)	-	(2,540)
Increase (decrease) in compensated absences payable	6,846	-	16,703
Increase (decrease) in advance deposits and ticket sales	-	-	15,381
Net cash flows from operating activities	<u>\$ 155,650</u>	<u>\$ (112,889)</u>	<u>\$ 201,998</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:			
Disposal of fully depreciated capital assets	\$ -	\$ -	\$ (19,670)
Acquisition of capital assets through vouchers payable	-	-	-
Acquisition of issuance costs through vouchers payable	-	-	-

Hamilton Urban Drainage District	Urban Sewer	Total Nonmajor Enterprise Funds
\$ 133,064	\$ -	\$ 2,538,458
-	-	729,814
(17,686)	-	(1,498,842)
(12,180)	-	(1,421,473)
<u>103,198</u>	<u>-</u>	<u>347,957</u>
-	3,300,000	3,823,659
-	(1,250)	196,899
<u>-</u>	<u>3,298,750</u>	<u>4,020,558</u>
-	5,319,685	5,319,685
-	(57,079)	(57,079)
-	-	(185,000)
-	-	(49,913)
-	-	(466,618)
-	(891,174)	(1,345,063)
<u>-</u>	<u>4,371,432</u>	<u>3,216,012</u>
38,608	4,355	156,820
<u>38,608</u>	<u>4,355</u>	<u>156,820</u>
141,806	7,674,537	7,741,347
<u>809,434</u>	<u>-</u>	<u>3,146,320</u>
<u>\$ 951,240</u>	<u>\$ 7,674,537</u>	<u>\$ 10,887,667</u>
\$ (117,078)	\$ -	\$ (309,230)
229,916	-	567,152
-	-	3,011
-	-	10,276
-	-	16,141
(9,532)	-	8,899
-	-	8,790
(108)	-	46,710
-	-	(37,956)
-	-	(4,766)
-	-	23,549
-	-	15,381
<u>\$ 103,198</u>	<u>\$ -</u>	<u>\$ 347,957</u>
\$ -	\$ -	\$ (19,670)
-	770,191	770,191
-	18,751	18,751

(This page was left blank intentionally)

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, 2006**

	Employee Insurance	Risk Management	Total
ASSETS:			
Current assets:			
Cash and pooled investments	\$ 2,564,483	\$ 3,234,944	\$ 5,799,427
Receivables (net of allowances for uncollectibles):			
Accounts	159,122	-	159,122
Accrued interest	1,185	1,015	2,200
Prepaid items	265,949	-	265,949
TOTAL ASSETS	2,990,739	3,235,959	6,226,698
LIABILITIES:			
Current liabilities:			
Voucher payable	99,084	-	99,084
Estimated liability for claims and judgments	986,814	-	986,814
Total current liabilities	1,085,898	-	1,085,898
TOTAL LIABILITIES	1,085,898	-	1,085,898
NET ASSETS			
Unrestricted	1,904,841	3,235,959	5,140,800
TOTAL NET ASSETS	\$ 1,904,841	\$ 3,235,959	\$ 5,140,800

POLK COUNTY, IOWA

**Combining Statement of Revenues, Expenses, and
Changes in Net Assets
Internal Service Funds
For the Year Ended June 30, 2006**

	Employee Insurance	Risk Management	Total
REVENUES:			
Charges for services	\$ 10,325,508	\$ -	\$ 10,325,508
Total revenues	<u>10,325,508</u>	<u>-</u>	<u>10,325,508</u>
EXPENSES:			
Other services/charges	79,921	-	79,921
Insurance	11,417,840	-	11,417,840
Total expenses	<u>11,497,761</u>	<u>-</u>	<u>11,497,761</u>
OPERATING INCOME (LOSS)	<u>(1,172,253)</u>	<u>-</u>	<u>(1,172,253)</u>
NONOPERATING REVENUES (EXPENSES):			
Interest revenue	139,490	18,636	158,126
Total nonoperating revenues (expenses)	<u>139,490</u>	<u>18,636</u>	<u>158,126</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(1,032,763)</u>	<u>18,636</u>	<u>(1,014,127)</u>
TRANSFERS:			
Transfers in	-	2,633,997	2,633,997
Transfers out	(20,000)	(2,633,997)	(2,653,997)
Total transfers	<u>(20,000)</u>	<u>-</u>	<u>(20,000)</u>
CHANGE IN NET ASSETS	<u>(1,052,763)</u>	<u>18,636</u>	<u>(1,034,127)</u>
NET ASSETS , BEGINNING	<u>2,957,604</u>	<u>3,217,323</u>	<u>6,174,927</u>
NET ASSETS, ENDING	<u>\$ 1,904,841</u>	<u>\$ 3,235,959</u>	<u>\$ 5,140,800</u>

POLK COUNTY, IOWA

**Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2006**

	Employee Insurance	Risk Management	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 10,635,156	\$ -	\$ 10,635,156
Cash paid to suppliers for goods and services	(11,602,674)	-	(11,602,674)
Net cash flows from operating activities	<u>(967,518)</u>	<u>-</u>	<u>(967,518)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	-	2,633,997	2,633,997
Transfers out	(20,000)	(2,633,997)	(2,653,997)
Net cash flows from noncapital financing activities	<u>(20,000)</u>	<u>-</u>	<u>(20,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	138,659	17,835	156,494
Net cash flows from investing activities	<u>138,659</u>	<u>17,835</u>	<u>156,494</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(848,859)	17,835	(831,024)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,413,342	3,217,109	6,630,451
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,564,483</u>	<u>\$ 3,234,944</u>	<u>\$ 5,799,427</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating income (loss)	\$ (1,172,253)	\$ -	\$ (1,172,253)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:			
(Increase) decrease in accounts receivable	309,648	-	309,648
Increase (decrease) in vouchers payable	10,415	-	10,415
Increase (decrease) in estimated liability for claims and judgments	(115,328)	-	(115,328)
Net cash flows from operating activities	<u>\$ (967,518)</u>	<u>\$ -</u>	<u>\$ (967,518)</u>

AGENCY FUNDS

Elected Officials

Elected Officials Funds account for the activity of various cash accounts maintained by elected officials and other County departments which have not been remitted to the County Treasurer, who acts as trustee for all pooled cash and investments of the County, or to other individuals and private entities or governments.

Attorney - Accounts for funds associated with crime prevention.

Auditor - Accounts for various trusts monitored by the County.

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

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

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

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

Other Agency Funds

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

Trust & Agency Treasurer
Trust & Agency Trust Funds Held
County Assessor Expense
County Assessor Special Appraisal
County Assessor IPERS
Regional Transit Authority
Recorder's Electronic Fee
E911 Service
GIMS Implementation
Joint Disaster Services
Relief Clearing
Employee Activities
Seized Funds Unforfeited
Mine Task Force

POLK COUNTY, IOWA

**Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2006**

	Elected Officials				
	Attorney	Auditor	Board of Supervisors - Other	County Conservation Board	Recorder
ASSETS:					
Cash and pooled investments	\$ 4,399	\$ 80,558	\$ 3,767	\$ 103,293	\$ 528,811
Receivables (net of allowances for uncollectibles):					
Taxes	-	-	-	-	-
Special assessments	-	-	-	-	-
Accounts	-	-	-	-	-
Accrued interest	-	-	-	-	-
Due from other governments	-	-	-	-	3,278
TOTAL ASSETS	\$ 4,399	\$ 80,558	\$ 3,767	\$ 103,293	\$ 532,089
LIABILITIES:					
Vouchers payable	\$ -	\$ -	\$ -	\$ -	\$ -
Wages payable	-	-	-	-	-
Payroll taxes payable	-	-	-	-	-
Estimated liability for claims and judgments	-	-	-	-	-
Due to other funds	4,399	11,930	3,767	103,293	2,826
Due to other governments	-	68,628	-	-	529,263
Advances from other funds	-	-	-	-	-
Trusts payable	-	-	-	-	-
Compensated absences payable	-	-	-	-	-
TOTAL LIABILITIES	\$ 4,399	\$ 80,558	\$ 3,767	\$ 103,293	\$ 532,089

