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Polk County, Iowa
2008 Auditor's Report
For the Fiscal Year Ended June 30, 2008

Jamie Fitzgerald
Polk County Auditor and
Commissioner of Elections

POLK COUNTY, IOWA

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2008

PREPARED BY:

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POLK COUNTY, IOWA

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

JAMIE FITZGERALD
COUNTY AUDITOR
COMMISSIONER OF ELECTIONS

ADMINISTRATION BUILDING
111 COURT AVE.
286-3080

December 1, 2008

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, 2008.

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, 2008, 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, 2008, 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 418,339. 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 growing. The population continues to grow at a moderate pace, up approximately 16.2% since 1999, to 418,339 in 2008. Unemployment is approximately 3.6%, lower than state and national levels. Other economic indicators are also steady. The County remains the primary center of economic activity in central Iowa and the State although adjoining counties, especially Dallas County to the west, are also experiencing significant new development.

A series of major projects, totaling over \$2.8 billion in public and private investment, recently have been completed in Des Moines. Most of these developments are located in the downtown area and represent a tremendous stage in the revitalization of Des Moines.

The Capital Vision Plan, composed of the Iowa Events Center/Iowa Hall of Pride, Science Center of Iowa, Des Moines downtown library, Higher Education Center, and World Food Prize all total \$364 million and are a central component of this development. All projects, excluding the World Food Prize headquarters slated to begin construction in 2008, have been completed. In its initial years of operation, the Arena component of the Iowa Events Center has experienced great success and continues to provide quality entertainment while keeping Polk County's subsidy for the four facilities to a minimum. In fact, the last two fiscal years have provided Polk County with a profit for the four combined facilities. The Arena is now home to AHL Hockey, NBA development league Basketball and Arena 2 Football franchises.

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

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

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

The 300 acre Riverpoint West project is located directly south of the Central Business District, north of Gray's Lake and east of Water Works Park and is an exciting opportunity to develop a vibrant, mixed use urban village with approximately 1,000 residential units, 850,000 square feet of low-rise office and retail space and environmental and recreational enhancements. By creating interdependency with the Central Business District, Riverpoint West can enhance the success of downtown redevelopment initiatives by meeting its need for new workers and consumers, providing parking, and offering support services.

The Riverpoint West project is expected to create 1,000 jobs and increase the tax base twelve-fold from approximately \$12 million to more than \$140 million. The project will contribute to the long-term economic viability of the downtown core and serve as a national model of effective public/private cooperation.

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

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

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

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

Suburban growth is also continuing rapidly, with West Des Moines and Clive becoming the focus of upscale retail development. A regional mall opened in the Dallas County portion of West Des Moines, located near a new suburban campus of the Des Moines Area Community College. Large retail operations such as West Glen Town Center with supportive restaurants and other commercial activity are making the western Polk County suburbs among the fastest growing areas in the state. In 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. Ground is being cleared for the new Bass Pro Shop and adjoining shopping area to be construction in Altoona near Interstate 80. In Polk City, a developer has constructed a PGA tournament golf course that includes a 470 unit residential community.

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

County Initiatives

In an effort to maintain balanced growth, Polk County is undertaking two 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 and the NW 26 St/I35-80 Interchange Justification Study.

With the assistance of \$6.2 million in Federal funding, the County is also working on four 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. This project will be completed in 2008.

The second project, a joint effort with the city of Polk City, is the reconstruction and widening of NW Madrid Drive/West Broadway in Polk City and will be completed in 2010. The third project is the reconstruction of NW 100th Street in Urbandale and Johnston. Project includes design of a new I-35/80 bridge overpass and widening of NW 100 St. from Plum Dr. to NW 54 Avenue.

The fourth project is the NW 66 Avenue/Kempton Bridge Reconstruction project. It is a joint effort with the City of Johnston to increase the capacity of NW 66 Avenue by widening to 4 lanes from NW 26 Street to NW Beaver Drive, and replace the 50 year old two lane bridge over the Des Moines River with a 4-lane bridge and include a multi-use trail. This is the only major roadway crossing of the Des Moines River from I-80 to the Mile Long Bridge, so this corridor and bridge are critical to the economic development of the northern metro area.

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 is also working with the Cities of Ankeny and Polk City to construct over \$30 million in Sanitary Sewer expansion projects in the next five (5) years. Two projects, the Norwoodville Sanitary Sewer Project, and Phase 1 of the Saylor Creek Sanitary Sewer Project will be complete in 2008 (\$4 Million). Phases 1-3 of the Rock Creek Sanitary Sewer project will be completed in 2009 (\$12 Million). These projects will not only support the balance growth initiative by providing sanitary sewer service to the Saylor Creek and Rock Creek basins, but also reduce the environmental impacts of conventional and discharging on-site sewage disposal systems. These sanitary sewer trunk lines will also eliminate the need for construction of new and expensive sewage treatment plants and lift stations for both cities.

Polk County recently provided economic development assistance for an industrial expansion to EFCO Corporation in unincorporated Polk County. This 144,000 square foot expansion creates an additional 58 jobs in the area.

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 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. Global Spectrum, professional management firm for the Iowa Events Center, provided taxpayers with another profitable year generating \$211,279 in combined profit for Polk County.

In March 2005, Polk County voters approved a referendum for construction of a new \$68 million, 1,500-bed jail. The design of the new jail will enhance staffing efficiency and allow Polk County to discontinue out-of-county housing of Polk County prisoners. Construction of the new jail is complete and a dedication took place on October 22, 2008, with an opening scheduled for November, 2008.

Polk County has also purchased a 146,000 square foot facility which was converted to office space for approximately 350 state and county employees. Polk County River Place enables 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.

The Board of Supervisors continued to review possible options to address the issues of the courts. The Polk County Courthouse built in 1906 was originally designed for four courtrooms. Currently, there are 28 courtrooms in the building with Polk County providing an additional 9,000 square feet in leased space at Riverpoint West as well as 14,705 square feet of additional leased space for Clerk of Court Records. A referendum asking the voters to consider a \$130,000,000 new court annex failed in April of 2008. The Board of Supervisors has engaged architects SVPA to assist them in reviewing other possible options for the courts which includes the possible use of existing downtown buildings including the Polk County Convention Complex.

Operationally, the County is continuing to develop strategies for improving service quality and efficiency. The Board of Supervisors initiated a strategic planning process in the fall of 2003 and held its third strategic planning retreat in October 2007. The strategic planning process has focused on achieving balanced growth, addressing mental health service delivery costs, offering affordable housing, and protecting the County's investment in the Iowa Events Center. Currently, most County offices and departments are participating in strategic planning and have developed strategic plans and quarterly performance measures. FY 08/09 budget documents emphasize the tie between performance measures and appropriations, and 2008 budget deliberations further incorporated these strategic planning documents.

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

The Board of Supervisors engaged a consultant to perform a study of our information technology needs. The results of that study calls for the replacement of our mainframe technology and staff realignment. These recommendations are in the process of being implemented.

Budget Management

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

Long-term Financial Planning

The County is continuing to develop strategies for improving service quality and efficiency. The Board has developed and implemented a long term fiscal policy and continued its strategic planning process. Consistent with fiscal policy, the County developed a five-year budget forecast that enables management to identify fiscal threats while sufficient time exists to make adjustments in revenue and expenditures. Polk County initiated a five-year capital improvements plan (CIP) that will assist the Board in long term planning for capital improvements.

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. Shared successes have included regional use of the uniform building code, nuisance and vicious animal ordinances. 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 4.40%. 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 summarizes the current portfolio in terms of investment type, maturity, rate of return; an average daily asset invested, and reflects 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, 2007. 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.

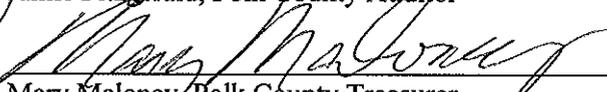
A Certificate of Achievement is valid for a period of one year only. Polk County has received a Certificate of Achievement for the last fourteen consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA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

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

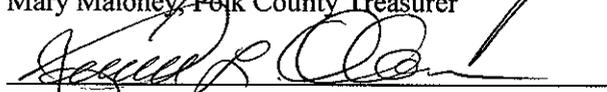
Respectfully submitted,



Jamie Fitzgerald, Polk County Auditor



Mary Maloney, Polk County Treasurer



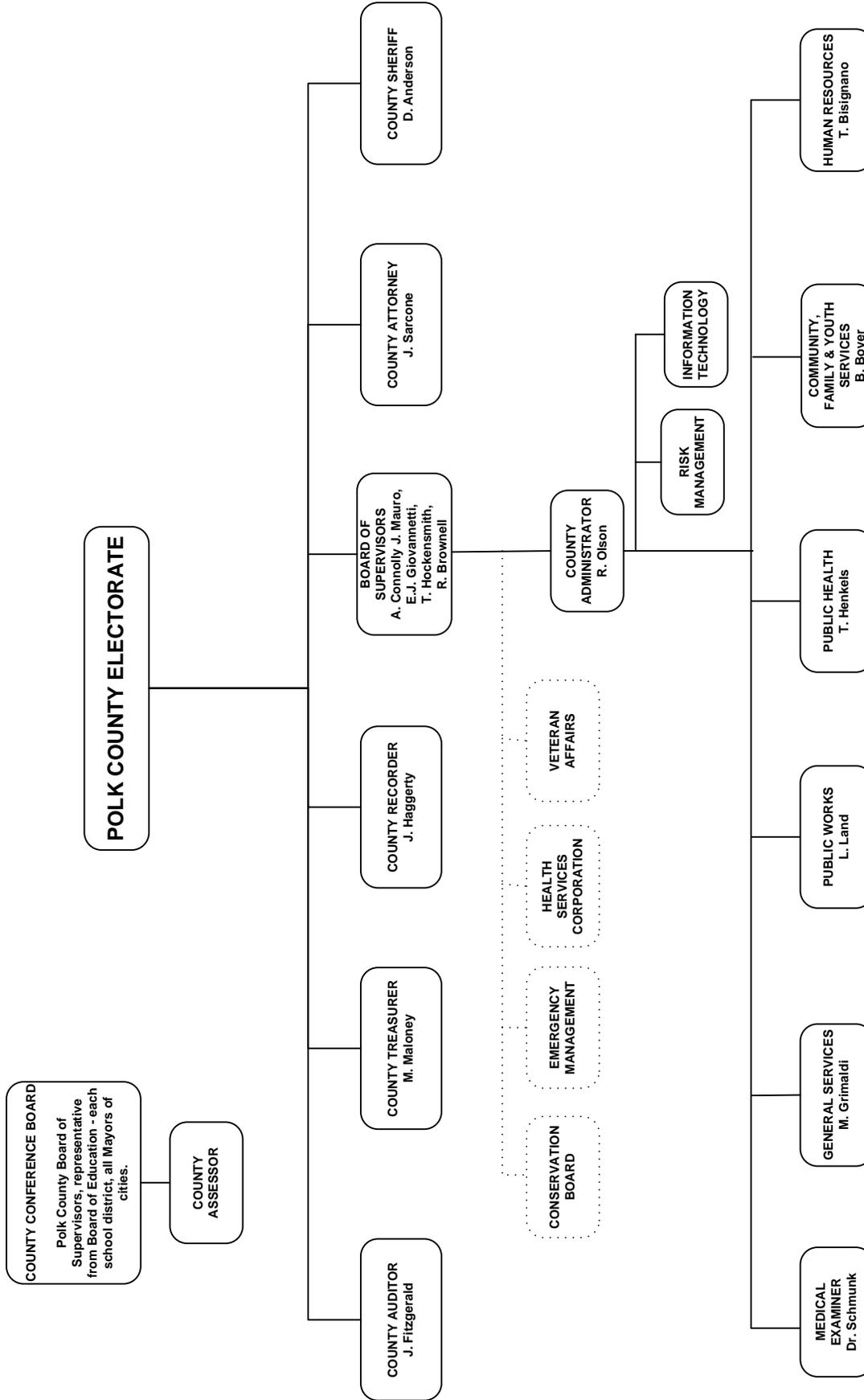
Ron Olson, County Administrator

POLK COUNTY, IOWA

OFFICIALS

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

POLK COUNTY ORGANIZATION



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Polk County
Iowa

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

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.



Oliver S. Cox

President

Jeffrey R. Emer

Executive Director

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McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Polk County, Iowa as of and for the year ended June 30, 2008, 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, 2008, 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.

As explained in Note 23 to the basic financial statements, the County changed its method of accounting for other post employment benefits.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2008, on our consideration of Polk County, Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 18 through 25, and budgetary comparison information on pages 71 and 72 and schedule of funding progress on page 70 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required 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, 2008 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 25, 2008

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POLK COUNTY, IOWA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2008

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, 2008. Please read this section in conjunction with the transmittal letter at the front of this report and with the County's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The County's total net assets decreased \$332,000 (0.1%) to \$297.4 million primarily due to increased expenses in public safety, mental health and roads and transportation over increased property tax revenue.
- Net assets of the County's governmental activities decreased \$3.4 million (3%) and business-type activities increased \$3.1 million (2%).
- In the County's governmental activities, total revenues increased \$19.5 million (11%) and total expenditures increased \$14.2 million (7%).
- In the County's business-type activities, total revenues increased \$1.2 million (3%) and total expenses increased \$0.9 million (3%). The increase in revenues is due to increases in charges for service relating to increased revenue from Prairie Meadows. Expenses increased primarily to increased property tax expense for the Prairie Meadows gaming facility and increased repair and maintenance expense at the Iowa Events Center.

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 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 \$332,000 (0.1%) primarily attributed to increased expenses in public safety, mental health and roads and transportation over increased property taxes.

Net Assets

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 214,197,190	\$ 241,658,178	\$ 34,891,431	\$ 30,575,729	\$ 249,088,621	\$ 272,233,907
Capital assets	<u>160,278,538</u>	<u>137,165,023</u>	<u>295,810,128</u>	<u>307,521,339</u>	<u>456,088,666</u>	<u>444,686,362</u>
Total assets	<u>374,475,728</u>	<u>378,823,201</u>	<u>330,701,559</u>	<u>338,097,068</u>	<u>705,177,287</u>	<u>716,920,269</u>
Long-term liabilities	126,443,877	125,782,036	127,889,787	136,706,851	254,333,664	262,488,887
Other liabilities	<u>146,942,512</u>	<u>148,530,536</u>	<u>6,527,076</u>	<u>8,194,863</u>	<u>153,469,588</u>	<u>156,725,399</u>
Total liabilities	<u>273,386,389</u>	<u>274,312,572</u>	<u>134,416,863</u>	<u>144,901,714</u>	<u>407,803,252</u>	<u>419,214,286</u>
Net assets						
Invested in capital assets, net of related debt	79,083,042	88,071,556	168,328,097	171,678,408	247,411,139	259,749,964
Restricted	16,109,702	21,722,629	452,485	575,235	16,562,187	22,297,864
Unrestricted (deficit)	<u>5,896,595</u>	<u>(5,283,556)</u>	<u>27,504,114</u>	<u>20,941,711</u>	<u>33,400,709</u>	<u>15,658,155</u>
Total net assets	<u>\$ 101,089,339</u>	<u>\$ 104,510,629</u>	<u>\$ 196,284,696</u>	<u>\$ 193,195,354</u>	<u>\$ 297,374,035</u>	<u>\$ 297,705,983</u>

Net assets of the County’s governmental activities decreased \$3.4 million (3%) to \$101.1 million at June 30, 2008. Approximately 78% of these assets are invested in capital assets (buildings, roads, bridges, etc).

The net assets of business-type activities increased \$3.1 million (2%) to \$196.3 million at June 30, 2008 and relates to an increase of \$2 million in the Iowa Events Center and \$1.2 million in the Sanitary Treatment Works funds. Approximately 86% of these assets are invested in capital assets (buildings, land, infrastructure, etc).

Changes In Net Assets

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	\$ 30,818,801	\$ 28,124,150	\$ 40,363,061	\$ 38,896,590	\$ 71,181,862	\$ 67,020,740
Operating grants and contributions	44,384,526	40,462,381	694,812	648,292	45,079,338	41,110,673
Capital grants and contributions	1,049,053	340,200	1,730,846	1,537,235	2,779,899	1,877,435
General revenues:						
Property taxes	105,846,177	95,414,667	-	-	105,846,177	95,414,667
Other County taxes	5,307,751	4,539,835	-	-	5,307,751	4,539,835
Interest on property taxes	1,388,689	1,147,313	-	-	1,388,689	1,147,313
State replacements	2,773,895	2,658,239	-	-	2,773,895	2,658,239
Use of money and property	6,864,291	8,347,209	1,373,373	1,854,206	8,237,664	10,201,415
Miscellaneous	4,152,740	2,068,863	350,263	420,136	4,503,003	2,488,999
Total revenues	202,585,923	183,102,857	44,512,355	43,356,459	247,098,278	226,459,316
Expenses:						
Public safety and legal services	54,586,369	50,943,331	-	-	54,586,369	50,943,331
Physical health and social services	30,701,720	27,939,503	-	-	30,701,720	27,939,503
Mental health	50,448,588	47,580,948	-	-	50,448,588	47,580,948
County environment and education	12,988,528	17,911,180	-	-	12,988,528	17,911,180
Roads and transportation	18,924,908	14,384,813	-	-	18,924,908	14,384,813
Government services to residents	6,444,220	6,068,908	-	-	6,444,220	6,068,908
Administration	34,835,609	31,230,881	-	-	34,835,609	31,230,881
Interest on long-term debt	4,497,886	3,143,577	-	-	4,497,886	3,143,577
Air Pollution	-	-	892,991	773,893	892,991	773,893
Sanitary Treatment Works	-	-	901,149	896,815	901,149	896,815
Prairie Meadows Racetrack/Casino	-	-	7,469,240	6,589,760	7,469,240	6,589,760
Jester Park Golf Course	-	-	775,308	1,367,187	775,308	1,367,187
Hamilton Urban Drainage District	-	-	259,856	269,147	259,856	269,147
Urban Sewer	-	-	227,968	234,327	227,968	234,327
Iowa Events Center	-	-	23,475,886	14,584,039	23,475,886	14,584,039
Wells Fargo Arena	-	-	-	8,390,198	-	8,390,198
Total expenses	213,427,828	199,203,141	34,002,398	33,105,366	247,430,226	232,308,507
Excess (deficiency) before transfers	(10,841,905)	(16,100,284)	10,509,957	10,251,093	(331,948)	(5,849,191)
Transfers	7,420,615	8,043,702	(7,420,615)	(8,043,702)	-	-
Increase (decrease) in net assets	(3,421,290)	(8,056,582)	3,089,342	2,207,391	(331,948)	(5,849,191)
Net assets - beginning	104,510,629	112,567,211	193,195,354	190,987,963	297,705,983	303,555,174
Net assets - ending	\$ 101,089,339	\$ 104,510,629	\$ 196,284,696	\$ 193,195,354	\$ 297,374,035	\$ 297,705,983

Statement of Activities - Changes in Net Assets

The governmental-type change in net assets decreased \$3.4 million primarily due to a \$2.8 million increase in mental health expenses and due to \$.6 million less transfers in. The business-type change in net assets increased \$3.1 million due to a \$2 million increase related to the Iowa Event Center and Wells Fargo Arena primarily due to a decreased operating loss and decreased interest expense due to refinancing debt.

Government-type revenues increased 11% primarily from increased property tax collections. The County increased its levy rate from \$10.94/\$1,000 of taxable valuation to \$11.44/\$1,000 of taxable valuation. The increased levy rate coupled with a 4% increase in property valuations resulted in a corresponding increase in property tax revenue.

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

Governmental activities expenses increased 7%, including a 32% increase in roads and transportation expense primarily due to change in the County's capitalization policy. Resurfacing road projects are considered an expense instead of capital asset. Public safety and legal services expenses also increased 7% due to the rising jail population, while administration expenses increased 12% to fund risk management activities and to award an increased amount of community development grants

The County's expenses cover a range of services, with the largest expenditures relating to public safety and legal services (26%), mental health (24%), and administration (16%).