Sheriff	Total Elected Officials	Trust & Agency Treasurer	Trust & Agency Trust Funds Held	County Assessor Expense	County Assessor Special Appraisal	County Assessor IPERS	Regional Transit Authority
\$ 901,820	\$ 1,622,648	\$ 15,813,846	\$ 596,194	\$ 1,377,090	\$ 301,951	\$ -	\$ -
-	-	4,669,955	-	11,975	967	248	21,325
-	-	5,086,763	11,147	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	196	-	-	-	-
-	3,278	-	-	-	-	-	-
\$ 901,820	\$ 1,625,926	\$ 25,570,564	\$ 607,537	\$ 1,389,065	\$ 302,918	\$ 248	\$ 21,325
\$ -	\$ -	\$ -	\$ -	\$ 7,974	\$ 15,350	\$ -	\$ -
-	-	-	-	54,049	-	-	-
-	-	-	-	7,029	-	-	-
-	-	-	-	112,880	-	-	-
157,771	283,986	6,327	-	-	-	-	-
-	597,891	25,564,237	325,424	705,094	287,568	248	21,325
-	-	-	48,200	-	-	-	-
744,049	744,049	-	233,913	-	-	-	-
-	-	-	-	502,039	-	-	-
\$ 901,820	\$ 1,625,926	\$ 25,570,564	\$ 607,537	\$ 1,389,065	\$ 302,918	\$ 248	\$ 21,325

(continued)

POLK COUNTY, IOWA

Combining Statement of Assets and Liabilities
 Agency Funds
 June 30, 2006

	Other Agency Funds				
	Recorder's Electronic Fee	E911 Service	GIMS Implementation	Joint Disaster Services	Relief Clearing
ASSETS:					
Cash and pooled investments	\$ -	\$ 2,215,926	\$ 685,354	\$ -	\$ 268
Receivables (net of allowances for uncollectibles):					
Taxes	-	-	-	-	-
Special assessments	-	-	-	-	-
Accounts	-	470,962	-	6,614	-
Accrued interest	5	953	-	-	-
Due from other governments	-	41,755	-	33,213	-
TOTAL ASSETS	\$ 5	\$ 2,729,596	\$ 685,354	\$ 39,827	\$ 268
LIABILITIES:					
Vouchers payable	\$ -	\$ -	\$ -	\$ 54,408	\$ -
Wages payable	-	-	-	3,295	-
Payroll taxes payable	-	-	-	426	-
Estimated liability for claims and judgments	-	-	-	-	-
Due to other funds	-	-	-	19,876	-
Due to other governments	5	2,729,596	685,354	(46,691)	-
Advances from other funds	-	-	-	-	-
Trusts payable	-	-	-	-	268
Compensated absences payable	-	-	-	8,513	-
TOTAL LIABILITIES	\$ 5	\$ 2,729,596	\$ 685,354	\$ 39,827	\$ 268

Employee Activities	Seized Funds Unforfeited	Mine Task Force	Total Other Agency Funds	Total Agency Funds
\$ 5,923	\$ 139,335	\$ 523,320	\$ 21,659,207	\$ 23,281,855
-	-	-	4,704,470	4,704,470
-	-	-	5,097,910	5,097,910
-	-	-	477,576	477,576
-	-	241	1,395	1,395
-	-	1,606	76,574	79,852
\$ 5,923	\$ 139,335	\$ 525,167	\$ 32,017,132	\$ 33,643,058

\$ -	\$ -	\$ 8,597	\$ 86,329	\$ 86,329
-	-	-	57,344	57,344
-	-	-	7,455	7,455
-	-	-	112,880	112,880
-	-	-	26,203	310,189
-	139,335	516,570	30,928,065	31,525,956
-	-	-	48,200	48,200
5,923	-	-	240,104	984,153
-	-	-	510,552	510,552
\$ 5,923	\$ 139,335	\$ 525,167	\$ 32,017,132	\$ 33,643,058

(concluded)

POLK COUNTY, IOWA

**Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2006**

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
ELECTED OFFICIALS:				
ASSETS:				
Cash and pooled investments	\$ 1,657,280	\$ -	\$ 34,632	\$ 1,622,648
Due from other funds	5,813	-	5,813	-
Due from other governments	3,876	-	598	3,278
TOTAL ASSETS	\$ 1,666,969	\$ -	\$ 41,043	\$ 1,625,926
LIABILITIES:				
Due to other funds	\$ 586,725	\$ -	\$ 302,739	\$ 283,986
Due to other governments	568,256	29,635	-	597,891
Trusts payable	511,988	232,061	-	744,049
TOTAL LIABILITIES	\$ 1,666,969	\$ 261,696	\$ 302,739	\$ 1,625,926
OTHER AGENCY FUNDS:				
ASSETS:				
Cash and pooled investments	\$ 17,724,686	\$ 3,934,521	\$ -	\$ 21,659,207
Receivables:				
Taxes	3,506,598	1,197,872	-	4,704,470
Special assessments	6,010,441	-	912,531	5,097,910
Accounts	493,271	-	15,695	477,576
Accrued interest	86	1,309	-	1,395
Due from other governments	442,930	-	366,356	76,574
TOTAL ASSETS	\$ 28,178,012	\$ 5,133,702	\$ 1,294,582	\$ 32,017,132
LIABILITIES:				
Vouchers payable	\$ 134,301	\$ -	\$ 47,972	\$ 86,329
Wages payable	157,367	-	100,023	57,344
Payroll taxes payable	20,132	-	12,677	7,455
Estimated liability for claims and judgments	167,255	-	54,375	112,880
Due to other funds	368,379	-	342,176	26,203
Due to other governments	26,480,115	4,447,950	-	30,928,065
Advances from other funds	97,900	-	49,700	48,200
Trusts payable	249,876	-	9,772	240,104
Compensated absences payable	502,687	7,865	-	510,552
TOTAL LIABILITIES	\$ 28,178,012	\$ 4,455,815	\$ 616,695	\$ 32,017,132

(This page was left blank intentionally)

POLK COUNTY, IOWA

Capital Assets Used in the Operation of Governmental Funds Capital Assets by Source June 30, 2006

GOVERNMENTAL FUNDS CAPITAL ASSETS

Land	\$	11,771,846
Buildings		62,136,717
Improvements other than buildings		889,230
Infrastructure		84,865,090
Equipment		13,633,757
Vehicles		6,829,512
Construction in progress		6,325,265
		<hr/>
TOTAL	\$	<u>186,451,417</u>

INVESTMENT IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE:

General fund	\$	25,987,850
Special revenue funds		82,878,724
Capital projects funds		27,001,889
General obligation bond proceeds		23,268,989
Federal and state grants		4,279,336
Donated funds		4,908,876
Iowa Department of Transportation - Farm-to-Market		18,125,753
		<hr/>
TOTAL	\$	<u>186,451,417</u>

POLK COUNTY, IOWA

Capital Assets Used in the Operation of Governmental Funds Schedule of Changes by Function For the Year Ended June 30, 2006

	Governmental Funds Capital Assets			
	July 1, 2005	Additions	Deductions	June 30, 2006
Public safety and legal services	\$ 42,377,518	\$ 7,142,141	\$ (412,292)	\$ 49,107,367
Physical health and social services	10,111,029	860,878	(21,046)	10,950,861
County environment and education	5,317,890	1,112,423	(61,259)	6,369,054
Roads and transportation	91,571,796	6,970,118	(2,285,397)	96,256,517
Governmental services to residents	1,448,189	2,178,132	(1,080,000)	2,546,321
Administration	20,352,004	1,463,202	(593,909)	21,221,297
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	\$ 171,178,426	\$ 19,726,894	\$ (4,453,903)	\$ 186,451,417

POLK COUNTY, IOWA

Capital Assets Used in the Operation of Governmental Funds Schedule by Function June 30, 2006

	Land	Buildings	Improvements Other Than Buildings
Public safety and legal services	\$ 2,171,041	\$ 37,831,504	\$ 376,945
Physical health and social services	357,491	9,969,553	-
County environment and education	1,395,683	3,044,947	294,285
Roads and transportation	48,200	2,563,512	218,000
Governmental services to residents	-	-	-
Administration	7,799,431	8,727,201	-
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	\$ 11,771,846	\$ 62,136,717	\$ 889,230

Infrastructure	Equipment	Vehicles	Construction in Progress	Total
\$ -	\$ 1,131,096	\$ 2,793,795	\$ 4,802,986	\$ 49,107,367
-	16,995	120,430	486,392	10,950,861
-	430,496	1,163,820	39,823	6,369,054
84,865,090	5,647,198	2,263,949	650,568	96,256,517
-	2,546,321	-	-	2,546,321
-	3,861,651	487,518	345,496	21,221,297
\$ 84,865,090	\$ 13,633,757	\$ 6,829,512	\$ 6,325,265	\$ 186,451,417

(This page was left blank intentionally)

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.

(This page was left blank intentionally)

POLK COUNTY, IOWA

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

	Fiscal Year				
	2002	2003	2004	2005	2006
Governmental activities:					
Invested in capital assets, net of related debt	\$ 71,943,687	\$ 81,063,142	\$ 85,216,029	\$ 83,433,110	\$ 88,986,810
Restricted	23,212,962	24,563,223	26,088,234	17,401,988	18,604,872
Unrestricted	32,169,757	15,803,414	19,388,897	20,846,704	4,975,529
Total governmental activities net assets	\$ 127,326,406	\$ 121,429,779	\$ 130,693,160	\$ 121,681,802	\$ 112,567,211
Business-type activities:					
Invested in capital assets, net of related debt	\$ 45,210,083	\$ (11,198,177)	\$ 74,864,786	\$ 166,183,976	\$ 171,295,876
Restricted	-	-	-	-	250,665
Unrestricted	34,367,039	151,686,535	96,387,965	18,902,368	19,441,422
Total business-type activities net assets	\$ 79,577,122	\$ 140,488,358	\$ 171,252,751	\$ 185,086,344	\$ 190,987,963
Primary government:					
Invested in capital assets, net of related debt	\$ 117,153,770	\$ 69,864,965	\$ 160,080,815	\$ 249,617,086	\$ 260,282,686
Restricted	23,212,962	24,563,223	26,088,234	17,401,988	18,855,537
Unrestricted	66,536,796	167,489,949	115,776,862	39,749,072	24,416,951
Total primary government net assets	\$ 206,903,528	\$ 261,918,137	\$ 301,945,911	\$ 306,768,146	\$ 303,555,174

POLK COUNTY, IOWA

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

	Fiscal Year				
	2002	2003	2004	2005	2006
Expenses:					
Governmental activities:					
Public safety and legal services	\$ 37,522,230	\$ 40,411,107	\$ 41,242,228	\$ 43,906,960	\$ 49,691,718
Physical health and social services	28,558,149	27,708,547	26,343,547	25,528,316	27,479,491
Mental health	40,844,075	37,951,234	35,871,973	44,893,946	44,253,468
County environment and education	17,523,366	18,158,228	13,851,729	13,611,135	21,791,609
Roads and transportation	12,649,752	14,406,203	15,469,578	15,429,274	15,662,237
Governmental services to residents	4,981,368	4,892,851	5,079,335	5,625,475	5,702,700
Administration	25,917,979	23,077,505	21,325,551	27,880,553	29,651,306
Interest on long-term debt	883,677	663,719	715,335	778,112	755,602
Total governmental activities expenses	168,880,596	167,269,394	159,899,276	177,653,771	194,988,131
Business-type activities:					
Air Pollution	764,247	792,979	824,969	868,170	890,104
Convention Complex	3,169,241	2,791,366	3,046,810	-	-
Veterans Memorial Auditorium	5,073,306	4,766,112	4,824,978	-	-
Sanitary Treatment Works	632,937	573,753	663,311	1,327,274	1,021,679
Prairie Meadows Racetrack/Casino	5,363,846	5,849,793	6,322,144	6,379,323	5,796,602
Jester Park Golf Course	1,262,156	1,269,480	1,527,129	1,343,601	1,404,849
Hamilton Urban Drainage District	262,158	259,788	256,019	257,173	259,674
Iowa Events Center	314,542	212,541	1,450,814	11,052,531	15,317,370
Wells Fargo Arena	-	-	-	511,976	9,134,360
Urban Sewer	-	-	-	-	18,025
Total business-type activities expenses	16,842,433	16,515,812	18,916,174	21,740,048	33,842,663
Total government expenses	\$ 185,723,029	\$ 183,785,206	\$ 178,815,450	\$ 199,393,819	\$ 228,830,794
Program revenues:					
Governmental activities:					
Charges for services:					
Public safety and legal services	\$ 4,805,839	\$ 6,268,827	\$ 6,572,418	\$ 7,729,226	\$ 9,881,061
Physical health and social services	1,637,011	1,275,959	1,311,539	1,229,497	1,156,011
Mental health	4,472,828	4,708,156	5,199,260	4,730,128	6,454,464
County environment and education	544,958	853,103	744,504	995,812	1,074,961
Roads and transportation	396,537	361,106	446,904	463,326	325,313
Governmental services to residents	6,833,081	7,528,152	7,717,311	6,918,675	7,413,659
Administration	945,108	1,004,028	1,264,511	1,186,472	1,111,113
Interest on long-term debt	-	-	-	7	16
Operating grants and contributions	35,693,214	34,395,431	34,724,045	33,588,436	38,376,764
Capital grants and contributions	-	8,602,189	7,919,206	4,397,521	2,379,801
Total governmental activities program revenues	55,328,576	64,996,951	65,899,698	61,239,100	68,173,163
Business-type activities:					
Charges for services:					
Air Pollution	194,453	162,708	267,758	216,107	306,972
Convention Complex	2,853,152	2,504,334	2,753,773	-	-
Veterans Memorial Auditorium	3,569,299	3,169,810	3,100,190	-	-
Sanitary Treatment Works	290,057	492,986	490,660	516,014	535,978
Prairie Meadows Racetrack/Casino	24,230,693	22,803,430	24,840,877	26,314,007	27,130,384
Jester Park Golf Course	1,303,564	1,319,134	1,301,554	1,388,515	1,489,001
Hamilton Urban Drainage District	125,171	137,926	122,750	129,326	138,401
Iowa Events Center	-	-	-	6,446,233	6,039,145
Wells Fargo Arena	-	-	-	260,000	2,150,216
Operating grants and contributions	573,345	654,205	624,372	660,817	710,464
Capital grants and contributions	881,403	49,816,143	16,364,366	20,367,596	10,756,874
Total business-type activities program revenues	34,021,137	81,060,676	49,866,300	56,298,615	49,257,435
Total government program revenues	\$ 89,349,713	\$ 146,057,627	\$ 115,765,998	\$ 117,537,715	\$ 117,430,598

(continued)