Governmental Activities Revenues for the County's governmental activities increased \$19.5 million (11%), while expenses increased \$14.2 million (7%). Key elements of these changes include the following:

- \$10.4 million (11%) increase in property tax revenues arising from a 4% increase in taxable valuations and a 5% increase in the levy rate
- \$3.9 million (10%) increase in operating grants and contributions primarily due to increased state funding for mental health services
- \$4.5 million (32%) increase in roads and transportation expense primarily due to a change in recording \$2.7 million LRS resurfacing road projects. Effective FY07/08, these projects did not meet the County's capital asset criteria. Additional expenses occurred because of the flood that occurred in June. Increased gas and diesel price along with a harsher winter caused additional snow/ ice control expense and equipment usage.
- \$3.4 million (7%) increase in public safety and legal services primarily due to a rising adult correction population and increased staffing costs
- \$3.4 million (11%) increase in administration expenditures primarily due to increased community development grant awards and increased risk management expenditures
- \$2.9 million (6%) increase in mental health expense to serve a larger population and fund provider rate increases

Business-type Activities Revenues for the County's business-type activities increased \$1.2 million (3%) and expenses increased \$0.9 million (3%). Key elements of these changes include the following:

- Charges for services increased \$1.5 million due to \$1 million increases from Prairie Meadows for their share of joint distribution to other local governmental entities and increases of the 4% Tax Rate revenue. In addition, the Iowa Events Center increased \$.5 million due to increased event revenue.
- Expenses increased \$0.9 million primarily due to increased property tax expense due to expansion and revaluation of the Prairie Meadows gaming facility and increased repair and maintenance expense of the Iowa Events Center.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Governmental Funds As the County completed the current fiscal year; its governmental funds reported a *combined fund* balance of \$50 million at June 30, 2008, which is \$27.8 million less than the prior year. Included in this year's total change in fund balance is an increase of \$1.8 million in the County's General Fund. The primary reasons for the General Fund's increase mirror those highlighted in the analysis of governmental activities. Additionally, the Jail Facility Capital Project Fund balance decreased \$15.6 million due to near completion of the new jail.

Proprietary Funds Prairie Meadows Racetrack/Casino net assets decreased \$.2 million due to primarily to increased property tax expense due to expansion and revaluation of the Prairie Meadows gaming facility. At the beginning of FY07/08, Wells Fargo Arena fund was combined into the Iowa Events Center fund though a \$51.8

million transfer of net assets. Thus, the Iowa Events Center Fund net assets increased \$53.8 million primarily due to \$51.8 million transferred net assets in from the Wells Fargo Arena. Respectively, Wells Fargo Arena net assets decreased \$51.8 million by the transferred net assets. In addition, other enterprise funds net assets increased \$1.3 million due to increased revenue and decreased operating expenses caused by Jester Polk Golf Course being managed (effective November 2007) by a private golf management company and a \$.8 million capital contribution from developers relating to the Sanitary Treatment Works.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The County's capital assets for its governmental and business-type activities as of June 30, 2008, amount to \$456.1 million (net of accumulated depreciation). These capital assets include land, buildings, improvements other than buildings, leasehold improvements, infrastructure, equipment, vehicles and construction in progress. Polk County's capital assets increased \$11.4 million (3%).

Capital assets for the governmental and business-type activities at June 30, 2008 are as follows:

Capital Assets

	Governmental Activities		Business-Type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Land	\$ 11,233,795	\$ 11,233,795	\$ 14,852,969	\$ 14,852,969	\$ 26,086,764	\$ 26,086,764
Buildings	76,869,857	62,251,049	280,695,205	281,744,959	357,565,062	343,996,008
Improvements other than buildings	1,220,901	954,140	8,737,316	8,737,316	9,958,217	9,691,456
Leasehold improvements	-	-	37,487,588	37,487,588	37,487,588	37,487,588
Infrastructure	88,668,923	85,705,351	20,045,873	19,231,628	108,714,796	104,936,979
Equipment	12,841,887	12,891,032	813,168	809,586	13,655,055	13,700,618
Vehicles	6,851,900	6,765,057	147,451	147,451	6,999,351	6,912,508
Construction in progress	64,029,619	51,777,136	4,678,439	4,634,743	68,708,058	56,411,879
Total	<u>261,716,882</u>	<u>231,577,560</u>	<u>367,458,009</u>	<u>367,646,240</u>	<u>629,174,891</u>	<u>599,223,800</u>
Less: accumulated depreciation	<u>(101,438,344)</u>	<u>(94,412,537)</u>	<u>(71,647,881)</u>	<u>(60,124,901)</u>	<u>(173,086,225)</u>	<u>(154,537,438)</u>
Total	<u>\$ 160,278,538</u>	<u>\$ 137,165,023</u>	<u>\$ 295,810,128</u>	<u>\$ 307,521,339</u>	<u>\$ 456,088,666</u>	<u>\$ 444,686,362</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, 2008 are as follows:

- Construction in progress of new jail facility - \$15.4 million
- Construction completed at Polk County River Place facility - \$10.3 million

The County's FY 08/09 capital budget includes spending another estimated \$5.4 million on the new jail facility, \$1.4 million for capital improvement projects, and \$0.5 million for the Martin Luther King Jr. Shelter. Capital improvement projects will represent costs of improvements to County-owned facilities.

Long-Term Debt

At June 30, 2008, the County had \$238.9 million in bonds and notes outstanding, a decrease of \$9.9 million compared to FY 06/07. The decrease in debt arose from principal repayments on existing debt while only \$2.7 million of new debt was issued.

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 07/08, principal repayments of \$8.0 million were made on the Iowa Events Center/Wells Fargo Arena debt and one series of debt was refinanced, reducing the outstanding obligation to \$118.0 million.

During FY 08/09, Polk County plans to issue \$4.0 million in additional general obligation debt. This includes \$1.4 million for capital improvements to County facilities and \$2.5 million for housing grants.

Polk County is well below the statutory debt capacity limitation. The debt capacity is controlled by the constitutional debt limit which is an amount equal to 5% of the actual value of taxable property within the County limits. The County's unused legal debt capability was \$838.1 million as of June 30, 2008.

Outstanding Debt

	Governmental Activities		Business-type Activities		Total		Percentage Change 2007-2008
	2008	2007	2008	2007	2008	2007	
G.O. bonds	\$ 110,646,911	\$ 111,657,091	\$ 127,016,267	\$ 136,562,443	\$ 237,663,178	\$ 248,219,534	-4%
Notes payable	545,000	581,000	678,932	-	1,223,932	581,000	111%
Total	\$ 111,191,911	\$ 112,238,091	\$ 127,695,199	\$ 136,562,443	\$ 238,887,110	\$ 248,800,534	-4%

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 \$14.0 million below final budget amounts. Significant variances included:

- Capital project expenditures were \$7.2 million less than budgeted due to slower than anticipated completion of two major capital projects: a new County jail and conversion of a retail store into office space for County employees. Both projects are expected to be completed in fiscal year 2008/2009.
- Administration expenditures were \$1.8 million less than budgeted due to lower than anticipated costs for risk management claims and for general services such as utilities, postage, supplies, telephone, and leases.
- County environment and education expenditures were \$1.5 million and roads and transportation expenditures were \$0.6 million less than anticipated. This discrepancy included appropriations for economic development and road projects that were not fully completed during the fiscal year.
- Physical health and social services expenditures fell \$1.5 million short of budget due to reduced utilization of juvenile detention and shelter services and less lead abatement program costs than anticipated

- Public safety expenses and legal services expenditures were \$1.0 million less than budgeted due to a lower than anticipated prisoner population which reduced expenses for out-of-county housing.

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 reinforce its fiscal condition, undertake new projects and serve a key role in area development efforts.

For FY 08/09, certified taxable valuations increased 5%, resulting in a budgeted increase of \$6.5 million in property tax revenues.

Polk County's budget for FY 08/09 indicates statutory fund balances will decrease by \$17.9 million. The largest component of this balance decrease is expenditure of the last remaining bond proceeds for new jail construction. It is anticipated that \$6.0 million of bond reserves will be expended to complete the jail. Additionally, approximately \$4.7 million of reserves will be expended to fund the one-time transition cost of opening the new jail and to finance a jail booking addition. Another \$3.4 million of reserves will be utilized to address the current economy, primarily decreased interest earnings (\$2.2 million), decreased building permit and auto registration fees (\$0.6 million), and increased fuel costs (\$0.6 million). Only \$0.9 million of the balance decrease relates to on-going operations. These operational changes include increased service delivery to General Assistance applicants, opening of a new senior center, decreased collection of County Attorney fines, and staffing enhancements for the Information Technology division.

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.

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POLK COUNTY, IOWA

**Statement of Net Assets
June 30, 2008**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	PCHS
ASSETS				
Cash and pooled investments	\$ 73,145,916	\$ 28,148,838	\$ 101,294,754	\$ 3,633,165
Receivables (net of allowance for uncollectibles)	14,166,663	6,214,822	20,381,485	77,817
Advances to component unit	3,452,113	-	3,452,113	-
Internal balances	715,010	(715,010)	-	-
Inventories	1,208,452	120,591	1,329,043	-
Prepaid items	155,950	103,592	259,542	33,689
Restricted assets - cash and pooled investments	-	452,485	452,485	-
Lease/debt origination costs	928,758	566,113	1,494,871	-
Succeeding year property taxes receivable	120,424,328	-	120,424,328	-
Net investment in direct financing lease	-	-	-	1,380,464
Capital assets not being depreciated	75,263,414	19,531,408	94,794,822	1,223,141
Capital assets being depreciated, net	85,015,124	276,278,720	361,293,844	3,514,878
TOTAL ASSETS	374,475,728	330,701,559	705,177,287	9,863,154
LIABILITIES				
Accounts payable and other current liabilities	25,832,325	5,029,449	30,861,774	351,664
Interest payable	359,250	462,519	821,769	-
Unearned revenues	326,609	556,563	883,172	339,163
Advance deposits and ticket sales	-	478,545	478,545	-
Succeeding year property taxes deferred revenue	120,424,328	-	120,424,328	-
Due within one year:				
General obligation bonds payable	7,434,432	9,409,118	16,843,550	-
Notes payable	37,000	-	37,000	-
Capital leases payable	171,900	-	171,900	-
Compensated absences payable	1,233,091	11,186	1,244,277	-
Termination benefits payable	244,898	-	244,898	-
Estimated liability for claims and judgments	1,935,279	-	1,935,279	-
Advances from primary government	-	-	-	713,943
Due in more than one year:				
General obligation bonds payable	103,212,479	117,607,149	220,819,628	-
Notes payable	508,000	678,932	1,186,932	-
Capital leases payable	199,263	-	199,263	-
Compensated absences payable	10,549,310	183,402	10,732,712	-
Termination benefits payable	239,225	-	239,225	-
Post employment liability	679,000	-	679,000	-
Advances from primary government	-	-	-	2,738,170
TOTAL LIABILITIES	273,386,389	134,416,863	407,803,252	4,142,940
NET ASSETS				
Invested in capital assets, net of related debt	79,083,042	168,328,097	247,411,139	2,671,839
Restricted for:				
Debt service	3,017,076	-	3,017,076	-
Capital improvements	2,798,519	452,485	3,251,004	-
Enabling legislation	10,294,107	-	10,294,107	-
Foundation	-	-	-	919,771
Unrestricted (deficit)	5,896,595	27,504,114	33,400,709	2,128,604
TOTAL NET ASSETS	\$ 101,089,339	\$ 196,284,696	\$ 297,374,035	\$ 5,720,214

POLK COUNTY, IOWA

Statement of Activities
For the Year Ended June 30, 2008

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 Business-type Activities	Total	
Primary government:								
Governmental activities:								
Public safety and legal services	\$ 54,586,369	\$ 12,544,883	\$ 1,361,750	\$ -	\$ (40,679,736)	\$ -	\$ (40,679,736)	\$ -
Physical health and social services	30,701,720	1,117,024	8,043,366	-	(21,541,330)	-	(21,541,330)	-
Mental health	50,448,588	6,952,878	28,342,564	-	(15,153,146)	-	(15,153,146)	-
County environment and education	12,988,528	1,331,272	519,168	-	(11,138,088)	-	(11,138,088)	-
Roads and transportation	18,924,908	486,994	4,717,277	1,049,053	(12,671,584)	-	(12,671,584)	-
Government services to residents	6,444,220	6,606,559	-	-	162,339	-	162,339	-
Administration	34,835,609	1,779,178	1,400,401	-	(31,656,030)	-	(31,656,030)	-
Interest on long-term debt	4,497,886	13	-	-	(4,497,873)	-	(4,497,873)	-
Total governmental activities	213,427,828	30,818,801	44,384,526	1,049,053	(137,175,448)	-	(137,175,448)	-
Business-type activities:								
Air Pollution	892,991	217,265	694,812	-	-	19,086	19,086	-
Sanitary Treatment Works	901,149	753,576	-	814,245	-	666,672	666,672	-
Prairie Meadows Racetrack/Casino	7,469,240	28,131,768	-	-	-	20,662,528	20,662,528	-
Jester Park Golf Course	775,308	934,594	-	-	-	159,286	159,286	-
Hamilton Urban Drainage District	259,856	130,273	-	-	-	(129,583)	(129,583)	-
Iowa Events Center	23,475,886	10,195,585	-	916,601	-	(12,363,700)	(12,363,700)	-
Urban Sewer	227,968	-	-	-	-	(227,968)	(227,968)	-
Total business-type activities	34,002,398	40,363,061	694,812	1,730,846	-	8,786,321	8,786,321	-
Total primary government	\$ 247,430,226	\$ 71,181,862	\$ 45,079,338	\$ 2,779,899	(137,175,448)	8,786,321	(128,389,127)	-
Component unit:								
PCHS	\$ 2,999,699	\$ 1,316,658	\$ 1,478,618					(204,423)
General revenues:								
Property taxes					105,846,177	-	105,846,177	-
Other county taxes					5,307,751	-	5,307,751	-
Interest on property taxes					1,388,689	-	1,388,689	-
State replacements					2,773,895	-	2,773,895	-
Use of money and property					6,864,291	1,373,373	8,237,664	168,523
Miscellaneous					4,152,740	350,263	4,503,003	42,143
Transfers					7,420,615	(7,420,615)	-	-
Total general revenues and transfers					133,754,158	(5,696,979)	128,057,179	210,666
Change in net assets					(3,421,290)	3,089,342	(331,948)	6,243
Net assets - beginning					104,510,629	193,195,354	297,705,983	5,713,971
Net assets - ending					\$ 101,089,339	\$ 196,284,696	\$ 297,374,035	\$ 5,720,214

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POLK COUNTY, IOWA

**Balance Sheet
Governmental Funds
June 30, 2008**

	General	MH/MR/DD Services	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and pooled investments	\$ 40,945,435	\$ 6,798,481	\$ 17,342,909	\$ 65,086,825
Receivables (net of allowances for uncollectibles):				
Taxes	255,532	41,730	47,207	344,469
Succeeding year property taxes	87,904,614	14,355,357	18,164,357	120,424,328
Special assessments	40,696	-	4,463	45,159
Accounts	232,199	307,578	44,751	584,528
Notes	-	-	3,997,523	3,997,523
Accrued interest	43,067	-	12,066	55,133
Due from other funds	937,031	85,204	108,446	1,130,681
Due from other governments	5,691,273	854,437	2,051,514	8,597,224
Advances to other funds	30,800	-	-	30,800
Advances to component unit	-	801,046	2,651,067	3,452,113
Inventories	669,303	-	539,149	1,208,452
Prepaid items	155,950	-	-	155,950
TOTAL ASSETS	\$ 136,905,900	\$ 23,243,833	\$ 44,963,452	\$ 205,113,185
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 2,287,254	\$ 10,991,275	\$ 7,048,964	\$ 20,327,493
Contract/retainage payable	-	-	3,583,001	3,583,001
Wages payable	1,455,431	7,016	99,848	1,562,295
Payroll taxes payable	204,826	979	13,731	219,536
Interest payable	-	-	1,529	1,529
Compensated absences payable	1,544,296	-	-	1,544,296
Termination benefit payable	484,123	-	-	484,123
Estimated liability for claims and judgments	224,536	-	-	224,536
Deferred revenues	4,463,142	603,424	1,715,860	6,782,426
Succeeding year property taxes deferred revenue	87,904,614	14,355,357	18,164,357	120,424,328
TOTAL LIABILITIES	98,568,222	25,958,051	30,627,290	155,153,563
Fund balances:				
Reserved for advances to other funds	30,800	-	-	30,800
Reserved for advances to component unit	-	801,046	2,651,067	3,452,113
Reserved for noncurrent notes receivable	-	-	3,166,510	3,166,510
Reserved for inventory of supplies	342,694	-	539,149	881,843
Reserved for supplemental levy purposes	8,030,308	-	217,530	8,247,838
Reserved for prepaid items	155,950	-	-	155,950
Unreserved, undesignated - general fund	29,777,926	-	-	29,777,926
Unreserved, designated - special revenue funds	-	-	7,879,428	7,879,428
Unreserved, undesignated - special revenue funds	-	(3,515,264)	(3,282,050)	(6,797,314)
Unreserved, undesignated - capital projects funds	-	-	2,798,519	2,798,519
Unreserved, undesignated - debt service funds	-	-	366,009	366,009
TOTAL FUND BALANCES	38,337,678	(2,714,218)	14,336,162	49,959,622
TOTAL LIABILITIES AND FUND BALANCES	\$ 136,905,900	\$ 23,243,833	\$ 44,963,452	\$ 205,113,185

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, 2008**

Fund balances - total governmental funds		\$ 49,959,622
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	261,716,882	
Accumulated depreciation	<u>(101,438,344)</u>	160,278,538
Interest payable on long-term obligations that does not require current financial resources and therefore is not reported in the funds.		
		(357,721)
Internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		
		6,107,560
Deferred revenues that are not available to pay for current period expenditures in the funds		
Property taxes	315,749	
Special assessments	42,310	
Accounts receivable	349,087	
Due from other governments	5,033,661	
Due from other funds (Prairie Meadows property taxes)	<u>715,010</u>	6,455,817
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds payable		(110,646,911)
Notes payable		(545,000)
Bond issuance costs		928,758
Capital leases payable		(371,163)
Compensated absences payable		(10,238,105)
Estimated liability for claims and judgments		<u>(482,056)</u>
Net assets of governmental activities		<u>\$ 101,089,339</u>

POLK COUNTY, IOWA

**Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008**

	General	MH/MR/DD Services	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Property taxes	\$ 79,837,753	\$ 13,538,325	\$ 13,283,215	\$ 106,659,293
Other County taxes	4,319,669	520,654	467,428	5,307,751
Interest and penalties on delinquent taxes	1,388,689	-	-	1,388,689
Intergovernmental	23,256,629	35,646,940	7,450,149	66,353,718
Licenses and permits	456,588	-	60,145	516,733
Charges for services	9,810,187	-	487,103	10,297,290
Use of money and property	5,787,977	25,404	828,790	6,642,171
Miscellaneous	1,387,537	320,172	283,033	1,990,742
TOTAL REVENUES	126,245,029	50,051,495	22,859,863	199,156,387
EXPENDITURES:				
Current:				
Public safety and legal services	50,377,411	-	678,692	51,056,103
Physical health and social services	29,161,479	-	422,800	29,584,279
Mental health	-	50,448,588	-	50,448,588
County environment and education	6,948,931	-	4,612,234	11,561,165
Roads and transportation	585,471	-	10,072,873	10,658,344
Government services to residents	5,953,591	-	54,835	6,008,426
Administration	24,594,642	-	6,315,324	30,909,966
Nonprogram services	-	-	46,304	46,304
Debt service:				
Principal	-	-	4,662,698	4,662,698
Interest	-	-	4,501,088	4,501,088
Capital projects:				
Roadway construction	-	-	5,352,558	5,352,558
Conservation land acquisition and development	188,871	-	3,048,398	3,237,269
Other capital projects	-	-	30,098,666	30,098,666
TOTAL EXPENDITURES	117,810,396	50,448,588	69,866,470	238,125,454
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	8,434,633	(397,093)	(47,006,607)	(38,969,067)
OTHER FINANCING SOURCES (USES):				
Transfers in	3,261,350	-	22,615,104	25,876,454
Transfers out	(9,991,810)	-	(8,444,029)	(18,435,839)
Transfer of bond proceeds from enterprise fund	-	-	930,000	930,000
Issuance of bonds	-	-	2,665,000	2,665,000
Premium/(discount) on bonds issued	-	-	32,656	32,656
Proceeds from sale of capital assets	-	-	68,555	68,555
TOTAL OTHER FINANCING SOURCES (USES)	(6,730,460)	-	17,867,286	11,136,826
NET CHANGE IN FUND BALANCES	1,704,173	(397,093)	(29,139,321)	(27,832,241)
FUND BALANCE, BEGINNING	36,561,751	(2,317,125)	43,514,394	77,759,020
Change in inventory reserve	71,754	-	(38,911)	32,843
FUND BALANCE, ENDING	\$ 38,337,678	\$ (2,714,218)	\$ 14,336,162	\$ 49,959,622

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, 2008**

Net change in fund balances - total governmental funds	\$ (27,832,241)
Amounts reported for governmental activities in the statement of net assets are different because:	
<p>Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The following is the detail of the amount by which capital outlays exceed depreciation in the current year:</p>	
Capital outlays	30,051,875
Contributed capital	1,049,053
Depreciation expense	(7,987,413)
<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	2,089,808
<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	(51,878)
Change in compensated absences	(1,316,753)
Amortization of bond premium/(discount)	11,138
Amortization of bond issuance costs	(53,331)
<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	179,763
Payments on long-term bonds	4,626,698
Payments on long-term notes	36,000
Proceeds on long-term bonds	(2,665,000)
Reallocated bond proceeds from enterprise funds	(930,000)
Premium/(discount) on the issuance of bonds	(32,656)
Bond issuance costs	46,304
<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	3,202
<p>Internal service funds are used by management to charge the costs of insurance. The net profit(loss) is reported with governmental activities.</p>	
	(678,702)
<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>	
	32,843
Change in net assets of governmental activities	\$ (3,421,290)

POLK COUNTY, IOWA

**Statement of Net Assets
Proprietary Funds
June 30, 2008**

	Business-type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Prairie Meadows Racetrack/ Casino	Iowa Events Center	Other Enterprise Funds	Total	
ASSETS					
Current assets:					
Cash and pooled investments	\$ 19,405,482	\$ 2,254,560	\$ 6,488,796	\$ 28,148,838	\$ 8,059,091
Receivables (net of allowances for uncollectibles):					
Special assessments	-	-	335,258	335,258	-
Accounts	-	3,170,831	238,947	3,409,778	94,370
Notes	-	-	2,213,012	2,213,012	-
Accrued interest	4,550	416	2,368	7,334	1,786
Due from other governments	-	-	249,440	249,440	-
Inventories	-	120,591	-	120,591	-
Prepaid items	-	103,592	-	103,592	-
Total current assets	19,410,032	5,649,990	9,527,821	34,587,843	8,155,247
Noncurrent assets:					
Restricted assets - cash and pooled investments	-	452,485	-	452,485	-
Lease/debt origination costs	-	480,746	85,367	566,113	-
Capital assets not being depreciated	3,129,000	10,551,823	5,850,585	19,531,408	-
Capital assets being depreciated, net	54,092,839	207,472,390	14,713,491	276,278,720	-
Total noncurrent assets	57,221,839	218,957,444	20,649,443	296,828,726	-
TOTAL ASSETS	76,631,871	224,607,434	30,177,264	331,416,569	8,155,247
LIABILITIES					
Current liabilities:					
Accounts payable	-	665,863	293,827	959,690	140,000
Contract/retainage payable	-	201,158	-	201,158	-
Wages payable	-	165,614	16,097	181,711	-
Payroll taxes payable	-	7,765	2,183	9,948	-
Interest payable	-	442,621	19,898	462,519	-
Estimated liability for claims and judgments	-	-	-	-	1,228,687
Due to other funds	715,010	-	-	715,010	-
Due to other governments	3,676,942	-	-	3,676,942	-
Advance deposits and ticket sales	-	478,545	-	478,545	-
Deferred revenues	-	556,563	-	556,563	-
General obligation bonds payable	-	9,029,939	379,179	9,409,118	-
Compensated absences payable	-	3,003	8,183	11,186	-
Total current liabilities	4,391,952	11,551,071	719,367	16,662,390	1,368,687
Noncurrent liabilities:					
General obligation bonds payable	-	111,936,526	5,670,623	117,607,149	-
Notes payable	-	-	678,932	678,932	-
Compensated absences payable	-	49,236	134,166	183,402	-
Post employment liability	-	-	-	-	679,000
Total noncurrent liabilities	-	111,985,762	6,483,721	118,469,483	679,000
TOTAL LIABILITIES	4,391,952	123,536,833	7,203,088	135,131,873	2,047,687
NET ASSETS					
Invested in capital assets, net of related debt	57,221,839	97,057,748	14,048,510	168,328,097	-
Restricted for capital improvements	-	452,485	-	452,485	-
Unrestricted	15,018,080	3,560,368	8,925,666	27,504,114	6,107,560
TOTAL NET ASSETS	\$ 72,239,919	\$ 101,070,601	\$ 22,974,176	\$ 196,284,696	\$ 6,107,560

POLK COUNTY, IOWA

Statement of Revenues, Expenses, and Changes in Fund Net Assets
 Proprietary Funds
 For the Year Ended June 30, 2008

	Business-type Activities - Enterprise Funds					Governmental Activities- Internal Service Funds
	Prairie Meadows Racetrack/ Casino	Iowa Events Center	Wells Fargo Arena	Other Enterprise Funds	Total	
OPERATING REVENUES:						
Charges for goods and services:						
Charges for services	\$ 20,000,000	\$ 2,817,928	\$ -	\$ 1,796,810	\$ 24,614,738	\$ 11,967,088
Intergovernmental revenues	-	-	-	694,812	694,812	-
Project income	8,131,768	1,050,000	-	-	9,181,768	-
Parking income	-	331,145	-	-	331,145	-
Concession sales	-	3,819,616	-	-	3,819,616	-
Commissions income	-	1,830,757	-	238,898	2,069,655	-
PFMS user fee on ticket sales	-	346,139	-	-	346,139	-
Miscellaneous	-	342,266	-	7,997	350,263	-
Total operating revenues	28,131,768	10,537,851	-	2,738,517	41,408,136	11,967,088
OPERATING EXPENSES:						
Cost of goods and services:						
Personal services	-	2,726,254	-	1,170,677	3,896,931	-
Supplies	-	263,975	-	115,584	379,559	-
Professional services	650	288,539	-	13,828	303,017	-
Other services/charges	4,391,953	2,670,914	-	761,514	7,824,381	110,793
Insurance	-	114,576	-	-	114,576	12,538,569
Direct event expense	-	951,020	-	-	951,020	-
Cost of goods sold - concession	-	2,531,448	-	91,851	2,623,299	-
Management expense	-	191,145	-	-	191,145	-
Miscellaneous	-	70,132	-	30,878	101,010	198,548
Amortization of discount (premium)	-	(216,818)	-	7,457	(209,361)	-
Depreciation	3,076,637	7,853,863	-	603,018	11,533,518	-
Total operating expenses	7,469,240	17,445,048	-	2,794,807	27,709,095	12,847,910
OPERATING INCOME (LOSS)	20,662,528	(6,907,197)	-	(56,290)	13,699,041	(880,822)
NONOPERATING REVENUES (EXPENSES):						
Interest revenue	913,864	141,377	-	318,132	1,373,373	222,120
Interest expense	-	(6,030,838)	-	(262,465)	(6,293,303)	-
Total nonoperating revenues (expenses)	913,864	(5,889,461)	-	55,667	(4,919,930)	222,120
INCOME (LOSS) BEFORE SPECIAL ITEM, CAPITAL CONTRIBUTIONS AND TRANSFERS	21,576,392	(12,796,658)	-	(623)	8,779,111	(658,702)
SPECIAL ITEM:						
Transferred net assets in (out)	-	51,819,278	(51,819,278)	-	-	-
Total special item	-	51,819,278	(51,819,278)	-	-	-
CAPITAL CONTRIBUTIONS AND TRANSFERS:						
Capital contributions from others	-	916,601	-	814,245	1,730,846	-
Transfers in	3,295,775	17,163,745	-	523,665	20,983,185	2,533,930
Transfers out	(25,108,025)	(3,295,775)	-	-	(28,403,800)	(2,553,930)
Total capital contributions and transfers	(21,812,250)	14,784,571	-	1,337,910	(5,689,769)	(20,000)
CHANGE IN NET ASSETS	(235,858)	53,807,191	(51,819,278)	1,337,287	3,089,342	(678,702)
NET ASSETS - BEGINNING	72,475,777	47,263,410	51,819,278	21,636,889	193,195,354	6,786,262
NET ASSETS - ENDING	\$ 72,239,919	\$ 101,070,601	\$ -	\$ 22,974,176	\$ 196,284,696	\$ 6,107,560

POLK COUNTY, IOWA

**Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2008**

	Business-type Activities -		
	Prairie Meadows Racetrack/ Casino	Iowa Events Center	Wells Fargo Arena
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ -	\$ 12,636,563	\$ -
Cash received from intergovernmental revenue	-	-	-
Cash received from racetrack/casino	28,131,768	-	-
Cash paid to suppliers for goods and services	(3,487,304)	(9,130,489)	-
Cash paid to employees	-	(2,603,015)	-
Net cash flows from operating activities	<u>24,644,464</u>	<u>903,059</u>	<u>-</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	3,295,775	17,163,745	-
Transfers out	(25,108,025)	(3,295,775)	-
Transferred net assets from (to) other funds	-	575,235	(575,235)
Net cash flows from noncapital financing activities	<u>(21,812,250)</u>	<u>14,443,205</u>	<u>(575,235)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from general obligation debt	-	27,879,911	-
Issuance costs paid on long-term debt	-	(211,038)	-
Payment to escrow agent for advance refunding	-	(27,666,254)	-
Reallocated bond proceeds to governmental funds	-	(930,000)	-
Principal paid on long-term debt	-	(8,115,000)	-
Interest paid on long-term debt	-	(6,066,693)	-
Capital contributions from others	-	916,601	-
Purchase of capital assets	-	(2,698,595)	-
Net cash flows from capital and related financing activities	<u>-</u>	<u>(16,891,068)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	961,358	142,614	-
Net cash flows from investing activities	<u>961,358</u>	<u>142,614</u>	<u>-</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,793,572	(1,402,190)	(575,235)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	15,611,910	4,109,235	575,235
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 19,405,482	\$ 2,707,045	\$ -

Enterprise Funds		Governmental Activities- Internal Service Funds
Other Enterprise Funds	Total	
\$ 1,882,581	\$ 14,519,144	\$ 11,916,143
717,555	717,555	-
-	28,131,768	-
(785,244)	(13,403,037)	(11,932,254)
(1,130,807)	(3,733,822)	-
684,085	26,231,608	(16,111)
523,665	20,983,185	2,533,930
-	(28,403,800)	(2,553,930)
-	-	-
523,665	(7,420,615)	(20,000)
678,932	28,558,843	-
-	(211,038)	-
-	(27,666,254)	-
-	(930,000)	-
(370,000)	(8,485,000)	-
(263,503)	(6,330,196)	-
-	916,601	-
(2,231,239)	(4,929,834)	-
(2,185,810)	(19,076,878)	-
319,982	1,423,954	224,987
319,982	1,423,954	224,987
(658,078)	1,158,069	188,876
7,146,874	27,443,254	7,870,215
\$ 6,488,796	\$ 28,601,323	\$ 8,059,091

(continued)

POLK COUNTY, IOWA

**Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2008**

	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)	\$ 20,662,528	\$ (6,907,197)	\$ -
Components of operating income (loss) not included in operating activities:			
Depreciation	3,076,637	7,853,863	-
Amortization	-	(216,818)	-
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:			
(Increase) decrease in special assessments receivable	-	-	-
(Increase) decrease in accounts receivable	-	256,452	-
(Increase) decrease in due from other funds	-	1,835,821	-
(Increase) decrease in due from other governments	-	-	-
(Increase) decrease in inventories	-	(11,052)	-
(Increase) decrease in prepaid items	-	(7,722)	-
Increase (decrease) in accounts payable	-	(194,145)	-
Increase (decrease) in wages payable	-	114,650	-
Increase (decrease) in payroll taxes payable	-	3,792	-
Increase (decrease) in due to other funds	143,548	(1,835,821)	-
Increase (decrease) in due to other governments	761,751	-	-
Increase (decrease) in advance deposits and ticket sales	-	(10,600)	-
Increase (decrease) in deferred revenue	-	17,039	-
Increase (decrease) in compensated absences payable	-	4,797	-
Increase (decrease) in estimated liability for claims and judgments	-	-	-
Increase (decrease) in post employment liability	-	-	-
Net cash flows from operating activities	<u>\$ 24,644,464</u>	<u>\$ 903,059</u>	<u>\$ -</u>

NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:

Disposal of fully depreciated capital assets	\$ -	\$ -	\$ -
Acquisition of capital assets through accounts payable	-	(2,031,951)	-
Capital contributions from others	-	-	-
Acquisition of capital assets through contract/retainage payable	-	(466,399)	-
Acquisition of capital assets through accounts receivable	-	(1,250,000)	-
Transfer of net assets from (to) other funds	-	51,244,043	(51,244,043)
Acquisition of notes receivable through CIP reduction	-	-	-

See Notes to Basic Financial Statements

Enterprise Funds		Governmental Activities- Internal Service Funds
Other Enterprise Funds	Total	
\$ (56,290)	\$ 13,699,041	\$ (880,822)
603,018	11,533,518	-
7,457	(209,361)	-
34,467	34,467	-
(218,012)	38,440	(50,945)
72,666	1,908,487	-
(6,010)	(6,010)	-
49,299	38,247	-
-	(7,722)	-
179,112	(15,033)	40,000
(5,069)	109,581	-
(444)	3,348	-
-	(1,692,273)	-
-	761,751	-
(21,492)	(32,092)	-
-	17,039	-
45,383	50,180	-
-	-	196,656
-	-	679,000
<u>\$ 684,085</u>	<u>\$ 26,231,608</u>	<u>\$ (16,111)</u>

\$ (10,538)	\$ (10,538)	\$ -
39,589	(1,992,362)	-
814,245	814,245	-
-	(466,399)	-
-	(1,250,000)	-
-	-	-
2,215,925	2,215,925	-

(concluded)

POLK COUNTY, IOWA

**Statement of Assets and Liabilities
Fiduciary Funds
June 30, 2008**

	Total Agency Funds
ASSETS	
Cash and pooled investments	\$ 23,759,787
Receivables (net of allowances for uncollectibles):	
Taxes	1,810,826
Special assessments	7,543,040
Accounts	638,566
Accrued interest	1,439
Due from other governments	209,661
	<hr/>
TOTAL ASSETS	\$ 33,963,319
	<hr/> <hr/>
LIABILITIES	
Accounts payable	\$ 38,501
Wages payable	71,505
Payroll taxes payable	9,752
Due to other funds	415,671
Due to other governments	30,948,135
Advances from other funds	30,800
Trusts payable	1,862,408
Compensated absences payable	549,547
Post employment liability	37,000
	<hr/>
TOTAL LIABILITIES	\$ 33,963,319
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See Notes to Basic Financial Statements

POLK COUNTY, IOWA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

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, 2008, 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 \$50 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.

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

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

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

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

The County reports the following major 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, Hy-Vee Hall and Wells Fargo Arena.

As of July 1, 2007, Wells Fargo Arena major enterprise fund was combined into the Iowa Events Center major enterprise fund through a \$51.8 million transfer of net assets. This transaction is recorded as a special item on the Proprietary Funds Statement of Revenues, Expenses and Changes in Fund Net Assets. This consolidation occurred to more clearly reflect the County's management and reporting objectives.

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 2007 on the assessed valuation of property located in the County as of January 1, 2006, 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, 2007. Taxes were receivable in two installments on September 30, 2007, and March 31, 2008. 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	125,000	100,000
Improvements other than buildings	30,000	15,000
Infrastructure	225,000	100,000
Equipment	15,000	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/trails:	
Developer projects/trails	20 years
Full depth	16 years
Equipment	7 years
Equipment: Conservation/Secondary Roads	10 years
Vehicles	7 years

Effective in FY 07/08, the County has excluded road resurfacing projects from the capitalization policy because these projects are considered repair and maintenance expense instead of a capital asset. In addition, the thresholds for buildings and infrastructure have increased by \$25,000 and the thresholds for improvements other than buildings and equipment have increased by \$5,000.

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/Loss on Advance Refunding: In the government-wide financial statements, and proprietary fund types in the fund financial statements, bond discounts (premiums) as well as issuance costs and loss on advance refunding, 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 and loss on advance refunding.

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, 2008. 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, 2008 are as follows:

Major Fund:	
MH/MR/DD Services	\$ (2,714,218)
Special Revenue:	
Secondary Roads	(4,182,807)
Conservation Land Acquisition	(983,714)
Community Betterment	(76,919)
Capital Projects:	
Courthouse Annex	(22,683)
Capital Improvement Projects	(180,515)

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, 2008, consist of mutual funds, U.S. government securities, CD's and commercial paper.

As of June 30, 2008, the cash and pooled investments of the County consist of:

Cash and cash items in vault	\$ 96,617
Cash on hand not yet deposited	36,749
Bank account deposits	65,278,964
Mutual funds	41,786,755
Mutual funds - restricted	452,485
CD's	5,026,000
Commercial paper	<u>12,829,456</u>
Total cash and pooled investments	\$ <u>125,507,026</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 \$2,613,574 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, 2008, the County's investments in commercial paper were rated A-1 and A-1 + by Standard & Poor's and 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. Under GASB No. 40, "*Deposit and Investment Risk Disclosures*", governments are required to disclose, by amount and issuer, investments in any one issuer that represent 5% or more of total investments. The County's policy, as set by state law, limits them from investing in corporate debt of more than 10% of the investment portfolio and more than 5% of the investment portfolio with a single issuer. In addition, investments in unit investment trusts are limited to those rated within the two highest prime classifications by at least one of the standard rating services.

When applying the state law, certificates of deposits, bank account deposits, and cash are included as part of the investment portfolio, however, when applying the criteria under Statement 40 only investments as defined under both Statement 3 and 40 are included. The County did not exceed the 10% and 5% limitations as set by the State of Iowa at June 30, 2008. At June 30, 2008, the County had \$6,456,937 or 12% of total investments (as defined in GASB 40) in Nordea North America Commercial Paper and \$6,372,519 or 12% in Sumitomo Corp of America Commercial Paper.

Custodial credit risk - For deposits, this is the risk that in the event of bank failure, the County's deposits may not be returned to it. For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Chapter 12C of the Code of Iowa requires all County funds be deposited into an approved depository and be either insured or collateralized. The County's bank account deposits at June 30, 2008, 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, 2008, the County had no deposits or investments exposed to custodial credit risk.

The County's discretely presented component unit did not own any investments as of June 30, 2008, other than a certificate of deposit. In addition, the component unit had no deposits or investments exposed to custodial credit risk.

4. RESTRICTED ASSETS

In accordance with the Master Lease Agreement, approximately 50% of surcharges on tickets sold for Wells Fargo Arena (WFA) shall be held by the County. These funds are maintained in a segregated bank account (Renewal and Replacement Account/PFMS User Fee) to fund future capital repairs at the Iowa Events Center (WFA, Hy-Vee Hall, Veterans Memorial Auditorium, Convention Complex). As of June 30, 2008, \$180,651 is being held by the County in the Renewal Account.

In accordance with the Master Lease Agreement, approximately 3% of the gross Concession Revenues earned by Ovations Food Service at WFA shall be held by the County. These funds are maintained in a segregated bank account (Concessions Account/Concessions Upkeep) to fund future replacement, repair, updating, upgrading and installing of equipment and improvements related to food and beverage operations at the WFA. As of June 30, 2008, \$271,834 is being held by the County in the Concessions Account.