POLK COUNTY, IOWA

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

	Fiscal Year				
	2002	2003	2004	2005	2006
Net (expense)/revenue:					
Governmental activities	\$ (113,552,020)	\$ (102,272,443)	\$ (93,999,578)	\$ (116,414,671)	\$ (126,814,968)
Business-type activities	17,178,704	64,544,864	30,950,126	34,558,567	15,414,772
Total government net expense	\$ (96,373,316)	\$ (37,727,579)	\$ (63,049,452)	\$ (81,856,104)	\$ (111,400,196)
General revenues and other changes in net assets:					
Governmental activities:					
Taxes:					
Property taxes	\$ 73,778,899	\$ 76,388,149	\$ 80,195,570	\$ 85,283,346	\$ 88,765,727
Other county taxes	4,628,658	4,522,965	5,007,702	4,809,582	4,793,069
Interest on property taxes	1,013,007	1,036,820	1,050,605	1,061,401	1,153,332
State replacements	4,617,424	4,248,944	2,982,019	2,746,785	2,670,946
Use of money and property	3,369,631	2,007,490	1,709,951	3,210,740	5,197,356
Miscellaneous	2,201,141	2,581,325	2,102,807	2,401,601	3,346,717
Gain on sale of capital assets	-	-	-	-	270,000
Transfers	20,371,722	5,590,123	10,214,305	7,889,858	11,503,230
Total governmental activities	109,980,482	96,375,816	103,262,959	107,403,313	117,700,377
Business-type activities:					
Use of money and property	658,468	1,282,188	1,343,852	1,679,914	1,558,005
Miscellaneous	242,821	674,307	8,684,720	185,513	432,072
Special item - contribution expense WRA Sewer	-	-	-	(14,700,543)	-
Transfers	(20,371,722)	(5,590,123)	(10,214,305)	(7,889,858)	(11,503,230)
Total business-type activities	(19,470,433)	(3,633,628)	(185,733)	(20,724,974)	(9,513,153)
Total government	\$ 90,510,049	\$ 92,742,188	\$ 103,077,226	\$ 86,678,339	\$ 108,187,224
Change in net assets:					
Governmental activities	\$ (3,571,538)	\$ (5,896,627)	\$ 9,263,381	\$ (9,011,358)	\$ (9,114,591)
Business-type activities	(2,291,729)	60,911,236	30,764,393	13,833,593	5,901,619
Total primary government	\$ (5,863,267)	\$ 55,014,609	\$ 40,027,774	\$ 4,822,235	\$ (3,212,972)

(concluded)

POLK COUNTY, IOWA

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

	Fiscal Year				
	2002	2003	2004	2005	2006
General Fund:					
Reserved:					
Advances to other funds	\$ 165,834	\$ 69,300	\$ 61,600	\$ 53,900	\$ 46,200
Inventory of supplies	318,767	267,170	270,277	251,187	226,889
Supplemental levy purposes	8,550,079	7,447,969	10,289,216	7,763,378	5,747,249
Prepaid items	349,398	480,372	325,794	326,591	205,061
Unreserved:					
Undesignated, reported in:					
General Fund	18,016,729	15,845,457	19,786,798	20,772,957	27,458,434
Total General Fund	\$ 27,400,807	\$ 24,110,268	\$ 30,733,685	\$ 29,168,013	\$ 33,683,833
MH/MR/DD Services:					
Reserved:					
Advances to component unit	\$ 1,148,689	\$ 1,096,391	\$ 1,040,786	\$ 983,501	\$ 924,486
Unreserved:					
Undesignated, reported in:					
Special revenue funds	(683,048)	48,504	4,634,376	(651,661)	(1,323,681)
Total MH/MR/DD services	\$ 465,641	\$ 1,144,895	\$ 5,675,162	\$ 331,840	\$ (399,195)
All other governmental funds:					
Reserved for:					
Advances to other funds	\$ -	\$ -	\$ -	\$ 44,000	\$ 2,000
Advances to component unit	5,969,792	5,476,341	4,964,293	4,422,240	3,859,193
Noncurrent notes receivable	3,951,637	3,439,245	2,691,781	2,281,459	1,809,930
Inventory of supplies	1,424,436	834,381	771,964	604,354	514,769
Supplemental levy purposes	1,310,692	1,367,051	1,436,719	1,539,791	1,417,869
Unreserved:					
Designated, reported in:					
Special revenue funds	16,861,344	14,390,087	16,920,295	15,491,382	15,901,830
Undesignated, reported in:					
Special revenue funds	-	2,568,905	(2,293,373)	(1,830,588)	1,246,346
Capital projects funds	6,006,338	4,070,063	3,592,801	3,149,526	(5,727,117)
Debt service funds	656,237	836,776	993,781	789,769	936,163
Total all other governmental funds	\$ 36,180,476	\$ 32,982,849	\$ 29,078,261	\$ 26,491,933	\$ 19,960,983

POLK COUNTY, IOWA

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

	Fiscal Year				
	2002	2003	2004	2005	2006
Revenues:					
Property taxes	\$ 73,694,993	\$ 76,432,075	\$ 80,073,560	\$ 84,979,971	\$ 88,444,351
Other County taxes	4,628,658	4,522,965	5,007,702	4,809,582	4,793,069
Interest and penalties on delinquent taxes	1,013,007	1,036,820	1,050,605	1,061,401	1,153,332
Intergovernmental	50,601,288	49,871,180	50,386,963	48,116,800	59,121,302
Licenses and permits	512,352	966,497	890,166	943,081	600,980
Charges for service	8,448,822	9,533,000	9,516,163	9,619,485	10,717,919
Use of money and property	3,263,790	1,879,148	1,688,882	3,145,534	5,039,230
Fines, forfeitures and defaults	130,337	478,546	-	-	-
Miscellaneous	2,177,523	2,067,715	2,785,644	1,824,317	2,443,924
Total revenues	144,470,770	146,787,946	151,399,685	154,500,171	172,314,107
Expenditures:					
Public safety and legal services	35,006,444	38,159,485	38,605,232	41,340,119	46,600,339
Physical health and social services	27,875,862	27,385,372	25,901,227	24,781,328	26,453,593
Mental health	40,836,250	37,943,410	35,871,973	44,893,946	44,253,468
County environment and education	16,889,973	17,288,250	13,181,319	13,086,191	21,369,155
Roads and transportation	9,400,596	7,579,979	9,263,306	7,881,246	9,176,185
Governmental services to residents	4,885,442	4,599,552	4,831,067	5,243,386	5,192,084
Administration	21,140,609	21,119,416	19,064,885	25,221,121	28,141,913
Nonprogram services	-	30,565	30,110	70,697	193,374
Debt service:					
Principal	1,192,262	1,854,176	2,416,089	2,526,980	2,749,893
Interest	887,963	653,421	720,409	776,022	714,235
Capital Projects:					
Roadway construction	2,252,262	2,432,847	4,459,987	2,768,779	3,484,215
Conservation land acquisition and development	417,267	220,017	114,419	195,324	1,187,487
Other capital projects	9,782,768	4,719,875	2,709,348	3,270,594	12,605,065
Total expenditures	170,567,698	163,986,365	157,169,371	172,055,733	202,121,006
Excess of revenues over (under) expenditures	(26,096,928)	(17,198,419)	(5,769,686)	(17,555,562)	(29,806,899)
Other financing sources (uses):					
Transfers in	30,707,173	20,005,619	20,962,438	23,278,866	39,867,947
Transfers out	(15,315,451)	(14,320,997)	(8,928,133)	(18,869,008)	(28,344,717)
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
Premium (discount) on bonds issued	-	-	-	25,652	77,543
Issuance of capital leases	1,315,354	-	-	-	557,766
Proceeds from the sale of capital assets	-	88,150	-	41,430	41,078
Total other financing sources (uses)	16,707,076	12,031,159	13,078,092	8,246,940	27,174,617
Net change in fund balances	\$ (9,389,852)	\$ (5,167,260)	\$ 7,308,406	\$ (9,308,622)	\$ (2,632,282)
Debt service as % of noncapital expenditures	1.32%	1.60%	2.09%	1.99%	1.87%

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 Urban (c)
							Military Tax-Exempt Property	Property		
1997	\$ 9,332,332,519	\$ 3,986,158,664	\$ 282,036,940	\$ 171,848,160	\$ 207,240,816	\$ 796,760,571	\$ (41,981,504)	\$ 14,734,396,166	\$ 6.61	
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	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: 2005 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) 2006 Calendar Year Assessment is for taxes due in fiscal year 2006/2007 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**

Taxpayer	2006			1997		
	2004 Taxable Assessed Value	Rank	Percentage of Total County Taxable Assessed Value	1995 Taxable Assessed Value	Rank	Percentage of Total County Taxable Assessed Value
Principal Life Insurance Co.	\$ 258,420,890	1	1.9%	\$ 253,819,352	2	2.7%
Knapp, William	182,097,780	2	1.4%	-		-
R & R Investors	113,812,100	3	0.8%	55,751,130	7	0.6%
Mid America Investments	111,336,400	4	0.8%	60,577,270	5	0.6%
Nationwide Mutual Insurance	88,153,630	5	0.7%	-		-
Valley West Mall	87,468,700	6	0.7%	-		-
Qwest/US West Communications	85,573,316	7	0.6%	72,788,728	3	0.8%
Wells Fargo	82,576,740	8	0.6%	-		-
Hubbell Realty Co.	77,117,470	9	0.6%	57,897,406	6	0.6%
Mercy Hospital	74,601,180	10	0.6%	-		-
Ruan	-		-	48,406,669	9	0.5%
Midwest Power	-		-	480,145,192	1	5.0%
McMurray, William and Eunice	-		-	66,353,370	4	0.7%
John Deere	-		-	50,984,220	8	0.5%
Iowa Methodist	-		-	44,351,250	10	0.5%
Total	\$ 1,161,158,206		8.6%	\$ 1,191,074,587		12.5%

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
1997	\$ 66,849,385	\$ 66,318,727	99.2%	\$ 17,971	\$ 66,336,698	99.2%
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%

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.