5. DUE FROM/TO OTHER FUNDS

Amounts due from/to other funds at June 30, 2008, are as follows:

	Due To			
	General Fund	MH/MR/DD Services	Nonmajor Governmental	Total
Due from				
Prairie Meadows Racetrack/Casino	\$ 521,764	\$ 85,204	\$ 108,042	\$ 715,010
Fiduciary	<u>415,267</u>	<u>-</u>	<u>404</u>	<u>415,671</u>
Total	<u>\$ 937,031</u>	<u>\$ 85,204</u>	<u>\$ 108,446</u>	<u>\$ 1,130,681</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	\$ 107,224
June 2008 monthly activity owed to various funds from various Elected Officials Agency Funds	307,095
Property taxes owed to various funds from Prairie Meadows Racetrack/Casino Enterprise Fund	715,010

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, 2008, is as follows:

Drainage District fund interfund loans payable to the General fund	\$ <u>30,800</u>
--	------------------

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

During the year ending June 30:	Drainage Districts
2009	\$ 7,700
2010	7,700
2011	7,700
2012	<u>7,700</u>
Total	<u>\$ 30,800</u>

7. ADVANCES TO COMPONENT UNIT

At June 30, 2008, the County, the primary government, has seven notes receivables totaling \$3,452,113 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, 2008, based on where related underlying debt will be paid:

MH/MR/DD Services Fund		
Purchase of mental health homes	\$	801,046
Debt Service Fund		
1998A Polk County Health Services		1,385,933
1998B Polk County Health Services		1,265,134
		<u>2,651,067</u>
Total	\$	<u>3,452,113</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:		
2009	\$ 713,943	\$ 138,875
2010	737,886	119,312
2011	769,784	85,305
2012	305,480	48,991
2013	317,611	35,110
2014-2018	416,632	57,638
2019-2023	<u>190,777</u>	<u>12,277</u>
Total	\$ <u>3,452,113</u>	\$ <u>497,508</u>

8. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008, is as follows:

	Balance 7/1/2007	Additions	Disposals	Balance 6/30/2008
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 11,233,795	\$ -	\$ -	\$ 11,233,795
Construction in progress	<u>51,777,136</u>	<u>28,440,330</u>	<u>(16,187,847)</u>	<u>64,029,619</u>
Total capital assets, not being depreciated	<u>63,010,931</u>	<u>28,440,330</u>	<u>(16,187,847)</u>	<u>75,263,414</u>
Capital assets, being depreciated:				
Buildings	62,251,049	14,618,808	-	76,869,857
Improvements other than buildings	954,140	266,761	-	1,220,901
Infrastructure	85,705,351	2,997,612	(34,040)	88,668,923
Equipment	12,891,032	328,506	(377,651)	12,841,887
Vehicles	<u>6,765,057</u>	<u>636,758</u>	<u>(549,915)</u>	<u>6,851,900</u>
Total capital assets being depreciated	168,566,629	18,848,445	(961,606)	186,453,468
Less accumulated depreciation for:				
Buildings	(35,871,738)	(2,058,310)	-	(37,930,048)
Improvements other than buildings	(486,944)	(47,124)	-	(534,068)
Infrastructure	(44,134,614)	(4,230,710)	34,040	(48,331,284)
Equipment	(8,814,966)	(1,084,588)	377,651	(9,521,903)
Vehicles	<u>(5,104,275)</u>	<u>(566,681)</u>	<u>549,915</u>	<u>(5,121,041)</u>
Total accumulated depreciation	<u>(94,412,537)</u>	<u>(7,987,413)</u>	<u>961,606</u>	<u>(101,438,344)</u>
Total capital assets being depreciated, net	<u>74,154,092</u>	<u>10,861,032</u>	<u>-</u>	<u>85,015,124</u>
Governmental activities capital assets, net	\$ <u>137,165,023</u>	\$ <u>39,301,362</u>	\$ <u>(16,187,847)</u>	\$ <u>160,278,538</u>

	Balance 7/1/2007	Additions	Disposals	Balance 6/30/2008
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 14,852,969	\$ -	\$ -	\$ 14,852,969
Construction in progress	<u>4,634,743</u>	<u>2,259,621</u>	<u>(2,215,925)</u>	<u>4,678,439</u>
Total capital assets, not being depreciated	<u>19,487,712</u>	<u>2,259,621</u>	<u>(2,215,925)</u>	<u>19,531,408</u>
Capital assets, being depreciated:				
Buildings	281,744,959	-	(1,049,754)	280,695,205
Improvements other than buildings	8,737,316	-	-	8,737,316
Leasehold improvements	37,487,588	-	-	37,487,588
Infrastructure	19,231,628	814,245	-	20,045,873
Equipment	809,586	14,120	(10,538)	813,168
Vehicles	<u>147,451</u>	<u>-</u>	<u>-</u>	<u>147,451</u>
Total capital assets being depreciated	<u>348,158,528</u>	<u>828,365</u>	<u>(1,060,292)</u>	<u>347,926,601</u>
Less accumulated depreciation for:				
Buildings	(38,866,535)	(9,440,237)	-	(48,306,772)
Improvements other than buildings	(8,244,543)	(27,621)	-	(8,272,164)
Leasehold improvements	(6,747,768)	(1,499,504)	-	(8,247,272)
Infrastructure	(5,524,152)	(501,150)	-	(6,025,302)
Equipment	(642,564)	(53,266)	10,538	(685,292)
Vehicles	<u>(99,339)</u>	<u>(11,740)</u>	<u>-</u>	<u>(111,079)</u>
Total accumulated depreciation	<u>(60,124,901)</u>	<u>(11,533,518)</u>	<u>10,538</u>	<u>(71,647,881)</u>
Total capital assets being depreciated, net	<u>288,033,627</u>	<u>(10,705,153)</u>	<u>(1,049,754)</u>	<u>276,278,720</u>
Business-type activities capital assets, net	<u>\$ 307,521,339</u>	<u>\$ (8,445,532)</u>	<u>\$ (3,265,679)</u>	<u>\$ 295,810,128</u>

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

Government activities:	
Public safety and legal services	\$ 1,516,544
Physical health and social services	330,841
County environment and education	286,247
Roads and transportation	4,753,810
Government services to residents	195,226
Administration	<u>904,745</u>
Total depreciation expense - governmental activities	<u>\$ 7,987,413</u>
Business-type activities:	
Air Pollution	\$ 24,330
Sanitary Treatment Works	271,234
Prairie Meadows Racetrack/Casino	3,076,637
Jester Park Golf Course	77,538
Hamilton Urban Drainage District	229,916
Iowa Events Center	<u>7,853,863</u>
Total depreciation expense - business-type activities	<u>\$ 11,533,518</u>

The building disposal in the business-type activities represents a reduction of asset cost due to a refund of a settlement agreement related to the Iowa Events Center. Construction in progress disposals represent sewer infrastructure completed under an Urban Service Area Agreement with the cities of Bondurant and Mitchellville. The construction in progress was reclassified to a note receivable in the Urban Sewer Enterprise Fund.

9. LONG-TERM LIABILITIES

The following is a summary of long-term liability activity for the year ended June 30, 2008:

	Balance			Balance	
	July 1, 2007	Additions	Deletions	June 30, 2008	Due Within One Year
Governmental activities:					
General obligation bonds payable	\$ 111,512,162	\$ 3,595,000	\$ (4,626,698)	\$ 110,480,464	\$ 7,412,611
Add: unamortized premium (discount)	144,929	32,656	(11,138)	166,447	21,821
Notes payable	581,000	-	(36,000)	545,000	37,000
Capital leases payable	550,926	-	(179,763)	371,163	171,900
Accrued compensated absences	10,635,965	7,212,205	(6,065,769)	11,782,401	1,233,091
Termination benefits payable	775,225	-	(291,102)	484,123	244,898
Post employment liability	-	679,000	-	679,000	-
Estimated liability for claims and judgements	1,581,829	11,810,754	(11,457,304)	1,935,279	1,935,279
Total	\$ 125,782,036	\$ 23,329,615	\$ (22,667,774)	\$ 126,443,877	\$ 11,056,600
Business-type activities:					
General obligation bonds payable	\$ 133,060,000	\$ 27,490,000	\$ (36,515,000)	\$ 124,035,000	\$ 9,180,000
Add: unamortized premium (discount)	3,502,443	389,911	(609,994)	3,282,360	262,573
Less: loss on advance refunding	-	(317,821)	16,728	(301,093)	(33,455)
Notes payable	-	678,932	-	678,932	-
Accrued compensated absences	144,408	139,072	(88,892)	194,588	11,186
Total	\$ 136,706,851	\$ 28,380,094	\$ (37,197,158)	\$ 127,889,787	\$ 9,420,304

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

General Obligation Bonds Payable

	Original Amount	Date Issued	Interest Rates	Due Date	Amount Outstanding
Governmental activities					
General Purpose	\$ 5,065,000	5/1/1998	4.5-4.875%	6/1/2011	\$ 1,380,464
General Purpose	2,850,000	5/1/1998	4.625-5%	6/1/2014	1,260,000
General Purpose	4,780,000	12/1/1999	4.3-5%	6/1/2010	1,155,000
General Purpose	7,200,000	6/1/2001	3.8-4.625%	6/1/2012	3,245,000
General Purpose	6,200,000	12/15/2002	3-4%	6/1/2013	2,795,000
General Purpose	1,025,000	12/15/2003	2.15-3.55%	6/1/2014	985,000
General Purpose	3,770,000	7/15/2004	3-3.9%	6/1/2015	2,765,000
General Purpose	8,865,000	6/1/2006	4-4.25%	6/1/2016	8,210,000
General Purpose	6,110,000	6/1/2006	4-4.5%	6/1/2026	5,705,000
General Purpose	68,000,000	12/1/2006	4-4.125%	6/1/2026	68,000,000
General Purpose	12,915,000	12/1/2006	4-4.125%	6/1/2026	12,455,000
General Purpose	2,665,000	12/1/2007	4%	6/1/2017	2,525,000
Total					\$ 110,480,464

	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	\$ 210,000
Sanitary Treatment	1,230,000	12/15/2003	2.15-3.55%	6/1/2014	775,000
Iowa Events Center	45,000,000	12/1/2001	4-5%	6/1/2017	2,800,000
Iowa Events Center	73,000,000	12/15/2002	5%	6/1/2021	54,315,000
Iowa Events Center	40,900,000	12/15/2002	4-5.2%	6/1/2017	33,370,000
Iowa Events Center	27,490,000	12/1/2007	4%	6/1/2017	27,490,000
Urban Sewer	5,330,000	6/1/2006	4-4.5%	6/1/2026	4,975,000
Urban Sewer	105,000	12/1/2006	4-4.125%	6/1/2026	<u>100,000</u>
Total					\$ <u><u>124,035,000</u></u>

Refunding of General Obligation Bonds – Iowa Events Center

On December 3, 2007 the County issued \$27,490,000 (refunded interest rate of 4%) of general obligation bonds for the purpose of refunding the County’s outstanding general obligation bonds dated December 1, 2001 in the amount of \$27,100,000 (redeemed interest rate of 4-5%). The refunding bonds were issued to reduce future debt service payments.

As a result of this combined refunding, the County reduced its debt service requirements by \$1,254,500 over the life of the debt with a present value savings of \$1,082,681.

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><u>545,000</u></u>
Business-type activities					
Sanitary Treatment	\$ 1,000,000	6/14/2007	0%	6/14/2010	\$ <u><u>678,932</u></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:					
2009	\$ 7,412,611	\$ 4,502,344	\$ 37,000	18,585	\$ 11,970,540
2010	7,701,481	4,201,800	39,000	17,244	11,959,525
2011	7,406,372	3,885,659	40,000	15,850	11,347,881
2012	7,220,000	3,583,543	41,000	14,420	10,858,963
2013	6,625,000	3,290,369	43,000	12,937	9,971,306
2014-2018	27,725,000	12,713,471	237,000	40,577	40,716,048
2019-2023	27,065,000	7,435,393	108,000	3,848	34,612,241
2024-2028	<u>19,325,000</u>	<u>1,627,557</u>	<u>-</u>	<u>-</u>	<u>20,952,557</u>
Total	110,480,464	41,240,136	545,000	123,461	152,389,061
Add: unamortized premium	<u>166,447</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>166,447</u>
Total	\$ <u><u>110,646,911</u></u>	\$ <u><u>41,240,136</u></u>	\$ <u><u>545,000</u></u>	\$ <u><u>123,461</u></u>	\$ <u><u>152,555,508</u></u>

	Bonds Payable		Notes Payable		Total Principal and Interest
	Principal	Interest	Principal	Interest	
Business-type activities					
During the year ending June 30:					
2009	\$ 9,180,000	\$ 5,821,360	\$ -	\$ -	\$ 15,001,360
2010	9,800,000	5,406,160	678,932	-	15,885,092
2011	10,315,000	4,966,590	-	-	15,281,590
2012	10,890,000	4,496,770	-	-	15,386,770
2013	11,435,000	3,995,067	-	-	15,430,067
2014-2018	54,300,000	11,655,620	-	-	65,955,620
2019-2023	16,950,000	2,042,350	-	-	18,992,350
2024-2028	1,165,000	106,669	-	-	1,271,669
Total	<u>124,035,000</u>	<u>38,490,586</u>	<u>678,932</u>	<u>-</u>	<u>163,204,518</u>
Add: unamortized premium	3,282,360	-	-	-	3,282,360
Less: loss on advance refunding	<u>(301,093)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(301,093)</u>
Total	<u>\$ 127,016,267</u>	<u>\$ 38,490,586</u>	<u>\$ 678,932</u>	<u>\$ -</u>	<u>\$ 166,185,785</u>

There were no due and unredeemed bonds or notes at June 30, 2008. In addition, there was no special assessment debt outstanding at June 30, 2008. Management does not believe an arbitrage liability exists at June 30, 2008.

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

Changes in debt for PCHS for the year ended June 30, 2008 are as follows:

	Balance 7/1/2007	Additions	Deletions	Balance 6/30/2008	Due Within One Year
Advances from primary government	\$ <u>4,133,817</u>	\$ <u>-</u>	\$ <u>(681,704)</u>	\$ <u>3,452,113</u>	\$ <u>713,943</u>

Termination Benefits Payable

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

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

At June 30, 2008, the County has obligations to 35 participants with a total liability of \$484,123. Actual early retirement expenditures for the year ended June 30, 2008, totaled \$291,102.

10. CONDUIT DEBT OBLIGATIONS

As of June 30, 2008, there were various conduit debt obligations outstanding. The aggregate principal amount payable for such debt is \$6,449,536.

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.

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.

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, 2008 amounted to \$132,835,000.

11. DEVELOPER (REBATE) AGREEMENTS

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

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

12. LEASE COMMITMENTS

Capital Leases

The County has entered into agreements to purchase equipment through capital lease agreements. The historical cost of equipment relating to capital leases is \$957,904. 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, 2008:

During the year ending June 30:	
2009	\$ 185,867
2010	154,742
2011	<u>50,531</u>
Total minimum lease payments	391,140
Less: amount representing interest	<u>(19,977)</u>
Present value of total minimum lease payments	\$ <u><u>371,163</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, 2008 is \$2,040,134. Following is a schedule of minimum future rentals for non-cancelable operating leases in effect at June 30, 2008:

During the year ending June 30:	
2009	\$ 1,135,300
2010	466,490
2011	303,145
2012	<u>126,310</u>
Total	\$ <u><u>2,031,245</u></u>

The above schedule represents operating leases in effect at June 30, 2008. As part of the normal course of business, the County continues to negotiate and/or renegotiate various operating leases.

13. RESERVES/DESIGNATIONS OF FUND BALANCES

Reserved Fund Balances

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

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

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

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

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

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

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

Designated Fund Balances

Designations of fund balances represent tentative management plans for financial resource utilization in a future period. Such plans or intent are subject to change and may never be legally authorized or result in expenditures. The purpose for each designation is for equipment replacement, economic development and contingency as indicated by the appropriate fund name. The following special revenue funds balances are designated at June 30, 2008:

Equipment Reserve Fund	\$	646,331
Economic Development Fund		2,009,230
Contingency Reserve Fund		<u>5,223,867</u>
Total	\$	<u><u>7,879,428</u></u>

14. TRANSFER RECONCILIATION

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

Transfer from	Transfer to						Total
	General Fund	Prairie Meadows Casino	Iowa Events Center	Nonmajor Governmental	Nonmajor Enterprise	Internal Service	
General Fund	\$ -	\$ -	\$ -	\$ 7,457,880	\$ -	\$ 2,533,930	\$ 9,991,810
Prairie Meadows Racetrack/Casino	-	-	17,163,745	7,420,615	523,665	-	25,108,025
Iowa Events Center	-	3,295,775	-	-	-	-	3,295,775
Nonmajor Governmental	707,420	-	-	7,736,609	-	-	8,444,029
Internal Service	<u>2,553,930</u>	-	-	-	-	-	<u>2,553,930</u>
Total	<u>\$ 3,261,350</u>	<u>\$ 3,295,775</u>	<u>\$ 17,163,745</u>	<u>\$ 22,615,104</u>	<u>\$ 523,665</u>	<u>\$ 2,533,930</u>	<u>\$ 49,393,569</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, 2008, 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.	\$ 25,108,025
General Supplemental fund made transfers to Risk Management Internal Service funds for funding of current year activities.	2,533,930
General fund and Rural Services fund made transfers to Secondary Roads fund in accordance with state statutes.	6,781,018
Bond Revolving Special Revenue fund made transfers to the various governmental funds relating to 2007A general obligation bond proceeds.	2,676,529

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 3.90% of their annual covered salary and the County is required to contribute 6.05% 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, 2008, 2007, and 2006 were \$3,970,106, \$3,676,554, and \$3,627,341, respectively, equal to the required contributions for each year.

17. RISK MANAGEMENT

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

Self-Insurance Fund

The County's Risk Management Program blends self-insurance coverages with selected conventional insurance coverages. The County self-insures its general liability, property, fleet, law enforcement professionals, public officials' errors and omissions, contractor's pollution, fidelity, and workers' compensation exposures with a self insured retention limit. This limit varies with each coverage. Conventionally insured exposure exists for medical professional (malpractice) coverage, with a policy limit of \$1,000,000 per claim and \$3,000,000 aggregate, general liability coverage for the Iowa Events Center of \$1,000,000 per claim and \$2,000,000 aggregate and 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	1,000,000/2,000,000	-
Property, fleet, law enforcement, public officials	539,992,806	100,000
Fidelity bond	5,000,000	50,000
Workers' compensation	Statutory/1,000,000	500,000
Non-owned aviation	10,000,000	-

In addition, the various Enterprise Funds and the Conservation Board Agency Fund purchase commercial insurance for property, inland marine, boiler and machinery, fleet, liquor, crime (fidelity), special events, flood, contractor's pollution, excess pollution and professional, and general liability.

There have been no significant reductions in insurance coverage during the year ended June 30, 2008. There has been one claim in excess of the insurance coverage in the last three fiscal years. This workers compensation claim exceeded the \$500,000 SIR. However, all claims that exceeded our SIR have been covered by reinsurance.

Liabilities are reported when it is probable that a loss will occur and the amount of the loss can be reasonably estimated. Claim liabilities are calculated considering recent claims' settlement trends, including frequency and amount of payouts and other economic and social factors. All insurance losses are paid from the General Supplemental Self-Insurance Fund (a sub-fund within the General Fund).

Governmental Activities (prior to Internal Service Allocation)

This amount was determined based on actual claim payments subsequent to year-end rather than on discounted estimates. Changes in the estimated claims liability for governmental activities (prior to the internal service fund allocation) for the years ended June 30, 2008 and 2007 are as follows:

	Year Ended	
	6/30/2008	6/30/2007
Beginning balance	\$ 549,798	\$ 1,124,570
Current year claims and changes in estimates	1,312,179	378,466
Claim payments	<u>(1,155,385)</u>	<u>(953,238)</u>
Ending Balance	<u>\$ 706,592</u>	<u>\$ 549,798</u>

Employee Insurance Fund

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

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

Changes in the estimated liability for probable losses recorded in the Employee Insurance Fund for the years ended June 30, 2008 and 2007 are as follows:

	Year Ended	
	6/30/2008	6/30/2007
Beginning balance	\$ 1,032,031	\$ 986,814
Current year claims and changes in estimates	10,498,575	9,301,013
Claim payments	<u>(10,301,919)</u>	<u>(9,255,796)</u>
Ending Balance	\$ <u>1,228,687</u>	\$ <u>1,032,031</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	\$ 400,000
Des Moines City Gaming Payments	9,820,005
Des Moines Schools Gaming Payments	850,589
Total	\$ <u>11,070,594</u>
Economic Development Special Revenue Fund:	
Kemin Industries	\$ 1,250,000
City of Des Moines - 215 Watson Powell Jr. Way	437,500
Homemakers Furniture	600,000
City of Des Moines - Wellmark	2,000,000
NW 100th Street/I 35/80 Interchange	400,000
Total	\$ <u>4,687,500</u>
Housing Development Special Revenue Fund:	
Housing Trust Fund	\$ 3,000,000
Neighborhood Finance Corporation	2,000,000
Total	\$ <u>5,000,000</u>
Capital Improvements Projects Fund:	
Martin Luther King Jr. Park Shelter	\$ <u>450,000</u>
Jail Fund:	
Jail Facility / Booking Addition	\$ <u>8,115,766</u>

Contingencies

There are currently numerous lawsuits against the County seeking damages for various reasons. With the exception of the estimated liability for claims and judgments as discussed in Note 17, the outcome and eventual liability of the County, if any, from these lawsuits and from any unasserted claims is not known at this time. County officials believe the outcome of these matters will not have a material effect on the County's financial statements.

The County participates in a number of federally assisted grant programs. The programs are subject to financial and compliance audits. The amount of expenditures, if any, which may be disallowed by the

granting agencies, is not determinable at this time; however, County officials do not believe that such amounts would be significant.

19. RACETRACK/CASINO

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

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

In addition, Polk County's lease with Prairie Meadows Racetrack and Casino, Inc. requires Prairie Meadows to pay Polk County one-third of the resulting improvement in net receipts from pari-mutuel gaming taxation rate decreasing from 36% to 24%. In January 2008, Polk County received \$7.4 million due to the tax rate change. Future tax-rate-change payments are estimated to continue at approximately \$7.6 million annually.

20. IOWA EVENTS CENTER

The County owns the Iowa Events Center (IEC). The IEC consists of three managed facilities, Veterans Memorial Auditorium, Hy-Vee Hall, and the Polk County Convention Complex, and one leased facility, Wells Fargo Arena (WFA).

Managed Facilities

The County has a Management Agreement with Global Spectrum, L.P. (Global), to manage and operate the Managed Facilities. This agreement is a ten-year contract beginning October 1, 2004. Under this agreement the County pays Global a fixed management fee. For the fiscal year ending June 30, 2008 the amount of the fixed management fee was \$191,145.

In addition to the fixed management fee, Global is entitled to earn a productivity fee for each full, completed operating year of the term. The County paid Global \$37,751 for the productivity fee for the fiscal year ending June 30, 2008.

The County has a Concessions Management Agreement with Ovations Food Services, L.P. (Ovations) for the management of the food and beverage service operations at the Managed Facilities. This is a five year contract beginning on October 1, 2004. Under this agreement the County pays Ovations a fixed management fee. For the fiscal year ending June 30, 2008 the amount of the fixed management fee was \$110,000.

In addition to the fixed management fee, Ovations is entitled to earn an incentive fee for each operating year of the term. The County paid Ovations \$23,285 for the incentive fee for the fiscal year ending June 30, 2008.

Leased Facility

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

Under this agreement the County receives 80% of the first one million dollars of net operating income for such fiscal year in excess of the operator's share, plus 70% of all net operating income in excess of the operator's share plus one million dollars for such year. The operator's share is \$500,000 per fiscal year.

The County received \$1,099,759 and Global received \$828,468 of WFA's net operating income for the fiscal year ending June 30, 2008.

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

A Public Facility Maintenance Surcharge (PFMS) user fee is assessed on certain ticket sales. The amount of this fee varies from \$.50 to \$1.00 depending upon the nature of the event. Approximately 50% of these revenues generated are paid to the County for deposit into a restricted funds Renewal and Replacement Account (see Note 4), and the remaining 50% is retained by Global as operating revenues. The County received \$256,601 for the fiscal year ending June 30, 2008.

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

Under the Master Lease Agreement, the County receives 3% of the gross concessions revenues earned by Ovations for the fiscal year. The County deposits these funds into a restricted fund Concessions Account (see Note 4). The County received \$101,388 for the fiscal year ending June 30, 2008.

County Non-Operating

The County is responsible for the non-operating costs associated with the IEC. These costs include external professional services, internal audit functions, insurance costs, repair and maintenance costs not included in Global's operating expenses, interest expense, and depreciation expense.

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

21. RELATED PARTY TRANSACTIONS

The Iowa Events Center is managed by Global Spectrum, L.P. which is a subsidiary of Philadelphia-based Comcast-Spectacor. The Comcast-Spectacor Group includes Ovations Food Services and New Era Tickets. The following is a summary of transactions and balances with affiliates as of and for the year ended June 30, 2008:

Concessions and catering revenue from Ovations	\$ 3,698,321
Ticket revenue and fees received from New Era	67,083
Ticket fees paid to New Era	14,673
Due to Ovations (incentive)	23,285
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, 2008, the County has a future commitment for approximately \$2,031,308 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. OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description

The County sponsors a single-employer health care plan that provides a continuation option to retirees to purchase health benefits under the County's group health plan. Retirees have the option to purchase health coverage for themselves and their eligible dependents. All full-time County employees are covered under IPERS. Full-time Sheriff and Sheriff Deputies may retire with the election to continue health coverage at age 50 with 22 or more years of service or if disabled or at age 55 if they have less than 22 years of service. All other full-time employees may retire with the election to continue health coverage after age 55 with 15 or more years of service or if disabled.

Under Iowa Code Chapter 509A.13, retirees under the age of 65 may purchase health and dental insurance through the County. This law creates an OPEB liability relating to an implicit rate subsidy. Employees pay a small (5% or less) share of the health insurance premium. The County pays the remainder of the health insurance premium for employees. Retirees pay 102% of the group rate calculated on the expected costs based on the entire group of actives, COBRA participants, and retirees.

Funding Policy

The current funding policy of the County is to pay health claims as they occur. This arrangement does not qualify as OPEB plan assets under GASB for current GASB reporting. The County establishes and amends contribution requirements annually.

The required contribution is based on projected pay-as-you-go financing. For fiscal year 2008, the County contributed \$313,000. Retirees receiving benefits contributed \$691,000 through their required contribution of \$379.32 per month for single health coverage and \$948.30 per month for family health coverage.

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

	County	County Assessor	Total
Annual required contribution	\$ 965,000	\$ 64,000	\$ 1,029,000
Interest on net OPEB obligation	-	-	-
Adjustment to annual required contribution	-	-	-
Annual OPEB cost (expense)	965,000	64,000	1,029,000
Contributions made	(286,000)	(27,000)	(313,000)
Increase in net OPEB obligation	679,000	37,000	716,000
Net OPEB obligation - July 1, 2007	-	-	-
Net OPEB obligation - June 30, 2008	\$ 679,000	\$ 37,000	\$ 716,000

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2008 is presented in the following table:

Fiscal Year Ended	<u>Annual OPEB Cost</u>		<u>% of Annual OPEB Cost Contributed</u>		<u>Net OPEB Obligation</u>	
	County	County Assessor	County	County Assessor	County	County Assessor
6/30/2008	\$ 965,000	\$ 64,000	29.6%	42.2%	\$ 679,000	\$ 37,000

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2007, the most recent actuarial valuation date is as follows:

	County	County Assessor	Total
Actuarial accrued liability (AAL)	\$ 10,808,000	\$ 1,066,000	\$ 11,874,000
Actuarial value of plan assets	-	-	-
Unfunded actuarial accrued liability (UAAL)	\$ 10,808,000	\$ 1,066,000	\$ 11,874,000
Covered payroll (active employees)	\$ 58,578,858	\$ 1,778,320	\$ 60,357,178
UAAL as a percentage of covered payroll	18.5%	59.9%	

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

Actuarial Methods and Assumptions

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with long-term perspective of the calculations. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

The actuarial calculations were performed in accordance with the projected unit credit actuarial cost method as of the July 1, 2007, valuation date. The 5 percent discount rate used was based on the expected rate of return for investments used to finance the payment of benefits. For Polk County, the investment return assumption is based on the expected return of short-term liquid investments.

Health care cost trend rates are used to anticipate increases in medical benefit costs expected to be experienced by the retiree health plan in each future year. The actuarial includes an assumed health care cost trend select rate of 11 percent initially, reduced 0.5 percent each year until reaching the ultimate rate of 6 percent. The trend rates used are based on projected salary increases of 4 percent per annum. The UAAL is amortized over the maximum acceptable period of 30 years as a level percentage of projected payroll on an open basis.

Expected monthly claim costs were developed from a combination of historical claim experience and manual claim costs developed using a representative database. The monthly expected claim costs for Polk County retirees less than age 65 is \$601 and for retirees age 65 or greater is \$336.

The final claim costs were adjusted to reflect an average age of 60 for retirees less than 65 years old and age 70 for retirees 65 or older. Costs at all other ages vary based on an assumed age slope. These costs are expected to increase at the health care cost trend.

The RP 2000 Group Annuity Mortality Table was used and applied on a gender-specific basis. Retirement rates are based on the IPERS Actuarial Valuation Report as of June 30, 2006. The plan participation percentage assumes that 75% of all employees and their dependents who are eligible for early retiree benefits actually participate in the early retiree benefit plan. The assumed number of eligible dependents is based on the current proportions of single and family contracts.

24. SUBSEQUENT EVENTS

Issuance of General Obligation Capital Loan Notes

In July 2008, the County issued \$5,000,000 of General Obligation Capital Loan Notes to help defray the construction costs of several Sanitary Sewer Improvement Projects. This is a 3% interest bearing note. Loan proceeds are drawn upon filing a disbursement request with the Iowa Finance Authority (the "Lender"). The County has made \$2.3 million disbursement requests since July 2008.

Issuance of General Obligation Bonds

Subsequent to year-end, the County authorized the issuance of approximately \$4 million in general obligation bonds to (1) pay a portion of the cost of improvements at various county facilities, (2) make a grant or reimburse grants made to the Neighborhood Finance Corporation to assist in providing acquisition and renovation of housing in Polk County, and to the Housing Trust Fund to be used to increase the housing capacity within Polk County by providing for the acquisition and renovation of housing units, and (3) to pay the costs of issuance of the bonds. These bonds will be retired from property taxes to be levied in the future and other revenues.

25. NEW ACCOUNTING PRONOUNCEMENTS

As of June 30, 2008, the County adopted the following Governmental Accounting Standards Board (GASB) statement:

- GASB Statement No. 45 ("GASB 45"), "*Accounting and Financial Reporting by Employers for Postretirement Benefits Other Than Pensions*": This Statement 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 the financial reports. As a result, the County has recorded a liability of \$679,000 in the governmental activities and \$37,000 in the Fiduciary funds and added footnote disclosures pertaining to the plan.
- GASB Statement No. 48 ("GASB 48"), "*Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*": This Statement establishes accounting and financial reporting standards for transactions in which a government receives, or is entitled to, resources in exchange for future cash flows generated by collecting specific receivables or specific

future revenues. It also provides disclosure requirements for a government that pledges or commits future cash flows from a specific revenue source. In addition, this Statement establishes accounting and financial reporting standards for intra-entity transfers of assets and future revenues. This Statement had no effect to the financial statements.

- GASB Statement No. 50 (“GASB 50”), *“Pension Disclosures”*, an amendment of GASB Statement Nos. 25 and 27: This Statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to the financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. This Statement had no effect to the financial statements.

As of June 30, 2008, the Government Accounting Standards Board (GASB) had issued the following statements not yet implemented by the County. The statements which might impact the County are as follows:

- GASB Statement No. 49 (“GASB 49”), *“Accounting and Financial Reporting for Pollution Remediation Obligations”*, issued November 2006, will be effective for the County beginning with its fiscal year ending June 30, 2009. This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities, such as site assessments and cleanups. This standard requires the County to estimate the components of expected pollution remediation outlays and determine whether the outlays for those components should be accrued as a liability or, if appropriate, capitalized when goods and services are acquired.
- GASB Statement No. 51 (“GASB 51”), *“Accounting and Financial Reporting for Intangible Assets”*, issued July 2007, will be effective for the County beginning with its fiscal year ending June 30, 2010. This Statement provides guidance regarding how to identify, account for and report intangible assets. The new standard characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature and has an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, computer software, water rights, timber rights, patents and trademarks. This standard provides that intangible assets be classified as capital assets (except for those explicitly excluded from the scope of the new standard, such as capital leases). Relevant authoritative guidance for capital assets should be applied to these intangible assets.
- GASB Statement No. 52 (“GASB 52”), *“Land and Other Real Estate Held as Investments by Endowments”*, issued November 2007, will be effective for the County beginning with its fiscal year ending June 30, 2009. This Statement establishes consistent standards for the reporting of land and other real estate held as investments. Endowments were previously required to report their land and other real estate held for investment purposes at historical cost. However, such investments are reported at fair value by similar entities, such as pension plans. The Statement requires endowments to report land and other real estate investments at fair value. The changes in the fair value are to be reported as investment income.
- GASB Statement No. 53 (“GASB 53”), *“Accounting and Financial Reporting for Derivative Instruments”*, issued June 2008, will be effective for the County beginning with its fiscal year ending June 30, 2010. This Statement will improve how state and local governments report information about derivative instruments in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in this Statement also addresses hedge accounting requirements.

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 Schedule of Funding Progress For the Year Ended June 30, 2008

Entity	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded UAAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Polk County	6/30/2008	\$ -	\$ 10,808,000	\$ 10,808,000	0.0%	\$ 58,578,858	18.5%
County Assessor	6/30/2008	\$ -	\$ 1,066,000	\$ 1,066,000	0.0%	\$ 1,778,320	59.9%

Note: Fiscal year 2008 is the transition year for GASB Statement No. 45.

The information presented in the required supplementary schedule was determined as part of the actuarial valuation as of July 1, 2007. Additional information follows:

- a. The cost method used to determine the ARC is the projected unit credit actuarial cost method.
- b. There are no plan assets.
- c. Economic assumptions are as follows: health care cost trend rates of 6-11%; discount rate of 5%.
- d. The amortization method is open basis as a level percentage of projected payroll.

POLK COUNTY, IOWA

Required Supplementary Information Budgetary Comparison Schedule All Governmental Funds For the Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance
REVENUES:				
Property taxes	\$ 106,338,118	\$ 106,367,614	\$ 106,656,304	\$ 288,690
Other County taxes	5,259,594	5,292,804	5,301,031	8,227
Interest and penalty on delinquent taxes	1,115,000	1,267,000	1,388,689	121,689
Intergovernmental	62,508,439	68,426,954	67,142,626	(1,284,328)
Licenses and permits	645,400	511,400	516,088	4,688
Charges for services	9,775,126	10,290,879	10,303,961	13,082
Use of money and property	8,269,648	8,725,031	9,989,679	1,264,648
Miscellaneous	1,678,162	1,892,809	1,805,550	(87,259)
General long-term debt proceeds	3,600,000	2,826,414	2,697,656	(128,758)
Proceeds from disposal of capital assets	220,000	310,000	108,235	(201,765)
Total receipts	199,409,487	205,910,905	205,909,819	(1,086)
EXPENDITURES:				
Current:				
Public safety and legal services	52,623,664	52,187,357	51,219,197	968,160
Physical health and social services	29,845,690	30,091,878	28,594,679	1,497,199
Mental health	47,041,289	50,097,685	50,091,205	6,480
County environment and education	10,585,814	17,397,962	15,896,209	1,501,753
Roads and transportation	8,945,903	10,478,656	9,835,912	642,744
Government services to residents	5,978,782	6,232,866	5,988,447	244,419
Administration	29,808,912	32,782,974	30,964,225	1,818,749
Nonprogram services	100,000	200,000	46,304	153,696
Debt service	10,312,376	10,514,015	10,513,954	61
Capital projects	34,403,865	52,109,334	44,942,536	7,166,798
Total disbursements	229,646,295	262,092,727	248,092,668	14,000,059
OTHER FINANCING SOURCES (USES):				
Transfers in (out)	4,905,300	9,143,711	8,440,615	(703,096)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES - BUDGETARY BASIS				
	<u>\$ (25,331,508)</u>	<u>\$ (47,038,111)</u>	(33,742,234)	<u>\$ 13,295,877</u>
RECONCILIATION TO GAAP BASIS:				
Basis differences:				
Increase (decrease) in accrual basis assets			(686,574)	
(Increase) decrease in accrual basis liabilities			6,596,567	
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses - GAAP basis			(27,832,241)	
Fund balance at beginning of year - GAAP basis			77,759,020	
Changes in inventory reserves			32,843	
Fund balance at end of year - GAAP basis			\$ 49,959,622	

See Notes to Required Supplementary Information.

POLK COUNTY, IOWA

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2008

1. BUDGETARY INFORMATION

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

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

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

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

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

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

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

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

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

Economic Development - Accounts for various economic development projects.

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 capital assets and major improvements. Revenues are derived primarily from the sale of general obligation bonds and notes, intergovernmental revenues, transfers from other funds and earnings on investments.

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

Capital Improvements Projects – Accounts for various capital improvements projects.