(This page was left blank intentionally)

POLK COUNTY, IOWA

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

	Year Taxes are Payable				
	1997	1998	1999	2000	2001
County direct rates:					
General Basic	\$ 3.50	\$ 3.50	\$ 3.50	\$ 3.50	\$ 3.50
General Supplemental	1.39	1.49	1.54	1.53	1.53
MH/DD Service	1.72	1.45	1.39	1.32	1.26
Debt Service	-	-	-	0.03	0.05
Total Urban County Rate	6.61	6.43	6.43	6.38	6.35
Rural Basic	4.76	4.86	4.86	4.86	4.79
Total Rural County Rate	11.37	11.29	11.29	11.25	11.14
City rates:					
Alleman	7.00	7.58	8.10	7.37	7.00
Altoona	10.67	10.67	8.93	8.91	8.90
Ankeny	9.90	9.65	9.65	9.52	9.65
Bondurant	14.19	14.54	14.87	14.88	14.90
Carlisle	10.52	10.46	10.67	11.95	12.39
Clive	7.64	7.61	7.70	7.91	7.91
Des Moines	16.18	16.25	16.94	16.82	16.57
Elkhart	5.74	7.25	8.10	8.10	8.10
Granger	-	-	-	-	-
Grimes	12.01	11.02	12.27	11.61	11.61
Johnston	9.99	9.65	9.86	9.48	9.94
Mitchellville	13.63	13.57	13.60	13.42	14.19
Norwalk	-	-	-	-	-
Pleasant Hill	13.28	13.28	12.06	11.67	11.61
Polk City	9.42	8.30	8.22	8.19	8.15
Runnells	8.10	8.10	8.10	8.10	8.10
Sheldahl	3.99	3.58	3.41	3.23	3.28
Urbandale	8.52	8.52	8.49	8.84	8.97
Windsor Heights	10.37	10.66	10.87	10.92	10.92
West Des Moines	10.91	10.90	10.90	10.90	10.90
School District Rates:					
North Polk	17.37	17.18	16.59	15.90	14.60
Southeast Polk	17.94	18.01	16.41	16.54	15.31
Bondurant-Farrar	15.96	15.74	15.30	15.05	14.57
Ankeny	17.45	17.39	17.50	17.09	17.09
Carlisle	21.20	19.03	18.32	16.85	17.06
West Des Moines	13.54	13.58	13.67	13.51	13.50
Des Moines Independent	15.96	17.05	17.71	16.96	16.95
Saydel	15.57	15.67	15.75	16.57	16.76
Johnston	15.51	14.82	14.67	14.99	14.84
Woodward-Granger	-	-	-	-	-
Dallas	14.89	17.40	16.86	18.35	18.35
Dallas	-	-	-	-	-
Urbandale	14.56	15.43	14.43	14.38	12.34
Urbandale	-	-	-	-	-
Other:					
State	0.01	0.01	0.01	0.01	0.01
Area XI Community College	0.51	0.47	0.51	0.52	0.55
Broadlawns County Hospital	2.26	2.39	2.49	2.55	2.56
Ag. Extension	0.03	0.03	0.03	0.03	0.04
Assessor	0.58	0.33	0.33	0.31	0.31

Source: 2004/2005 Tax Rates Payable Fiscal Year Ended June 30, 2006 obtained from Ron Carzoli, Tax/GIS Dept Supervisor

Year Taxes are Payable

	2002	2003	2004	2005	2006
\$	3.50	\$ 3.50	\$ 3.50	\$ 3.50	\$ 3.50
	1.59	1.56	1.61	1.59	1.57
	1.21	1.18	1.13	1.06	1.03
	0.05	0.11	0.11	0.20	0.24
	6.35	6.35	6.35	6.35	6.35
	4.71	4.59	4.59	4.59	4.59
	11.06	10.94	10.94	10.95	10.94
	6.71	6.92	7.81	8.07	7.89
	8.90	8.89	8.89	8.89	8.79
	9.65	9.90	9.90	10.39	10.39
	14.36	14.21	14.56	14.45	14.39
	12.38	12.92	12.89	12.92	13.99
	8.45	8.97	8.92	8.93	9.11
	17.05	17.05	17.05	17.06	16.52
	8.10	10.82	8.10	11.70	11.55
	10.39	11.31	11.52	12.20	12.99
	11.73	12.77	12.82	12.84	12.83
	11.19	10.89	10.89	10.81	10.74
	13.15	13.62	13.87	13.34	13.47
	-	-	12.43	12.43	12.43
	11.78	11.60	11.48	11.48	11.48
	8.01	8.09	7.90	7.90	7.90
	8.10	8.10	8.10	8.83	9.02
	2.86	2.79	2.71	2.63	2.55
	8.96	8.97	9.07	9.07	9.07
	11.03	11.59	12.35	12.63	12.63
	10.90	11.60	11.60	11.73	11.73
	14.63	14.94	15.12	16.04	16.42
	15.13	15.42	17.37	17.28	17.99
	14.60	15.43	15.28	16.26	16.71
	17.01	17.25	17.10	16.90	16.70
	16.33	17.96	18.88	18.37	18.37
	13.49	13.50	13.50	13.50	13.50
	17.14	17.10	17.36	18.03	18.01
	14.78	14.86	14.80	14.67	13.13
	15.10	15.65	16.73	17.21	17.35
	13.92	14.83	15.95	17.02	16.76
	17.82	17.49	17.50	17.51	17.51
	-	14.46	14.74	14.88	14.96
	12.91	13.44	12.96	12.13	13.70
	-	13.02	12.61	11.99	13.51
	0.01	0.00	0.00	0.00	0.00
	0.54	0.55	0.58	0.60	0.68
	2.91	2.99	3.06	3.26	3.20
	0.04	0.04	0.04	0.04	0.04
	0.34	0.34	0.32	0.32	0.35

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					
1997	\$ 7,990,000	\$ 5,348,000	\$ -	\$ -	\$ 9,112,091	\$ 1,594,371	\$ -	\$ 24,044,462	0.24%	\$ 67.89	
1998	13,015,000	1,005,294	283,921	283,921	8,269,081	6,955,876		29,529,172	0.27%	83.38	
1999	11,178,065	670,623	413,373	413,373	7,401,071	6,391,401		26,054,533	0.22%	72.41	
2000	13,965,217	325,000	428,051	428,051	6,483,061	5,810,865		27,012,194	0.22%	74.07	
2001	18,967,369	772,000	583,571	583,571	6,212,001	5,223,681		31,758,622	0.25%	84.78	
2002	17,804,107	743,000	1,460,564	1,460,564	50,689,273	4,613,174		75,310,118	0.56%	196.83	
2003	22,235,306	713,000	972,395	972,395	162,855,294	3,999,006		190,775,001	1.37%	498.62	
2004	20,869,657	682,000	793,822	793,822	158,849,951	3,386,366		184,581,796	1.24%	472.54	
2005	22,162,437	650,000	483,525	483,525	147,618,237	-	-	170,914,199	1.15%	430.35	
2006	34,491,195	616,000	687,403	687,403	144,921,169	-	-	180,715,767	1.21%	448.28	

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

Notes: 2005 and 2006 percentages calculated using 2004 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		
1997	\$ 17,102,091	\$ 1,002,482	\$ 16,099,609	0.11%	\$ 45.46
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	N/A (a)	442.72

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

Note: (a) 2006 Calendar Year Assessment is for taxes due in fiscal year 2006/2007 and is not yet available.