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

Debt Service Funds

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

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

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

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

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POLK COUNTY, IOWA

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008**

	Rural Services	Sheriff Seized Property (State)	Sheriff Seized Property (Federal)	Attorney Seized Property	Conservation Land Acquisition Trust
ASSETS					
Cash and pooled investments	\$ 1,688,800	\$ 170,563	\$ 163,891	\$ 455,304	\$ 353,494
Receivables (net of allowances for uncollectibles):					
Taxes	16,706	-	-	-	-
Succeeding year property taxes	6,565,001	-	-	-	-
Special assessments	-	-	-	-	-
Accounts	43,981	-	-	-	-
Notes	-	-	-	-	-
Accrued interest	-	151	60	167	130
Due from other funds	39,088	-	-	-	-
Due from other governments	74,814	-	3,771	-	1,471,587
Advances to component unit	-	-	-	-	-
Inventories	-	-	-	-	-
TOTAL ASSETS	\$ 8,428,390	\$ 170,714	\$ 167,722	\$ 455,471	\$ 1,825,211
LIABILITIES					
Accounts payable	\$ 76,148	\$ -	\$ 30,703	\$ -	\$ 1,404,539
Contract/retainage payable	-	-	-	-	-
Wages payable	6,777	-	-	1,212	-
Payroll taxes payable	13,564	-	-	167	-
Interest payable	-	-	-	-	-
Deferred revenues	162,774	-	-	-	1,404,386
Succeeding year property taxes deferred revenues	6,565,001	-	-	-	-
TOTAL LIABILITIES	6,824,264	-	30,703	1,379	2,808,925
FUND BALANCES					
Reserved for advances to component unit	-	-	-	-	-
Reserved for noncurrent notes receivable	-	-	-	-	-
Reserved for inventory of supplies	-	-	-	-	-
Reserved for supplemental levy purposes	217,530	-	-	-	-
Unreserved, designated (Note 13)	-	-	-	-	-
Unreserved, undesignated	1,386,596	170,714	137,019	454,092	(983,714)
TOTAL FUND BALANCES	1,604,126	170,714	137,019	454,092	(983,714)
TOTAL LIABILITIES AND FUND BALANCES	\$ 8,428,390	\$ 170,714	\$ 167,722	\$ 455,471	\$ 1,825,211

Special Revenue									
Equipment Reserve	County Attorney Collection Incentive	Community Betterment	Secondary Roads	County Recorder Records Management	Economic Development	Township Fire Protection	Treasurer Banking Reserve		
\$ 860,858	\$ 19,406	\$ -	\$ -	\$ 156,347	\$ 1,194,174	\$ 4,711	\$ 12,800		
-	-	-	-	-	-	605	-		
-	-	-	-	-	-	583,571	-		
-	-	-	-	-	-	-	-		
-	-	-	770	-	-	-	-		
-	-	-	-	-	3,997,523	-	-		
-	-	-	-	57	-	-	-	5	
-	-	-	-	404	-	3,514	-		
3,734	22,089	-	392,091	-	83,428	-	-		
-	-	-	-	-	-	-	-		
-	-	-	539,149	-	-	-	-		
\$ 864,592	\$ 41,495	\$ -	\$ 932,010	\$ 156,808	\$ 5,275,125	\$ 592,401	\$ 12,805		
\$ 218,261	\$ -	\$ 76,919	\$ 4,836,426	\$ 285	\$ 83,428	\$ -	\$ -		
-	-	-	154,569	-	-	-	-		
-	-	-	91,859	-	-	-	-		
-	-	-	-	-	-	-	-		
-	-	-	-	-	-	-	-		
-	-	-	31,963	-	15,957	4,068	-		
-	-	-	-	-	-	583,571	-		
218,261	-	76,919	5,114,817	285	99,385	587,639	-		
-	-	-	-	-	-	-	-		
-	-	-	-	-	3,166,510	-	-		
-	-	-	539,149	-	-	-	-		
-	-	-	-	-	-	-	-		
646,331	-	-	-	-	2,009,230	-	-		
-	41,495	(76,919)	(4,721,956)	156,523	-	4,762	12,805		
646,331	41,495	(76,919)	(4,182,807)	156,523	5,175,740	4,762	12,805		
\$ 864,592	\$ 41,495	\$ -	\$ 932,010	\$ 156,808	\$ 5,275,125	\$ 592,401	\$ 12,805		

(continued)

POLK COUNTY, IOWA

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008**

			Capital		
	REAP	Contingency Reserve	Total Special Revenue	Courthouse Annex	Capital Improvements Projects
ASSETS					
Cash and pooled investments	\$ 136,480	\$ 5,223,867	\$ 10,440,695	\$ -	\$ 461,264
Receivables (net of allowances for uncollectibles):					
Taxes	-	-	17,311	-	-
Succeeding year property taxes	-	-	7,148,572	-	-
Special assessments	-	-	-	-	-
Accounts	-	-	44,751	-	-
Notes	-	-	3,997,523	-	-
Accrued interest	53	-	623	-	-
Due from other funds	-	-	43,006	-	-
Due from other governments	-	-	2,051,514	-	-
Advances to component unit	-	-	-	-	-
Inventories	-	-	539,149	-	-
TOTAL ASSETS	\$ 136,533	\$ 5,223,867	\$ 24,283,144	\$ -	\$ 461,264
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ 6,726,709	\$ 22,683	\$ 84,135
Contract/retainage payable	-	-	154,569	-	557,644
Wages payable	-	-	99,848	-	-
Payroll taxes payable	-	-	13,731	-	-
Interest payable	-	-	-	-	-
Deferred revenues	-	-	1,619,148	-	-
Succeeding year property taxes deferred revenues	-	-	7,148,572	-	-
TOTAL LIABILITIES	-	-	15,762,577	22,683	641,779
FUND BALANCES					
Reserved for advances to component unit	-	-	-	-	-
Reserved for noncurrent notes receivable	-	-	3,166,510	-	-
Reserved for inventory of supplies	-	-	539,149	-	-
Reserved for supplemental levy purposes	-	-	217,530	-	-
Unreserved, designated (Note 13)	-	5,223,867	7,879,428	-	-
Unreserved, undesignated	136,533	-	(3,282,050)	(22,683)	(180,515)
TOTAL FUND BALANCES	136,533	5,223,867	8,520,567	(22,683)	(180,515)
TOTAL LIABILITIES AND FUND BALANCES	\$ 136,533	\$ 5,223,867	\$ 24,283,144	\$ -	\$ 461,264

Projects		Debt Service					
Jail Facility	Total Capital Projects	NW 84th Water Main Debt Service	Hamilton Drain Debt Service	Debt Service	Total Debt Service	Total Nonmajor Governmental Funds	
\$ 6,076,608	\$ 6,537,872	\$ 53,220	\$ -	\$ 311,122	\$ 364,342	\$ 17,342,909	
-	-	-	-	29,896	29,896	47,207	
-	-	-	-	11,015,785	11,015,785	18,164,357	
-	-	-	4,463	-	4,463	4,463	
-	-	-	-	-	-	44,751	
-	-	-	-	-	-	3,997,523	
11,334	11,334	20	-	89	109	12,066	
-	-	-	-	65,440	65,440	108,446	
-	-	-	-	-	-	2,051,514	
-	-	-	-	2,651,067	2,651,067	2,651,067	
-	-	-	-	-	-	539,149	
\$ 6,087,942	\$ 6,549,206	\$ 53,240	\$ 4,463	\$ 14,073,399	\$ 14,131,102	\$ 44,963,452	
\$ 215,437	\$ 322,255	\$ -	\$ -	\$ -	\$ -	\$ 7,048,964	
2,870,788	3,428,432	-	-	-	-	3,583,001	
-	-	-	-	-	-	99,848	
-	-	-	-	-	-	13,731	
-	-	1,529	-	-	1,529	1,529	
-	-	-	4,422	92,290	96,712	1,715,860	
-	-	-	-	11,015,785	11,015,785	18,164,357	
3,086,225	3,750,687	1,529	4,422	11,108,075	11,114,026	30,627,290	
-	-	-	-	2,651,067	2,651,067	2,651,067	
-	-	-	-	-	-	3,166,510	
-	-	-	-	-	-	539,149	
-	-	-	-	-	-	217,530	
-	-	-	-	-	-	7,879,428	
3,001,717	2,798,519	51,711	41	314,257	366,009	(117,522)	
3,001,717	2,798,519	51,711	41	2,965,324	3,017,076	14,336,162	
\$ 6,087,942	\$ 6,549,206	\$ 53,240	\$ 4,463	\$ 14,073,399	\$ 14,131,102	\$ 44,963,452	

(concluded)

POLK COUNTY, IOWA

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2008**

	Rural Services	Sheriff Seized Property (State)	Sheriff Seized Property (Federal)	Attorney Seized Property	Conservation Land Acquisition Trust
REVENUES:					
Property taxes	\$ 5,665,793	\$ -	\$ -	\$ -	\$ -
Other County taxes	200,386	-	-	-	-
Intergovernmental	236,448	15,553	-	-	1,183,700
Licenses and permits	-	-	-	-	-
Charges for services	137,607	-	-	-	-
Use of money and property	-	8,687	5,250	21,616	44,639
Miscellaneous	41,621	2,473	62,838	47,507	7,000
TOTAL REVENUES	6,281,855	26,713	68,088	69,123	1,235,339
EXPENDITURES:					
Current:					
Public safety and legal services	5,686	81,086	35,376	89,154	-
Physical health and social services	-	-	-	-	-
County environment and education	1,240,017	-	-	-	-
Roads and transportation	1,314,296	-	-	-	-
Government services to residents	-	-	-	-	-
Administration	-	-	-	-	-
Nonprogram services	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital projects:					
Roadway construction	-	-	-	-	-
Conservation land acquisition and development	-	-	-	-	2,857,875
Other capital projects	-	-	-	-	-
TOTAL EXPENDITURES	2,559,999	81,086	35,376	89,154	2,857,875
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	3,721,856	(54,373)	32,712	(20,031)	(1,622,536)
OTHER FINANCING SOURCES (USES):					
Transfers in	362,498	-	-	-	-
Transfers out	(4,131,089)	-	-	-	-
Transfer of bond proceeds from enterprise fund	-	-	-	-	-
Issuance of bonds	-	-	-	-	-
Premium/(discount) on bonds issued	-	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(3,768,591)	-	-	-	-
NET CHANGE IN FUND BALANCES	(46,735)	(54,373)	32,712	(20,031)	(1,622,536)
FUND BALANCE, BEGINNING	1,650,861	225,087	104,307	474,123	638,822
Change in inventory reserve	-	-	-	-	-
FUND BALANCE, ENDING	\$ 1,604,126	\$ 170,714	\$ 137,019	\$ 454,092	\$ (983,714)

Special Revenue								
Equipment Reserve	County Attorney Collection Incentive	Community Betterment	Secondary Roads	County Recorder Records Management	Economic Development	Township Fire Protection	Treasurer Banking Reserve	REAP
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 436,375	\$ -	\$ -
-	-	-	-	-	-	16,747	-	-
-	38,024	-	5,653,168	-	-	14,976	-	133,164
-	-	-	60,145	-	-	-	-	-
-	-	-	248,748	97,608	-	-	3,140	-
-	-	-	-	6,044	-	-	-	6,966
-	-	3,902	34,854	-	-	-	-	-
-	38,024	3,902	5,996,915	103,652	-	468,098	3,140	140,130
-	-	-	-	-	-	467,390	-	-
-	-	422,800	-	-	-	-	-	-
-	-	-	-	-	872,217	-	-	-
-	-	-	8,758,577	-	-	-	-	-
-	-	-	-	54,835	-	-	-	-
-	-	6,314,893	-	-	-	-	431	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	5,352,558	-	-	-	-	-
-	-	-	-	-	-	-	-	190,523
3,387,348	-	-	-	-	-	-	-	-
3,387,348	-	6,737,693	14,111,135	54,835	872,217	467,390	431	190,523
(3,387,348)	38,024	(6,733,791)	(8,114,220)	48,817	(872,217)	708	2,709	(50,393)
2,622,778	-	6,703,355	7,364,834	-	1,017,261	-	-	-
-	-	-	-	-	(307,420)	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
27,352	-	-	41,203	-	-	-	-	-
2,650,130	-	6,703,355	7,406,037	-	709,841	-	-	-
(737,218)	38,024	(30,436)	(708,183)	48,817	(162,376)	708	2,709	(50,393)
1,383,549	3,471	(46,483)	(3,435,713)	107,706	5,338,116	4,054	10,096	186,926
-	-	-	(38,911)	-	-	-	-	-
\$ 646,331	\$ 41,495	\$ (76,919)	\$ (4,182,807)	\$ 156,523	\$ 5,175,740	\$ 4,762	\$ 12,805	\$ 136,533

POLK COUNTY, IOWA

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2008**

				Capital	
	Housing Development	Contingency Reserve	Bond Revolving	Total Special Revenues	Courthouse Annex
REVENUES:					
Property taxes	\$ -	\$ -	\$ -	\$ 6,102,168	\$ -
Other County taxes	-	-	-	217,133	-
Intergovernmental	-	-	-	7,275,033	-
Licenses and permits	-	-	-	60,145	-
Charges for services	-	-	-	487,103	-
Use of money and property	-	-	592	93,794	-
Miscellaneous	70,000	-	-	270,195	-
TOTAL REVENUES	70,000	-	592	14,505,571	-
EXPENDITURES:					
Current:					
Public safety and legal services	-	-	-	678,692	-
Physical health and social services	-	-	-	422,800	-
County environment and education	2,500,000	-	-	4,612,234	-
Roads and transportation	-	-	-	10,072,873	-
Government services to residents	-	-	-	54,835	-
Administration	-	-	-	6,315,324	-
Nonprogram services	-	-	46,304	46,304	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital projects:					
Roadway construction	-	-	-	5,352,558	-
Conservation land acquisition and development	-	-	-	3,048,398	-
Other capital projects	-	-	-	3,387,348	284,719
TOTAL EXPENDITURES	2,500,000	-	46,304	33,991,366	284,719
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,430,000)	-	(45,712)	(19,485,795)	(284,719)
OTHER FINANCING SOURCES (USES):					
Transfers in	1,500,000	807,684	-	20,378,410	326,786
Transfers out	-	(583,817)	(2,676,529)	(7,698,855)	-
Transfer of bond proceeds from enterprise fund	930,000	-	-	930,000	-
Issuance of bonds	-	-	2,665,000	2,665,000	-
Premium/(discount) on bonds issued	-	-	32,656	32,656	-
Proceeds from sale of capital assets	-	-	-	68,555	-
TOTAL OTHER FINANCING SOURCES (USES)	2,430,000	223,867	21,127	16,375,766	326,786
NET CHANGE IN FUND BALANCES	-	223,867	(24,585)	(3,110,029)	42,067
FUND BALANCE, BEGINNING	-	5,000,000	24,585	11,669,507	(64,750)
Change in inventory reserve	-	-	-	(38,911)	-
FUND BALANCE, ENDING	\$ -	\$ 5,223,867	\$ -	\$ 8,520,567	\$ (22,683)

Projects			Debt Service				Total Debt Service	Total Nonmajor Governmental Funds
Capital Improvements Projects	Jail Facility	Total Capital Projects	NW 84th Water Main Debt Service	Hamilton Drain Debt Service	Debt Service			
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,181,047	\$ 7,181,047	\$ 13,283,215	
-	-	-	-	-	250,295	250,295	467,428	
2,154	-	2,154	-	-	172,962	172,962	7,450,149	
-	-	-	-	-	-	-	60,145	
-	-	-	-	-	-	-	487,103	
-	629,385	629,385	3,592	2	102,017	105,611	828,790	
-	401	401	11,935	502	-	12,437	283,033	
2,154	629,786	631,940	15,527	504	7,706,321	7,722,352	22,859,863	
-	-	-	-	-	-	-	678,692	
-	-	-	-	-	-	-	422,800	
-	-	-	-	-	-	-	4,612,234	
-	-	-	-	-	-	-	10,072,873	
-	-	-	-	-	-	-	54,835	
-	-	-	-	-	-	-	6,315,324	
-	-	-	-	-	-	-	46,304	
-	-	-	36,000	-	4,626,698	4,662,698	4,662,698	
-	-	-	20,063	-	4,481,025	4,501,088	4,501,088	
-	-	-	-	-	-	-	5,352,558	
-	-	-	-	-	-	-	3,048,398	
10,983,337	15,443,262	26,711,318	-	-	-	-	30,098,666	
10,983,337	15,443,262	26,711,318	56,063	-	9,107,723	9,163,786	69,866,470	
(10,981,183)	(14,813,476)	(26,079,378)	(40,536)	504	(1,401,402)	(1,441,434)	(47,006,607)	
1,138,205	-	1,464,991	-	-	771,703	771,703	22,615,104	
-	(744,711)	(744,711)	-	(463)	-	(463)	(8,444,029)	
-	-	-	-	-	-	-	930,000	
-	-	-	-	-	-	-	2,665,000	
-	-	-	-	-	-	-	32,656	
-	-	-	-	-	-	-	68,555	
1,138,205	(744,711)	720,280	-	(463)	771,703	771,240	17,867,286	
(9,842,978)	(15,558,187)	(25,359,098)	(40,536)	41	(629,699)	(670,194)	(29,139,321)	
9,662,463	18,559,904	28,157,617	92,247	-	3,595,023	3,687,270	43,514,394	
-	-	-	-	-	-	-	(38,911)	
\$ (180,515)	\$ 3,001,717	\$ 2,798,519	\$ 51,711	\$ 41	\$ 2,965,324	\$ 3,017,076	\$ 14,336,162	

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NONMAJOR ENTERPRISE FUNDS

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

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

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

Jester Park Golf Course - Accounts for activity of the golf course.

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, 2008**

	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	\$ 680,261	\$ 585,430	\$ 889,332	\$ 1,263,711	\$ 3,070,062	\$ 6,488,796
Receivables (net of allowances for uncollectibles):						
Special assessments	-	335,258	-	-	-	335,258
Accounts	-	202,255	36,692	-	-	238,947
Notes	-	-	-	-	2,213,012	2,213,012
Accrued interest	257	192	327	465	1,127	2,368
Due from other governments	192,959	46,796	-	9,685	-	249,440
Total current assets	873,477	1,169,931	926,351	1,273,861	5,284,201	9,527,821
Noncurrent assets:						
Lease/debt origination costs	-	14,622	-	-	70,745	85,367
Capital assets not being depreciated	-	1,757,125	76,593	996,553	3,020,314	5,850,585
Capital assets being depreciated, net	88,663	8,427,494	604,257	5,593,077	-	14,713,491
Total noncurrent assets	88,663	10,199,241	680,850	6,589,630	3,091,059	20,649,443
TOTAL ASSETS	962,140	11,369,172	1,607,201	7,863,491	8,375,260	30,177,264
LIABILITIES						
Current liabilities:						
Accounts payable	2,305	241,569	-	-	49,953	293,827
Wages payable	13,194	-	2,903	-	-	16,097
Payroll taxes payable	1,784	-	399	-	-	2,183
Interest payable	-	2,680	-	-	17,218	19,898
General obligation bonds payable	-	189,695	-	-	189,484	379,179
Compensated absences payable	4,559	-	3,625	-	-	8,183
Total current liabilities	21,842	433,944	6,927	-	256,655	719,367
Noncurrent liabilities:						
General obligation bonds payable	-	794,390	-	-	4,876,233	5,670,623
Notes payable	-	678,932	-	-	-	678,932
Compensated absences payable	74,738	-	59,427	-	-	134,166
Total noncurrent liabilities	74,738	1,473,322	59,427	-	4,876,233	6,483,721
TOTAL LIABILITIES	96,580	1,907,266	66,354	-	5,132,888	7,203,088
NET ASSETS						
Invested in capital assets, net of related debt	88,663	8,521,602	680,850	6,589,630	(1,832,235)	14,048,510
Unrestricted	776,897	940,304	859,997	1,273,861	5,074,607	8,925,666
TOTAL NET ASSETS	\$ 865,560	\$ 9,461,906	\$ 1,540,847	\$ 7,863,491	\$ 3,242,372	\$ 22,974,176

POLK COUNTY, IOWA

**Combining Statement of Revenues, Expenses, and Changes in Net Assets
Nonmajor Enterprise Funds
For the Year Ended June 30, 2008**

	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	\$ 217,265	\$ 753,576	\$ 695,696	\$ 130,273	\$ -	\$ 1,796,810
Intergovernmental revenues	694,812	-	-	-	-	694,812
Commissions income	-	-	238,898	-	-	238,898
Miscellaneous	902	-	2,552	4,543	-	7,997
Total operating revenues	<u>912,979</u>	<u>753,576</u>	<u>937,146</u>	<u>134,816</u>	<u>-</u>	<u>2,738,517</u>
OPERATING EXPENSES:						
Cost of goods and services:						
Personal services	709,490	27,363	420,504	13,320	-	1,170,677
Supplies	48,419	-	67,059	106	-	115,584
Professional services	165	-	10,657	3,006	-	13,828
Other services/charges	110,587	549,661	92,265	9,001	-	761,514
Cost of goods sold - concession	-	-	91,851	-	-	91,851
Miscellaneous	-	10,937	15,434	4,507	-	30,878
Amortization of discount (premium)	-	3,011	-	-	4,446	7,457
Depreciation	24,330	271,234	77,538	229,916	-	603,018
Total operating expenses	<u>892,991</u>	<u>862,206</u>	<u>775,308</u>	<u>259,856</u>	<u>4,446</u>	<u>2,794,807</u>
OPERATING INCOME (LOSS)	<u>19,988</u>	<u>(108,630)</u>	<u>161,838</u>	<u>(125,040)</u>	<u>(4,446)</u>	<u>(56,290)</u>
NONOPERATING REVENUES (EXPENSES):						
Interest revenue	28,310	35,081	34,672	54,584	165,485	318,132
Interest expense	-	(38,943)	-	-	(223,522)	(262,465)
Total nonoperating revenues (expenses)	<u>28,310</u>	<u>(3,862)</u>	<u>34,672</u>	<u>54,584</u>	<u>(58,037)</u>	<u>55,667</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>48,298</u>	<u>(112,492)</u>	<u>196,510</u>	<u>(70,456)</u>	<u>(62,483)</u>	<u>(623)</u>
CAPITAL CONTRIBUTIONS AND TRANSFERS:						
Capital contributions from others	-	814,245	-	-	-	814,245
Transfers in	-	523,665	-	-	-	523,665
Total capital contributions and transfers	<u>-</u>	<u>1,337,910</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,337,910</u>
CHANGE IN NET ASSETS	<u>48,298</u>	<u>1,225,418</u>	<u>196,510</u>	<u>(70,456)</u>	<u>(62,483)</u>	<u>1,337,287</u>
TOTAL NET ASSETS - BEGINNING	<u>817,262</u>	<u>8,236,488</u>	<u>1,344,337</u>	<u>7,933,947</u>	<u>3,304,855</u>	<u>21,636,889</u>
TOTAL NET ASSETS - ENDING	<u>\$ 865,560</u>	<u>\$ 9,461,906</u>	<u>\$ 1,540,847</u>	<u>\$ 7,863,491</u>	<u>\$ 3,242,372</u>	<u>\$ 22,974,176</u>