POLK COUNTY, IOWA

**Direct and Overlapping Governmental Activities Debt
As of June 30, 2006**

Governmental Unit	Taxable Valuation	Debt Outstanding	Totals
County direct debt	\$ 13,450,671,379	\$ 179,412,364	<u>\$ 179,412,364</u>
City debt:			
Alleman	14,441,227	162,000	
Altoona	345,500,846	19,235,000	
Ankeny	1,222,355,545	41,745,000	
Bondurant	52,938,433	955,000	
Clive	729,471,586	28,325,000	
Des Moines	5,286,893,531	342,295,000	
Elkhart	9,418,453	225,000	
Grimes	191,128,009	6,560,000	
Johnston	661,321,427	37,515,556	
Mitchellville	36,747,608	205,000	
Pleasant Hill	234,068,601	9,865,000	
Polk City	77,607,760	-	
Runnells	7,692,371	-	
Sheldahl	2,786,499	-	
Urbandale	1,560,422,412	38,620,000	
Windsor Heights	169,669,324	8,705,000	
West Des Moines	2,178,120,032	143,020,733	
Subtotal, City debt		<u>677,433,289</u>	
School district debt:			
Ankeny Community	1,397,924,796	26,185,000	
Bondurant-Farrar	144,024,633	715,000	
Dallas	274,271,167	19,380,000	
Des Moines Independent	5,301,898,734	-	
Johnston Community	1,191,965,706	16,815,000	
North Polk Community	182,088,454	2,745,000	
Saydel	460,507,777	5,215,000	
Southeast Polk	789,893,595	3,345,000	
Urbandale Community	850,875,156	21,205,000	
West Des Moines Community	3,308,846,413	6,765,000	
Subtotal, school district debt		<u>102,370,000</u>	
Other:			
Urbandale Sanitary Sewer		6,026,000	
Urbandale/Windsor Heights Sanitary Sewer		-	
Subtotal, other		<u>6,026,000</u>	
Total, overlapping debt			<u>785,829,289</u>
Total direct and overlapping debt:			<u>\$ 965,241,653</u>

Source: Cities and school districts within Polk County

Note: Fiscal year 2006 is matched to 2004 assessment year

(This page was left blank intentionally)

POLK COUNTY, IOWA

**Legal Debt Margin Information
As of June 30, 2006**

	1997	1998	1999	2000	2001
Debt limit	\$ 645,792,612	\$ 671,295,136	\$ 736,719,808	\$ 758,316,750	\$ 789,920,762
Total net debt applicable to limit	79,931,122	89,515,978	80,821,484	89,053,595	173,524,083
Legal debt margin	\$ 565,861,490	\$ 581,779,158	\$ 655,898,324	\$ 669,263,155	\$ 616,396,679
Total net debt applicable to the limit as a percentage of debt limit	14.13%	15.39%	12.32%	13.31%	28.15%

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

Legal Debt Margin Calculation for Fiscal Year 2006

Assessed value \$ 21,484,788,319

Debt limit (5% of assessed value) 1,074,239,416

Less: Debt applicable to debt limit; Outstanding
County indebtedness (a) 327,914,085

Legal debt margin \$ 746,325,331

	2002	2003	2004	2005	2006
\$	811,598,813	\$ 896,438,700	\$ 926,557,167	\$ 1,034,571,308	\$ 1,074,239,416
	193,242,685	315,568,208	317,765,656	313,142,908	327,914,085
\$	618,356,128	\$ 580,870,492	\$ 608,791,511	\$ 721,428,400	\$ 746,325,331
	31.25%	54.33%	52.20%	43.41%	43.94%

POLK COUNTY, IOWA

Demographic and Economic Statistics Last Ten Calendar Years

Year	(a) Estimated Population	(a) Personal Income (000's)		(b) Per Capita Personal Income		Unemployment Statistics (c)		
						Polk County		State of Iowa
						Labor Force	Rate	
1997	354,150	\$ 10,155,903	\$	28,134	215,200	2.9%	3.8%	
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	*		*	224,900	4.8%	4.8%	
2006	403,132	*		*	232,200	4.3%	4.6%	

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	2006			1997		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Wells Fargo Banks, N.A.	10,500	1	3.64%	-		*
Principal Financial Group	7,600	2	2.63%	9,384	1	*
Mercy Medical Center-Des Moines	4,467	3	1.55%	2,200	5	*
Iowa Health	4,018	4	1.39%	5,000	2	*
Wells Fargo Financial	3,710	5	1.29%	-		*
MidAmerican Energy Company	3,500	6	1.21%	-		*
Pioneer Hi-Bred International Inc.	2,000	7	0.69%	1,441	8	*
Firestone Agricultural Tire Company	1,800	8	0.62%	1,400	9	*
UPS	1,600	9	0.55%	-		*
FBL Financial Group	1,551	10	0.54%	-		*
Hy-Vee Food Stores	-		-	2,595	3	*
Allied Group	-		-	2,200	4	*
Blue Cross/Blue Shield of Iowa	-		-	2,066	6	*
Communications Data Services	-		-	1,500	7	*
U.S. West Communications	-		-	1,400	10	*

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									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Public safety	316	316	322	338	342	344	349	349	351	358
Human services	161	165	162	165	198	194	168	166	159	159
Roads and engineering	84	83	81	82	78	73	74	74	72	72
Administration	153	159	162	169	172	165	148	148	151	151
Other	361	368	381	386	388	387	383	376	344	347
Total	1,075	1,091	1,108	1,140	1,178	1,163	1,122	1,113	1,077	1,087

Source: County Budget Office

(This page was left blank intentionally)

POLK COUNTY, IOWA

Capital Asset Statistics by Function/Program Last Ten Fiscal Years

Function / Program	Fiscal Year			
	1997 (a)	1998 (a)	1999 (a)	2000 (a)
Public safety and legal services	\$ 2,595,899	\$ 2,998,641	\$ 2,359,789	\$ 2,418,490
Physical health and social services	101,066	115,976	101,066	101,066
Mental health	-	-	-	-
County environment and education	1,503,649	1,786,138	2,063,982	2,203,425
Roads and transportation	6,656,651	6,826,093	8,060,493	8,771,314
Governmental services to residents	1,271,320	1,322,026	2,093,314	2,195,178
Administration	-	-	-	-
Interprogram	13,746,391	14,447,703	16,174,945	16,616,582
Nonprogram-financing/capital projects	41,620,698	44,148,716	47,827,710	50,539,221

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

Fiscal Year						
2001 (a)	2002	2003	2004	2005	2006	
\$ 3,364,761	\$ 41,622,924	\$ 41,803,545	\$ 41,798,054	\$ 42,377,518	\$ 49,107,367	
101,066	8,042,448	9,936,678	10,085,394	10,111,029	10,950,861	
-	54,768	54,768	54,768	-	-	
2,345,624	4,653,147	5,071,794	5,303,553	5,317,890	6,369,054	
8,117,117	67,830,894	76,407,203	86,828,497	91,571,796	96,256,517	
2,224,430	1,417,453	1,417,453	1,417,453	1,448,189	2,546,321	
-	22,036,438	22,254,209	20,596,001	20,352,004	21,221,297	
18,908,064	-	-	-	-	-	
62,526,700	-	-	-	-	-	

(This page was left blank intentionally)

POLK COUNTY, IOWA

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006**

Grantor/Program	CFDA Number	Contract Number	Total Federal Expenditures For Fiscal Year 2006
OFFICE OF NATIONAL DRUG CONTROL POLICY			
Direct Program - Iowa Enforcement Initiative (HIDTA) Grant	07.Unknown	I4PMWP556	\$ 14
Direct Program - Iowa Enforcement Initiative (HIDTA) Grant	07.Unknown	I5PMWP556	44,770
Direct Program - Iowa Enforcement Initiative (HIDTA) Grant	07.Unknown	I6PMWP556Z	40,946
Total Office of National Drug Control Policy			<u>85,730</u>
DEPARTMENT OF AGRICULTURE			
Direct Program - Commodity Supplemental Food Distribution	10.565	N/A	886,711
Direct Program - Wetland Restoration Program-Chichaqua Bottoms	10.072	65-6114-6-536	175
Passed through Iowa Department of Human Services:			
Local Administration Expense Reimbursement	10.561	N/A	269,973
Commodity Supplemental Food Program	10.565	N/A	161,483
Commodity Supplemental Food Program	10.565	N/A	56,589
Passed through Iowa Department of Education:			
National School Breakfast Program	10.553	77-8810	25,771
National School Lunch Program	10.555	77-8810	38,479
Child Care Food Program	10.558	77-8050	970,929
Child Care Food Program	10.558	77-8050	372,186
Total Department of Agriculture			<u>2,782,296</u>
U.S. FISH AND WILDLIFE SERVICE			
Direct Program - Challenge Cost-Share Program	15.642	301816J089	842
Total U.S. Fish and Wildlife Service			<u>842</u>
DEPARTMENT OF JUSTICE			
Direct Program - COPS in Schools	16.710	2002SHWX0576	41,631
Passed through Iowa Department of Human Rights:			
Juvenile Accountability Incentive Block Grant	16.523	JAB-S06-45	16,560
Passed through Iowa Department of Justice:			
Crime Victim Assistance (VOCA)	16.575	VA-06-33	102,999
Passed through Governor's Office of Drug Control Policy:			
Project Safe Neighborhoods (Bomb Dog)	16.609	03-SD08	3,435
Project Safe Neighborhoods	16.609	03S-SD08	1,681
Edward Byrne Justice Assistance Grant (JAG) Program	16.738	05JAG-A40	473,148
Passed through City of Des Moines:			
Edward Byrne Justice Assistance Grant (JAG) Program	16.738	2005-DJ-BX-566	31,772
Total Department of Justice			<u>671,226</u>
DEPARTMENT OF TRANSPORTATION			
Passed through Iowa Department of Transportation:			
Highway Planning and Construction - Central Iowa Trail Loop	20.205	STP-ES-E-C077(130)-8T-77	858,169
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	2,937
Passed through Iowa Department of Public Defense:			
2006 HMEP - Training	20.703	N/A	8,931
2005 HMEP - Training	20.703	N/A	3,790
2005 HMEP - Planning	20.703	N/A	12,100
2006 Hazmat Symposium	20.703	N/A	4,000
Total Department of Transportation			<u>893,476</u>
ENVIRONMENTAL PROTECTION AGENCY			
Passed through Iowa Department of Natural Resources:			
Air Pollution Control Implementation Plan Agreement	66.001	2005-7230-02	211,038
Total Environmental Protection Agency			<u>211,038</u>

(continued)

POLK COUNTY, IOWA

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006**

Grantor/Program	CFDA Number	Contract Number	Total Federal Expenditures For Fiscal Year 2006
DEPARTMENT OF ENERGY			
Passed through Iowa Department of Human Rights:			
Weatherization Assistance for Low-Income Persons	81.042	DOE-06-20S	\$ 232,921
Weatherization Assistance for Low-Income Persons	81.042	DOE-05-20S	160,820
Weatherization Assistance for Low-Income Persons	81.042	DOE-05-12U	10,000
Weatherization Assistance for Low-Income Persons	81.042	DOE-05-07J	71,251
Total Department of Energy			<u>474,992</u>
DEPARTMENT OF EDUCATION			
Passed through Iowa Department of Education and DMACC:			
Iowa New Choices	84.048	N/A	17,813
Total Department of Education			<u>17,813</u>
U.S. GENERAL SERVICES ADMINISTRATION			
Passed through Iowa Secretary of State:			
Help America Vote Act Requirements Payments	90.401	06-HAVA-77-100	1,682,630
Help America Vote Act Requirements Payments	90.401	06-HAVA-77-SA1	46,208
Total U.S. General Services Administration			<u>1,728,838</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through Aging Resource of Central Iowa:			
Title IIIB - Transportation	93.044	N/A	124,500
Title IIIB - Well Elderly Clinic	93.044	N/A	10,000
Title III - Elderly Services Chore	93.044	N/A	1,938
Title IIIB - Advocacy/Counseling	93.044	N/A	18,600
Title IIIC-1 - Nutrition	93.045	N/A	216,765
Nutrition Services Incentive Program	93.053	N/A	70,537
Passed through Iowa Department of Human Rights:			
Low-Income Home Energy Assistance	93.568	HEAP-06-20S	25,652
Low-Income Home Energy Assistance	93.568	HEAP-05-20S	58,454
Low-Income Home Energy Assistance	93.568	HEAP-05-12U	20,626
Low-Income Home Energy Assistance	93.568	HEAP-05-07J	67,063
Passed through Iowa Department of Human Services:			
Family Development and Self Sufficiency	93.558	FADSS-06-20-FS	206,341
Local Purchase Allocation Social Services Block Grant	93.667	N/A	1,404,643
Local Administration Expense Reimbursement-TANF	93.558	N/A	325,898
Local Administration Expense Reimbursement	93.596	N/A	77,513
Local Administration Expense Reimbursement	93.658	N/A	167,973
Local Administration Expense Reimbursement	93.659	N/A	41,224
Local Administration Expense Reimbursement	93.667	N/A	215,143
Local Administration Expense Reimbursement-Medical Assistance Program	93.778	N/A	433,742
Passed through Iowa Department of Public Health:			
Tuberculosis Elimination	93.116	MOU-2006-TB07	8,645
Tuberculosis Elimination	93.116	MOU-2005-TB01	10,526
Childhood Lead Poisoning	93.197	5886LP09	71,204
I-4 Project	93.268	5886I457	13,690
I-4 Project	93.268	5885I457	20,836
Bioterrorism Preparedness Planning Program	93.283	5884BT01	102,190
Bioterrorism Preparedness Planning Program	93.283	5885BT01	15,209
Wisewoman	93.283	5886WW11	58,086
Iowa Breast and Cervical Cancer Early Detection Program	93.283	5886NB20	114,495
HIV Counseling, Testing and Referral	93.940	5885AP13	43,881
HIV Counseling, Testing and Referral	93.940	5886AP13	26,407
HIV Preventative Health Block Grant	93.991	5886AP13	2,019
HIV Preventative Health Block Grant	93.991	5885AP13	9,282
Total Department of Health and Human Services			<u>3,983,082</u>

(continued)

POLK COUNTY, IOWA

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006**

Grantor/Program	CFDA Number	Contract Number	Total Federal Expenditures For Fiscal Year 2006
DEPARTMENT OF HOMELAND SECURITY			
Passed through United Way:			
FEMA	97.024	Phase XXIV	\$ 25,882
FEMA	97.024	Phase XXIII	727
Passed through City of Des Moines:			
Law Enforcement Terrorism Prevention Program	97.074	FY2004-LETPP-LIEN5-05	8,789
Law Enforcement Terrorism Prevention Program	97.074	FY2005-LETPP-LIEN5-05	5,567
Passed through Iowa Department of Public Defense:			
EMS Disaster Preparedness	97.003	5885EM197	7,726
State Homeland Security Grant Program (SHSGP 1)	97.004	ODP-2003-068	142
State Homeland Security Grant Program (SHSGP 11)	97.004	ODP-2003-77	234,304
Critical Infrastructure Protection Allocation (CIPA)	97.004	ODP-2003-MU-TE-0056	133,146
Pre-Disaster Mitigation Competitive Grant Program	97.017	PDMC-PL-07-LA-2005-099	1,576
FEMA	97.036	DR-1518-IA	248,066
FEMA - Katrina Disaster Project	97.036	DR-3239-IA	10,256
State Homeland Security Grant Program (04 SHSGP 1)	97.067	2004-GE-T4-46	490,251
State Homeland Security Grant Program (05 Region 1)	97.067	N/A	11,092
Emergency Management Performance Grant (EMPG)	97.067	N/A	17,553
Total Department of Homeland Security			<u>1,195,077</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 12,044,410</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, 2006**

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, 2006. 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:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Juvenile Incentive Accountability Block Grant Program	16.523	\$16,560
Edward Byrne Justice Assistance Grant (JAG) Program	16.738	\$269,579
Critical Infrastructure Protection Allocation (CIPA)	97.004	\$133,146
State Homeland Security Grant Program	97.067	\$490,251

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, 2006, was \$886,711. As of June 30, 2006, the County had commodities on hand with a value of \$312,608.