POLK COUNTY, IOWA

**Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2008**

	Air Pollution	Sanitary Treatment Works	Jester Park Golf Course
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 218,167	\$ 572,280	\$ 957,318
Cash received from intergovernmental revenues	717,555	-	-
Cash paid to suppliers for goods and services	(165,230)	(325,069)	(278,325)
Cash paid to employees	(702,004)	(27,363)	(388,120)
Net cash flows from operating activities	<u>68,488</u>	<u>219,848</u>	<u>290,873</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	-	523,665	-
Net cash flows from noncapital financing activities	<u>-</u>	<u>523,665</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from general obligation debt	-	678,932	-
Principal paid on long-term debt	-	(185,000)	-
Interest paid on long-term debt	-	(39,393)	-
Purchase of capital assets	(14,120)	(1,658,125)	-
Net cash flows from capital and related financing activities	<u>(14,120)</u>	<u>(1,203,586)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	28,413	35,451	34,686
Net cash flows from investing activities	<u>28,413</u>	<u>35,451</u>	<u>34,686</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	82,781	(424,622)	325,559
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>597,480</u>	<u>1,010,052</u>	<u>563,773</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 680,261</u>	<u>\$ 585,430</u>	<u>\$ 889,332</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating income (loss)	\$ 19,988	\$ (108,630)	\$ 161,838
Components of operating income (loss) not included in operating activities			
Depreciation	24,330	271,234	77,538
Amortization	-	3,011	-
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:			
(Increase) decrease in special assessments receivable	-	34,467	-
(Increase) decrease in accounts receivable	-	(187,010)	(31,002)
(Increase) decrease in due from other funds	-	-	72,666
(Increase) decrease in due from other governments	22,743	(28,753)	-
(Increase) decrease in inventories	-	-	49,299
Increase (decrease) in accounts payable	(6,059)	235,529	(50,358)
Increase (decrease) in wages payable	3,750	-	(8,819)
Increase (decrease) in payroll taxes payable	543	-	(987)
Increase (decrease) in advance deposits and ticket sales	-	-	(21,492)
Increase (decrease) in compensated absences payable	3,193	-	42,190
Net cash flows from operating activities	<u>\$ 68,488</u>	<u>\$ 219,848</u>	<u>\$ 290,873</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:			
Disposal of fully depreciated capital assets	\$ -	\$ -	\$ (10,538)
Acquisition of capital assets through accounts payable	-	-	-
Capital contributions from others	-	814,245	-
Acquisition of notes receivable through CIP reduction	-	-	-

Hamilton Urban Drainage District	Urban Sewer	Total Nonmajor Enterprise Funds
\$ 134,816	\$ -	\$ 1,882,581
-	-	717,555
(16,620)	-	(785,244)
(13,320)	-	(1,130,807)
<u>104,876</u>	<u>-</u>	<u>684,085</u>
-	-	523,665
-	-	523,665
-	-	678,932
-	(185,000)	(370,000)
-	(224,110)	(263,503)
-	(558,994)	(2,231,239)
-	(968,104)	(2,185,810)
54,773	166,659	319,982
<u>54,773</u>	<u>166,659</u>	<u>319,982</u>
159,649	(801,445)	(658,078)
<u>1,104,062</u>	<u>3,871,507</u>	<u>7,146,874</u>
<u>\$ 1,263,711</u>	<u>\$ 3,070,062</u>	<u>\$ 6,488,796</u>
\$ (125,040)	\$ (4,446)	\$ (56,290)
229,916	-	603,018
-	4,446	7,457
-	-	34,467
-	-	(218,012)
-	-	72,666
-	-	(6,010)
-	-	49,299
-	-	179,112
-	-	(5,069)
-	-	(444)
-	-	(21,492)
-	-	45,383
<u>\$ 104,876</u>	<u>\$ -</u>	<u>\$ 684,085</u>
\$ -	\$ -	\$ (10,538)
-	39,589	39,589
-	-	814,245
-	2,215,925	2,215,925

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INTERNAL SERVICE FUNDS

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

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

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

POLK COUNTY, IOWA

**Combining Statement of Net Assets
Internal Service Funds
June 30, 2008**

	Employee Insurance	Risk Management	Total
ASSETS:			
Current assets:			
Cash and pooled investments	\$ 4,859,091	\$ 3,200,000	\$ 8,059,091
Receivables (net of allowances for uncollectibles):			
Accounts	94,370	-	94,370
Accrued interest	1,786	-	1,786
TOTAL ASSETS	4,955,247	3,200,000	8,155,247
LIABILITIES:			
Current liabilities:			
Voucher payable	140,000	-	140,000
Estimated liability for claims and judgments	1,228,687	-	1,228,687
Post employment liability	679,000	-	679,000
Total current liabilities	2,047,687	-	2,047,687
TOTAL LIABILITIES	2,047,687	-	2,047,687
NET ASSETS			
Unrestricted	2,907,560	3,200,000	6,107,560
TOTAL NET ASSETS	\$ 2,907,560	\$ 3,200,000	\$ 6,107,560

POLK COUNTY, IOWA

**Combining Statement of Revenues, Expenses, and
Changes in Net Assets
Internal Service Funds
For the Year Ended June 30, 2008**

	Employee Insurance	Risk Management	Total
REVENUES:			
Charges for services	\$ 11,967,088	\$ -	\$ 11,967,088
Total revenues	<u>11,967,088</u>	<u>-</u>	<u>11,967,088</u>
EXPENSES:			
Other services/charges	110,793	-	110,793
Insurance	12,538,569	-	12,538,569
Miscellaneous	196,656	1,892	198,548
Total expenses	<u>12,846,018</u>	<u>1,892</u>	<u>12,847,910</u>
OPERATING INCOME (LOSS)	<u>(878,930)</u>	<u>(1,892)</u>	<u>(880,822)</u>
NONOPERATING REVENUES (EXPENSES):			
Interest revenue	222,120	-	222,120
Total nonoperating revenues (expenses)	<u>222,120</u>	<u>-</u>	<u>222,120</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(656,810)</u>	<u>(1,892)</u>	<u>(658,702)</u>
TRANSFERS:			
Transfers in	-	2,533,930	2,533,930
Transfers out	(20,000)	(2,533,930)	(2,553,930)
Total transfers	<u>(20,000)</u>	<u>-</u>	<u>(20,000)</u>
CHANGE IN NET ASSETS	<u>(676,810)</u>	<u>(1,892)</u>	<u>(678,702)</u>
NET ASSETS , BEGINNING	<u>3,584,370</u>	<u>3,201,892</u>	<u>6,786,262</u>
NET ASSETS, ENDING	<u>\$ 2,907,560</u>	<u>\$ 3,200,000</u>	<u>\$ 6,107,560</u>

POLK COUNTY, IOWA

**Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2008**

	Employee Insurance	Risk Management	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 11,916,143	\$ -	\$ 11,916,143
Cash paid to suppliers for goods and services	(11,930,362)	(1,892)	(11,932,254)
Net cash flows from operating activities	<u>(14,219)</u>	<u>(1,892)</u>	<u>(16,111)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	-	2,533,930	2,533,930
Transfers out	(20,000)	(2,533,930)	(2,553,930)
Net cash flows from noncapital financing activities	<u>(20,000)</u>	<u>-</u>	<u>(20,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	223,095	1,892	224,987
Net cash flows from investing activities	<u>223,095</u>	<u>1,892</u>	<u>224,987</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	188,876	-	188,876
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>4,670,215</u>	<u>3,200,000</u>	<u>7,870,215</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 4,859,091</u>	<u>\$ 3,200,000</u>	<u>\$ 8,059,091</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating income (loss)	\$ (878,930)	\$ (1,892)	\$ (880,822)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:			
(Increase) decrease in accounts receivable	(50,945)	-	(50,945)
Increase (decrease) in accounts payable	40,000	-	40,000
Increase (decrease) in estimated liability for claims and judgments	196,656	-	196,656
Increase (decrease) in post employment liability	679,000	-	679,000
Net cash flows from operating activities	<u>\$ (14,219)</u>	<u>\$ (1,892)</u>	<u>\$ (16,111)</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. The measurement focus of these funds is custodial and no government operations are recorded in these funds. In addition, these funds are used only for operational efficiencies.

Attorney - Accounts for funds associated with confidential law enforcement.

Auditor - Accounts for various trusts (garnishments and bonds) monitored by the County.

Board of Supervisors - Other - Accounts for petty cash and change funds held by the following departments: Public Works, Community, Family & Youth Services, General Services, and Health.

County Conservation Board - Accounts for the revenues generated from the operation of the various County parks prior to remitting to the County Treasurer on a monthly basis.

Recorder - Accounts for the recording of deeds and mortgages, passports and birth/death certificates processing fees and the sale of various licenses (marriage, ATV, boat and snowmobile) prior to remitting to the County Treasurer and other governmental entities on a monthly basis.

Sheriff - Accounts for fees associated with civil fees, garnishments, and handling of inmate trust accounts prior to remitting to the County Treasurer, individuals or private entities.

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
Recorder's Electronic Fee
E911 Service
GIMS Implementation
Joint Disaster Services
Employee Activities
Seized Funds Unforfeited
Mine Task Force

POLK COUNTY, IOWA

**Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2008**

	Elected Officials					
	Attorney	Auditor	Board of Supervisors - Other	County Conservation Board	Recorder	Sheriff
ASSETS:						
Cash and pooled investments	\$ 4,320	\$ 34,789	\$ 900	\$ 51,006	\$ 303,874	\$ 1,776,963
Receivables (net of allowances for uncollectibles):						
Taxes	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-
Accounts	-	-	-	-	-	-
Accrued interest	-	-	-	-	-	-
Due from other governments	-	-	-	-	3,513	-
TOTAL ASSETS	\$ 4,320	\$ 34,789	\$ 900	\$ 51,006	\$ 307,387	\$ 1,776,963
LIABILITIES:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Wages payable	-	-	-	-	-	-
Payroll taxes payable	-	-	-	-	-	-
Due to other funds	4,320	9,070	900	51,006	2,149	239,650
Due to other governments	-	25,719	-	-	305,238	-
Advances from other funds	-	-	-	-	-	-
Trusts payable	-	-	-	-	-	1,537,313
Compensated absences payable	-	-	-	-	-	-
Post employment liability	-	-	-	-	-	-
TOTAL LIABILITIES	\$ 4,320	\$ 34,789	\$ 900	\$ 51,006	\$ 307,387	\$ 1,776,963

Other Agency Funds									
Total Elected Officials	Trust & Agency Treasurer	Trust & Agency Trust Funds Held	County Assessor Expense	County Assessor Special Appraisal	County Assessor IPERS	Recorder's Electronic Fee	E911 Service	GIMS Implementation	
\$ 2,171,852	\$ 15,041,305	\$ 657,096	\$ 1,345,495	\$ 409,118	\$ -	\$ -	\$ 2,843,976	\$ 685,779	
-	1,795,221	-	12,881	2,164	560	-	-	-	
-	7,536,024	7,016	-	-	-	-	-	-	
-	-	-	-	-	-	-	636,978	-	
-	-	152	-	-	-	3	1,152	-	
3,513	-	-	-	-	-	-	71,564	-	
\$ 2,175,365	\$ 24,372,550	\$ 664,264	\$ 1,358,376	\$ 411,282	\$ 560	\$ 3	\$ 3,553,670	\$ 685,779	
\$ -	\$ -	\$ -	\$ 2,563	\$ 32,850	\$ -	\$ -	\$ -	\$ -	
-	-	-	67,037	-	-	-	-	-	
-	-	-	9,149	-	-	-	-	-	
307,095	1,352	-	-	-	-	-	-	-	
330,957	24,371,198	314,290	711,836	378,432	560	3	3,553,670	685,779	
-	-	30,800	-	-	-	-	-	-	
1,537,313	-	319,174	-	-	-	-	-	-	
-	-	-	530,791	-	-	-	-	-	
-	-	-	37,000	-	-	-	-	-	
\$ 2,175,365	\$ 24,372,550	\$ 664,264	\$ 1,358,376	\$ 411,282	\$ 560	\$ 3	\$ 3,553,670	\$ 685,779	

(continued)

POLK COUNTY, IOWA

Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2008

	Joint Disaster Services	Employee Activities	Seized Funds Unforfeited	Mine Task Force	Total Other Agency Funds	Total Agency Funds
ASSETS:						
Cash and pooled investments	\$ -	\$ 5,921	\$ 239,093	\$ 360,152	\$ 21,587,935	\$ 23,759,787
Receivables (net of allowances for uncollectibles):						
Taxes	-	-	-	-	1,810,826	1,810,826
Special assessments	-	-	-	-	7,543,040	7,543,040
Accounts	1,588	-	-	-	638,566	638,566
Accrued interest	-	-	-	132	1,439	1,439
Due from other governments	132,551	-	-	2,033	206,148	209,661
TOTAL ASSETS	\$ 134,139	\$ 5,921	\$ 239,093	\$ 362,317	\$ 31,787,954	\$ 33,963,319
LIABILITIES:						
Accounts payable	\$ 3,088	\$ -	\$ -	\$ -	\$ 38,501	\$ 38,501
Wages payable	4,468	-	-	-	71,505	71,505
Payroll taxes payable	603	-	-	-	9,752	9,752
Due to other funds	107,224	-	-	-	108,576	415,671
Due to other governments	-	-	239,093	362,317	30,617,178	30,948,135
Advances from other funds	-	-	-	-	30,800	30,800
Trusts payable	-	5,921	-	-	325,095	1,862,408
Compensated absences payable	18,756	-	-	-	549,547	549,547
Post employment liability	-	-	-	-	37,000	37,000
TOTAL LIABILITIES	\$ 134,139	\$ 5,921	\$ 239,093	\$ 362,317	\$ 31,787,954	\$ 33,963,319

(concluded)

POLK COUNTY, IOWA

Combining Statement of Changes in Assets and Liabilities Agency Funds For the Year Ended June 30, 2008

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
ELECTED OFFICIALS:				
ASSETS:				
Cash and pooled investments	\$ 2,592,033	\$ -	\$ 420,181	\$ 2,171,852
Due from other governments	3,975	-	462	3,513
TOTAL ASSETS	\$ 2,596,008	\$ -	\$ 420,643	\$ 2,175,365
LIABILITIES:				
Due to other funds	\$ 354,756	\$ -	\$ 47,661	\$ 307,095
Due to other governments	532,148	-	201,191	330,957
Trusts payable	1,709,104	-	171,791	1,537,313
TOTAL LIABILITIES	\$ 2,596,008	\$ -	\$ 420,643	\$ 2,175,365
 OTHER AGENCY FUNDS:				
ASSETS:				
Cash and pooled investments	\$ 22,751,297	\$ -	\$ 1,163,362	\$ 21,587,935
Receivables:				
Taxes	5,643,195	-	3,832,369	1,810,826
Special assessments	7,004,672	538,368	-	7,543,040
Accounts	659,093	-	20,527	638,566
Accrued interest	2,060	-	621	1,439
Due from other governments	122,605	83,543	-	206,148
TOTAL ASSETS	\$ 36,182,922	\$ 621,911	\$ 5,016,879	\$ 31,787,954
LIABILITIES:				
Accounts payable	\$ 246,358	\$ -	\$ 207,857	\$ 38,501
Wages payable	63,164	8,341	-	71,505
Payroll taxes payable	7,980	1,772	-	9,752
Due to other funds	95,500	13,076	-	108,576
Due to other governments	34,932,112	-	4,314,934	30,617,178
Advances from other funds	38,500	-	7,700	30,800
Trusts payable	290,643	34,452	-	325,095
Compensated absences payable	508,665	40,882	-	549,547
Post employment liability	-	37,000	-	37,000
TOTAL LIABILITIES	\$ 36,182,922	\$ 135,523	\$ 4,530,491	\$ 31,787,954

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POLK COUNTY, IOWA

Capital Assets Used in the Operation of Governmental Funds Capital Assets by Source June 30, 2008

GOVERNMENTAL FUNDS CAPITAL ASSETS

Land	\$ 11,233,795
Buildings	76,869,857
Improvements other than buildings	1,220,901
Infrastructure	88,668,923
Equipment	12,841,887
Vehicles	6,851,900
Construction in progress	64,029,619
	<hr/>
TOTAL	\$ 261,716,882
	<hr/> <hr/>

INVESTMENT IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE:

General fund	\$ 25,905,704
Special revenue funds	84,790,512
Capital projects funds	27,061,410
General obligation bond proceeds	94,870,941
Federal and state grants	5,368,823
Donated funds	5,502,404
Iowa Department of Transportation - Farm-to-Market	18,217,088
	<hr/>
TOTAL	\$ 261,716,882
	<hr/> <hr/>

POLK COUNTY, IOWA

**Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function
For the Year Ended June 30, 2008**

	Governmental Funds Capital Assets			
	July 1, 2007	Additions	Deductions	June 30, 2008
Public safety and legal services	\$ 91,968,820	\$ 15,833,579	\$ (787,903)	\$ 107,014,496
Physical health and social services	12,668,272	648,957	(1,624,987)	11,692,242
County environment and education	6,066,861	1,839,637	(54,439)	7,852,059
Roads and transportation	96,853,889	2,456,995	(551,105)	98,759,779
Governmental services to residents	2,517,342	-	(8,125)	2,509,217
Administration	21,502,376	12,569,373	(182,660)	33,889,089
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	\$ 231,577,560	\$ 33,348,541	\$ (3,209,219)	\$ 261,716,882

POLK COUNTY, IOWA

Capital Assets Used in the Operation of Governmental Funds Schedule by Function June 30, 2008

	Land	Buildings	Improvements Other Than Buildings
Public safety and legal services	\$ 2,182,903	\$ 37,945,836	\$ 376,945
Physical health and social services	357,491	11,016,937	-
County environment and education	845,770	3,044,947	625,956
Roads and transportation	48,200	2,563,512	218,000
Governmental services to residents	-	-	-
Administration	7,799,431	22,298,625	-
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	\$ 11,233,795	\$ 76,869,857	\$ 1,220,901

Infrastructure	Equipment	Vehicles	Construction in Progress	Total
\$ -	\$ 1,157,181	\$ 2,760,620	\$ 62,591,011	\$ 107,014,496
-	28,495	189,319	100,000	11,692,242
841,309	481,665	1,206,077	806,335	7,852,059
87,827,614	5,271,585	2,298,595	532,273	98,759,779
-	2,509,217	-	-	2,509,217
-	3,393,744	397,289	-	33,889,089
\$ 88,668,923	\$ 12,841,887	\$ 6,851,900	\$ 64,029,619	\$ 261,716,882

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STATISTICAL SECTION

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

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

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

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

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

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

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

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POLK COUNTY, IOWA

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

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
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	\$ 88,071,556	\$ 79,083,042
Restricted	23,212,962	24,563,223	26,088,234	17,401,988	18,604,872	21,722,629	16,109,702
Unrestricted	32,169,757	15,803,414	19,388,897	20,846,704	4,975,529	(5,283,556)	5,896,595
Total governmental activities net assets	\$ 127,326,406	\$ 121,429,779	\$ 130,693,160	\$ 121,681,802	\$ 112,567,211	\$ 104,510,629	\$ 101,089,339
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	\$ 171,678,408	\$ 168,328,097
Restricted	-	-	-	-	250,665	575,235	452,485
Unrestricted	34,367,039	151,686,535	96,387,965	18,902,368	19,441,422	20,941,711	27,504,114
Total business-type activities net assets	\$ 79,577,122	\$ 140,488,358	\$ 171,252,751	\$ 185,086,344	\$ 190,987,963	\$ 193,195,354	\$ 196,284,696
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	\$ 259,749,964	\$ 247,411,139
Restricted	23,212,962	24,563,223	26,088,234	17,401,988	18,855,537	22,297,864	16,562,187
Unrestricted	66,536,796	167,489,949	115,776,862	39,749,072	24,416,951	15,658,155	33,400,709
Total primary government net assets	\$ 206,903,528	\$ 261,918,137	\$ 301,945,911	\$ 306,768,146	\$ 303,555,174	\$ 297,705,983	\$ 297,374,035