The County also received noncash assistance in the form of equipment for the State Homeland Security Grant Program (04 SHSGP 1) and (05 Region 1) – CFDA No. 97.067. Equipment in the amount of \$429,041 and \$7,328 respectively was purchased for the County during the fiscal year.

Polk County, Iowa
Summary Schedule of Prior Audit Findings

Year Ended June 30, 2006

Number	Comment	Status	Corrective Action or Other Explanation
Other Findings Related to Required Statutory Reporting:			
05-IV-A	The County exceeded its maximum deposit amount stated in their resolution adopted by the Board.	Corrected	NA

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, 2006, which collectively comprise Polk County, Iowa's basic financial statements and have issued our report thereon dated November 17, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Polk County, Iowa's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Polk County Iowa's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 06-II-A.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted certain matters that we have reported to management of Polk County, Iowa in a separate letter dated November 17, 2006.

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, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the basic financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

McGladrey & Pullen, LLP

Davenport, Iowa
November 17, 2006

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, 2006. 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, 2006.

Internal Control Over Compliance

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

We noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the County's ability to administer a major Federal program in accordance with applicable laws, regulations, contracts and grants. The reportable conditions are described in the accompanying schedule of findings and questioned costs as items 06-III-A and 06-III-B.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses. However, we believe the reportable conditions described above are not material weaknesses.

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

McGladrey & Pullen, LLP

Davenport, Iowa
November 17, 2006

Polk County, Iowa

Schedule of Findings and Questioned Costs
Year Ended June 30, 2006

I. Summary of the Independent Auditor's Report

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
10.565	Commodity Supplemental Food Program
16.738	Edward Byrne Justice Assistance (JAG)
90.401	Voting System Funding Allocation - HAVA
81.042	Weatherization Assistance for Low Income Persons
93.044	Title III B
93.045	Title III C
93.053	Nutrition Services Incentive Program

Dollar threshold used to distinguish between type A and type B programs: \$361,332

Auditee qualified as low-risk auditee? Yes No

Schedule of Findings and Questioned Costs
Year Ended June 30, 2006

II. Findings Related to the Basic Financial Statements

Internal Control

06-II-A

Finding: The County golf course has an inadequate segregation of duties over cash receipts.

Condition: An employee at Jester's Park Golf Course has the ability to initiate and collect cash receipts, record collections, reconcile cash drawer and prepare the cash deposit.

Context: A good internal control system contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

Effect: Transaction errors could occur and not be detected in a timely manner.

Recommendation: We recommend segregating the duties of collecting cash receipts and posting them to the general ledger.

Response and Corrective Action Plan: This recommendation is accepted. The County will look to realign and reassign duties where practical.

Compliance:

None

III. Findings and Questioned Costs for Federal Awards

Reportable Conditions in Administering Federal Awards

06-III-A

U.S. Department of Agriculture, Direct and Passed Through Iowa Department of Human Services, Commodity Supplemental Food Distribution (CFDA 10.565)

U.S. Department of Justice, Passed Through the Governor's Office of Drug Control Policy and City of Des Moines, Edward Byrne Justice Assistance Grant Program (CFDA 16.738)

U.S. Department of Health and Human Services, Passed Through Aging Resources of Central Iowa, Title III C-1 Nutrition Program (CFDA 93.045)

Federal Award Years 2005-2006

Finding: The County does not have a system in place to obtain certifications of employees who work solely with one Federal program.

Condition: The County does not maintain adequate documentation of the employees who work solely with these programs.

Criteria/Context: The Office of Management and Budget Circular A-87 requires that the County have in place where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

Polk County, Iowa

Schedule of Findings and Questioned Costs
Year Ended June 30, 2006

Recommendation: We recommend the County implement a procedure for personnel who work solely with one program to certify on a semi-annual basis that they worked solely on the federal program for the period covered by the certification.

Response and Corrective Action Plan: The Polk County Auditor's Office will implement a procedure requiring an employee or their supervisor to sign a certification on a semiannual basis which verifies the employee worked solely on the federal program for the period indicated by the certification.

06-III-B

U.S Department of Justice, Passed Through the Governor's Office of Drug Control Policy and City of Des Moines, Edward Byrne Justice Assistance Grant Program (CFDA 16.738)

Federal Award Years 2005-2006

Finding: The County does not have an adequate system in place to ensure compliance with subrecipient monitoring requirements.

Condition: The County does not maintain adequate documentation of subrecipient monitoring for subrecipients of the Edward Byrne Justice Assistance Grant Program.

Criteria/Context: The Office of Management and Budget Circular A-133 requires that the County be responsible for (a) identifying to the subrecipient the federal award information and applicable compliance requirements, (b) monitoring the subrecipient's activities to provide reasonable assurance that the subrecipient administers federal awards in compliance with federal requirements, (c) ensuring required audits are performed and requiring the subrecipient to take prompt corrective action on any audit findings, and (d) responding in a timely fashion to any findings during the required audit of the subrecipient.

Recommendation: We recommend the County obtain the audit reports of the program's subrecipients and evaluate appropriate responses to any identified findings.

Response and Corrective Action Plan: The County will request audit reports from subrecipients and evaluate the responses to any identified findings for appropriateness.

Instances of Noncompliance:

None

Schedule of Findings and Questioned Costs
Year Ended June 30, 2006

IV. Other Findings Related to Required Statutory Reporting

- A. **Certified Budget:** Disbursements during the year ended June 30, 2006 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, 2006 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, 2006.
- D. **Business Transactions:** No business transactions between the County and County officials or employees were noted for the year ended June 30, 2006.
- 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, 2006

- 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	\$ 519,335
Interest/receipts from other sources	588,119
	<u>1,107,454</u>
 Disbursements:	
Salaries	179,942
FICA, IPERS and insurance benefits	44,908
Travel	6,049
Facility costs	152,684
Insurance, legal notice and other	4,471
Office supplies	10,422
Communication	14,709
Equipment/repair	26,344
Project activity expense	2,756
Cost share	47,226
Fee programs expense	172,286
Resale	4,645
Grant and contract programs	308,153
	<u>974,595</u>
Excess of receipts over disbursements	132,859
Cash balance, beginning of year	198,902
Cash balance, end of year	<u>\$ 331,761</u>

Total expenditures during the year ended June 30, 2006 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	\$ 14,709	\$ 8,900
Resale	4,645	4,000

- 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, 2006 did not exceed the amounts budgeted.

Polk County, Iowa

Corrective Action Plan
Year Ended June 30, 2006

Comment Number	Comment	Corrective Action Plan	Contact Person	Initial Date of Communication	Anticipated Date of Completion
Findings Related to the Basic Financial Statements					
06-II-A	The County golf course has an inadequate segregation of duties over cash receipts.	See corrective action plan at 06-II-A.	Steve Linder, Conservation	November 2006	July 2007
Findings and Questioned Costs for Federal Awards					
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.	See corrective action plan at 06-III-A.	Keith Olson, Auditor	November 2006	July 2007
06-III-B	The County does not have an adequate system in place to ensure compliance with subrecipient monitoring requirements.	See corrective action plan at 06-III-B.	Keith Olson, Auditor	November 2006	July 2007

(This page was left blank intentionally)