POLK COUNTY, IOWA

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

	Fiscal Year			
	2002	2003	2004	2005
Expenses:				
Governmental activities:				
Public safety and legal services	\$ 37,522,230	\$ 40,411,107	\$ 41,242,228	\$ 43,906,960
Physical health and social services	28,558,149	27,708,547	26,343,547	25,528,316
Mental health	40,844,075	37,951,234	35,871,973	44,893,946
County environment and education	17,523,366	18,158,228	13,851,729	13,611,135
Roads and transportation	12,649,752	14,406,203	15,469,578	15,429,274
Governmental services to residents	4,981,368	4,892,851	5,079,335	5,625,475
Administration	25,917,979	23,077,505	21,325,551	27,880,553
Interest on long-term debt	883,677	663,719	715,335	778,112
Total governmental activities expenses	168,880,596	167,269,394	159,899,276	177,653,771
Business-type activities:				
Air Pollution	764,247	792,979	824,969	868,170
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
Prairie Meadows Racetrack/Casino	5,363,846	5,849,793	6,322,144	6,379,323
Jester Park Golf Course	1,262,156	1,269,480	1,527,129	1,343,601
Hamilton Urban Drainage District	262,158	259,788	256,019	257,173
Iowa Events Center	314,542	212,541	1,450,814	11,052,531
Wells Fargo Arena	-	-	-	511,976
Urban Sewer	-	-	-	-
Total business-type activities expenses	16,842,433	16,515,812	18,916,174	21,740,048
Total government expenses	\$ 185,723,029	\$ 183,785,206	\$ 178,815,450	\$ 199,393,819
Program revenues:				
Governmental activities:				
Charges for services:				
Public safety and legal services	\$ 4,805,839	\$ 6,268,827	\$ 6,572,418	\$ 7,729,226
Physical health and social services	1,637,011	1,275,959	1,311,539	1,229,497
Mental health	4,472,828	4,708,156	5,199,260	4,730,128
County environment and education	544,958	853,103	744,504	995,812
Roads and transportation	396,537	361,106	446,904	463,326
Governmental services to residents	6,833,081	7,528,152	7,717,311	6,918,675
Administration	945,108	1,004,028	1,264,511	1,186,472
Interest on long-term debt	-	-	-	7
Operating grants and contributions	35,693,214	34,395,431	34,724,045	33,588,436
Capital grants and contributions	-	8,602,189	7,919,206	4,397,521
Total governmental activities program revenues	55,328,576	64,996,951	65,899,698	61,239,100
Business-type activities:				
Charges for services:				
Air Pollution	194,453	162,708	267,758	216,107
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
Prairie Meadows Racetrack/Casino	24,230,693	22,803,430	24,840,877	26,314,007
Jester Park Golf Course	1,303,564	1,319,134	1,301,554	1,388,515
Hamilton Urban Drainage District	125,171	137,926	122,750	129,326
Iowa Events Center	-	-	-	6,446,233
Wells Fargo Arena	-	-	-	260,000
Operating grants and contributions	573,345	654,205	624,372	660,817
Capital grants and contributions	881,403	49,816,143	16,364,366	20,367,596
Total business-type activities program revenues	34,021,137	81,060,676	49,866,300	56,298,615
Total government program revenues	\$ 89,349,713	\$ 146,057,627	\$ 115,765,998	\$ 117,537,715

Fiscal Year		
2006	2007	2008
\$ 49,691,718	\$ 50,943,331	\$ 54,586,369
27,479,491	27,939,503	30,701,720
44,253,468	47,580,948	50,448,588
21,791,609	17,911,180	12,988,528
15,662,237	14,384,813	18,924,908
5,702,700	6,068,908	6,444,220
29,651,306	31,230,881	34,835,609
755,602	3,143,577	4,497,886
194,988,131	199,203,141	213,427,828
890,104	773,893	892,991
-	-	-
-	-	-
1,021,679	896,815	901,149
5,796,602	6,589,760	7,469,240
1,404,849	1,367,187	775,308
259,674	269,147	259,856
15,317,370	14,584,039	23,475,886
9,134,360	8,390,198	-
18,025	234,327	227,968
33,842,663	33,105,366	34,002,398
\$ 228,830,794	\$ 232,308,507	\$ 247,430,226
\$ 9,881,061	\$ 11,186,397	\$ 12,544,883
1,156,011	1,115,878	1,117,024
6,454,464	5,848,459	6,952,878
1,074,961	1,241,881	1,331,272
325,313	566,269	486,994
7,413,659	7,041,509	6,606,559
1,111,113	1,123,749	1,779,178
16	8	13
38,376,764	40,462,381	44,384,526
2,379,801	340,200	1,049,053
68,173,163	68,926,731	76,252,380
306,972	256,331	217,265
-	-	-
-	-	-
535,978	588,771	753,576
27,130,384	27,183,708	28,131,768
1,489,001	1,390,168	934,594
138,401	131,245	130,273
6,039,145	7,176,134	10,195,585
2,150,216	2,170,233	-
710,464	648,292	694,812
10,756,874	1,537,235	1,730,846
49,257,435	41,082,117	42,788,719
\$ 117,430,598	\$ 110,008,848	\$ 119,041,099

POLK COUNTY, IOWA

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

	Fiscal Year			
	2002	2003	2004	2005
Net (expense)/revenue:				
Governmental activities	\$ (113,552,020)	\$ (102,272,443)	\$ (93,999,578)	\$ (116,414,671)
Business-type activities	17,178,704	64,544,864	30,950,126	34,558,567
Total government net expense	\$ (96,373,316)	\$ (37,727,579)	\$ (63,049,452)	\$ (81,856,104)
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
Other county taxes	4,628,658	4,522,965	5,007,702	4,809,582
Interest on property taxes	1,013,007	1,036,820	1,050,605	1,061,401
State replacements	4,617,424	4,248,944	2,982,019	2,746,785
Use of money and property	3,369,631	2,007,490	1,709,951	3,210,740
Miscellaneous	2,201,141	2,581,325	2,102,807	2,401,601
Gain on sale of capital assets	-	-	-	-
Transfers	20,371,722	5,590,123	10,214,305	7,889,858
Total governmental activities	109,980,482	96,375,816	103,262,959	107,403,313
Business-type activities:				
Use of money and property	658,468	1,282,188	1,343,852	1,679,914
Miscellaneous	242,821	674,307	8,684,720	185,513
Special item - contribution expense WRA Sewer	-	-	-	(14,700,543)
Transfers	(20,371,722)	(5,590,123)	(10,214,305)	(7,889,858)
Total business-type activities	(19,470,433)	(3,633,628)	(185,733)	(20,724,974)
Total government	\$ 90,510,049	\$ 92,742,188	\$ 103,077,226	\$ 86,678,339
Change in net assets:				
Governmental activities	\$ (3,571,538)	\$ (5,896,627)	\$ 9,263,381	\$ (9,011,358)
Business-type activities	(2,291,729)	60,911,236	30,764,393	13,833,593
Total primary government	\$ (5,863,267)	\$ 55,014,609	\$ 40,027,774	\$ 4,822,235

Fiscal Year		
2006	2007	2008
\$ (126,814,968)	\$ (130,276,410)	\$ (137,175,448)
15,414,772	7,976,751	8,786,321
<u>\$ (111,400,196)</u>	<u>\$ (122,299,659)</u>	<u>\$ (128,389,127)</u>

\$ 88,765,727	\$ 95,414,667	\$ 105,846,177
4,793,069	4,539,835	5,307,751
1,153,332	1,147,313	1,388,689
2,670,946	2,658,239	2,773,895
5,197,356	8,347,209	6,864,291
3,346,717	2,068,863	4,152,740
270,000	-	-
11,503,230	8,043,702	7,420,615
<u>117,700,377</u>	<u>122,219,828</u>	<u>133,754,158</u>

1,558,005	1,854,206	1,373,373
432,072	420,136	350,263
-	-	-
(11,503,230)	(8,043,702)	(7,420,615)
<u>(9,513,153)</u>	<u>(5,769,360)</u>	<u>(5,696,979)</u>
<u>\$ 108,187,224</u>	<u>\$ 116,450,468</u>	<u>\$ 128,057,179</u>

\$ (9,114,591)	\$ (8,056,582)	\$ (3,421,290)
5,901,619	2,207,391	3,089,342
<u>\$ (3,212,972)</u>	<u>\$ (5,849,191)</u>	<u>\$ (331,948)</u>

(concluded)

POLK COUNTY, IOWA

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

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

Fiscal Year		
2006	2007	2008
\$ 46,200	\$ 38,500	\$ 30,800
226,889	270,940	342,694
5,747,249	4,527,232	8,030,308
205,061	170,936	155,950
27,458,434	31,554,143	29,777,926
<u>\$ 33,683,833</u>	<u>\$ 36,561,751</u>	<u>\$ 38,337,678</u>

\$ 924,486	\$ 863,685	\$ 801,046
(1,323,681)	(3,180,810)	(3,515,264)
<u>\$ (399,195)</u>	<u>\$ (2,317,125)</u>	<u>\$ (2,714,218)</u>

N/A	18,559,904	N/A
<u>\$ -</u>	<u>\$ 18,559,904</u>	<u>\$ -</u>

\$ 2,000	\$ -	\$ -
3,859,193	3,270,132	2,651,067
1,809,930	3,604,943	3,166,510
514,769	578,060	539,149
1,417,869	164,896	217,530
15,901,830	8,116,722	7,879,428
1,246,346	(795,114)	(3,282,050)
(5,727,117)	9,597,713	2,798,519
936,163	417,138	366,009
<u>\$ 19,960,983</u>	<u>\$ 24,954,490</u>	<u>\$ 14,336,162</u>

POLK COUNTY, IOWA

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

	Fiscal Year			
	2002	2003	2004	2005
Revenues:				
Property taxes	\$ 73,694,993	\$ 76,432,075	\$ 80,073,560	\$ 84,979,971
Other County taxes	4,628,658	4,522,965	5,007,702	4,809,582
Interest and penalties on delinquent taxes	1,013,007	1,036,820	1,050,605	1,061,401
Intergovernmental	50,601,288	49,871,180	50,386,963	48,116,800
Licenses and permits	512,352	966,497	890,166	943,081
Charges for service	8,448,822	9,533,000	9,516,163	9,619,485
Use of money and property	3,263,790	1,879,148	1,688,882	3,145,534
Fines, forfeitures and defaults	130,337	478,546	-	-
Miscellaneous	2,177,523	2,067,715	2,785,644	1,824,317
Total revenues	144,470,770	146,787,946	151,399,685	154,500,171
Expenditures:				
Public safety and legal services	35,006,444	38,159,485	38,605,232	41,340,119
Physical health and social services	27,875,862	27,385,372	25,901,227	24,781,328
Mental health	40,836,250	37,943,410	35,871,973	44,893,946
County environment and education	16,889,973	17,288,250	13,181,319	13,086,191
Roads and transportation	9,400,596	7,579,979	9,263,306	7,881,246
Governmental services to residents	4,885,442	4,599,552	4,831,067	5,243,386
Administration	21,140,609	21,119,416	19,064,885	25,221,121
Nonprogram services	-	30,565	30,110	70,697
Debt service:				
Principal	1,192,262	1,854,176	2,416,089	2,526,980
Interest	887,963	653,421	720,409	776,022
Capital Projects:				
Roadway construction	2,252,262	2,432,847	4,459,987	2,768,779
Conservation land acquisition and development	417,267	220,017	114,419	195,324
Other capital projects	9,782,768	4,719,875	2,709,348	3,270,594
Total expenditures	170,567,698	163,986,365	157,169,371	172,055,733
Excess of revenues over (under) expenditures	(26,096,928)	(17,198,419)	(5,769,686)	(17,555,562)
Other financing sources (uses):				
Transfers in	30,707,173	20,005,619	20,962,438	23,278,866
Transfers out	(15,315,451)	(14,320,997)	(8,928,133)	(18,869,008)
Transfer of bond proceeds from enterprise fund	-	-	-	-
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
Premium (discount) on bonds issued	-	-	-	25,652
Issuance of capital leases	1,315,354	-	-	-
Proceeds from the sale of capital assets	-	88,150	-	41,430
Total other financing sources (uses)	16,707,076	12,031,159	13,078,092	8,246,940
Net change in fund balances	\$ (9,389,852)	\$ (5,167,260)	\$ 7,308,406	\$ (9,308,622)
Total expenditures	\$ 170,567,698	\$ 163,986,365	\$ 157,169,371	\$ 172,055,733
Less: capital expense	(9,044,806)	(3,468,316)	(4,735,036)	(2,259,466)
Total non capital expenditures	\$ 161,522,892	\$ 160,518,049	\$ 152,434,335	\$ 169,796,267
Debt service as % of noncapital expenditures	1.29%	1.56%	2.06%	1.95%

			Fiscal Year		
			2006	2007	2008
\$	88,444,351	\$	95,065,943	\$	106,659,293
	4,793,069		4,539,835		5,307,751
	1,153,332		1,147,313		1,388,689
	59,121,302		59,267,106		66,353,718
	600,980		481,516		516,733
	10,717,919		10,734,667		10,297,290
	5,039,230		8,147,428		6,642,171
	-		-		-
	2,443,924		1,763,992		1,990,742
	<u>172,314,107</u>		<u>181,147,800</u>		<u>199,156,387</u>
	46,600,339		48,709,314		51,056,103
	26,453,593		27,175,301		29,584,279
	44,253,468		47,580,948		50,448,588
	21,369,155		16,670,606		11,561,165
	9,176,185		8,731,835		10,658,344
	5,192,084		5,717,290		6,008,426
	28,141,913		29,266,591		30,909,966
	193,374		709,229		46,304
	2,749,893		3,791,808		4,662,698
	714,235		2,895,372		4,501,088
	3,484,215		4,003,795		5,352,558
	1,187,487		853,962		3,237,269
	12,605,065		48,382,141		30,098,666
	<u>202,121,006</u>		<u>244,488,192</u>		<u>238,125,454</u>
	(29,806,899)		(63,340,392)		(38,969,067)
	39,867,947		99,924,310		25,876,454
	(28,344,717)		(93,360,608)		(18,435,839)
	-		-		930,000
	-		-		-
	-		-		-
	14,975,000		80,915,000		2,665,000
	77,543		24,675		32,656
	557,766		168,920		-
	41,078		74,152		68,555
	<u>27,174,617</u>		<u>87,746,449</u>		<u>11,136,826</u>
\$	<u>(2,632,282)</u>	\$	<u>24,406,057</u>	\$	<u>(27,832,241)</u>
\$	202,121,006	\$	244,488,192	\$	238,125,454
	(15,244,167)		(49,469,518)		(30,051,875)
\$	<u>186,876,839</u>	\$	<u>195,018,674</u>	\$	<u>208,073,579</u>
	1.85%		3.43%		4.40%

POLK COUNTY, IOWA

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

Fiscal Year Ended June 30	Residential Property	Commercial Property	Industrial Property	Agricultural Property & Building	Reimb / Non-Reimb M&E/Comp & Railroads	Utilities W/O Gas & Electric	Less:		Total Taxable Assessed Property	Total Direct Tax Rate (c)
							Military Tax-Exempt Property	Property		
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	\$ 6.38	
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	6.35	
2001	12,380,092,744	4,852,939,650	332,230,057	176,524,720	69,973,080	157,018,188	(40,004,442)	17,928,773,997	6.35	
2002	12,762,231,179	5,113,030,508	330,155,953	175,130,730	22,802,745	167,252,805	(39,460,588)	18,531,143,332	6.35	
2003	14,638,527,938	5,464,460,568	336,451,459	121,726,940	24,988,015	143,937,792	(38,666,548)	20,691,426,164	6.35	
2004	15,240,749,267	5,650,708,433	333,764,600	120,506,340	26,017,475	151,005,921	(37,963,717)	21,484,788,319	6.35	
2005	17,199,501,990	6,091,367,498	347,505,667	118,207,210	26,095,792	162,418,793	(37,737,570)	23,907,359,380	6.35	
2006	17,989,044,550	6,323,324,900	360,678,980	118,019,020	24,874,251	138,971,954	(37,507,856)	24,917,405,799	6.35	
2007	19,792,218,240	6,611,496,480	371,734,980	146,593,080	28,112,835	135,387,079	(36,944,652)	27,048,598,042	6.84	
2008	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: 2007 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) 2008 Calendar Year Assessment is for taxes due in fiscal year 2008/2009 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	2008			1999		
	2006 Taxable Assessed Value	Rank	Percentage of Total County Taxable Assessed Value	1997 Taxable Assessed Value	Rank	Percentage of Total County Taxable Assessed Value
Mid American Energy	\$ 573,177,847	1	3.8%	\$ 619,962,008	1	6.0%
Principal Life Insurance Co.	248,279,820	2	1.7%	191,835,918	2	1.8%
R & R Investors	191,274,230	3	1.3%	-		-
Wells Fargo	163,419,180	4	1.1%	-		-
Mercy Hospital	117,865,790	5	0.8%	-		-
Prairie Meadows	106,486,400	6	0.7%	-		-
Hubbell Interests	101,536,130	7	0.7%	-		-
Mid America Investment	98,844,630	8	0.7%	60,981,770	5	0.6%
Qwest Corp. & Qwest Com.	79,305,603	9	0.5%	80,897,787	3	0.8%
Pioneer Hi-Bred	74,726,330	10	0.5%	-		-
Valley West Mall	-		-	71,851,470	4	0.7%
William Knapp	-		-	60,844,280	6	0.6%
Merle Hay Mall	-		-	56,723,300	7	0.5%
Iowa Methodist	-		-	46,465,950	8	0.4%
John Deere	-		-	44,138,173	9	0.4%
Bridgestone-Firestone	-		-	42,022,197	10	0.4%
Total	\$ 1,754,915,960		11.7%	\$ 1,275,722,853		12.3%

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
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%
2007	98,107,703	97,654,105	99.5%	27,061	97,681,166	99.6%
2008	109,708,680	109,344,353	99.7%	43,323	109,387,676	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.

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POLK COUNTY, IOWA

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

	Year Taxes are Payable				
	1999	2000	2001	2002	2003
Countywide service rates:					
General Basic	\$ 3.50	\$ 3.50	\$ 3.50	\$ 3.50	\$ 3.50
General Supplemental	1.54	1.53	1.53	1.59	1.56
MH/DD Service	1.39	1.32	1.26	1.21	1.18
Debt Service	-	0.03	0.05	0.05	0.11
Total Countywide Rate	6.43	6.38	6.35	6.35	6.35
Rural service rates	4.86	4.86	4.79	4.71	4.59
Total Rural Rate	11.29	11.25	11.14	11.06	10.94
City rates:					
Alleman	8.10	7.37	7.00	6.71	6.92
Altoona	8.93	8.91	8.90	8.90	8.89
Ankeny	9.65	9.52	9.65	9.65	9.90
Bondurant	14.87	14.88	14.90	14.36	14.21
Carlisle	10.67	11.95	12.39	12.38	12.92
Clive	7.70	7.91	7.91	8.45	8.97
Des Moines	16.94	16.82	16.57	17.05	17.05
Elkhart	8.10	8.10	8.10	8.10	10.82
Granger	-	-	-	10.39	11.31
Grimes	12.27	11.61	11.61	11.73	12.77
Johnston	9.86	9.48	9.94	11.19	10.89
Mitchellville	13.60	13.42	14.19	13.15	13.62
Norwalk	-	-	-	-	-
Pleasant Hill	12.06	11.67	11.61	11.78	11.60
Polk City	8.22	8.19	8.15	8.01	8.09
Runnells	8.10	8.10	8.10	8.10	8.10
Sheldahl	3.41	3.23	3.28	2.86	2.79
Urbandale	8.49	8.84	8.97	8.96	8.97
Windsor Heights	10.87	10.92	10.92	11.03	11.59
West Des Moines	10.90	10.90	10.90	10.90	11.60
School District Rates:					
North Polk	16.59	15.90	14.60	14.63	14.94
Southeast Polk	16.41	16.54	15.31	15.13	15.42
Bondurant-Farrar	15.30	15.05	14.57	14.60	15.43
Ankeny	17.50	17.09	17.09	17.01	17.25
Carlisle	18.32	16.85	17.06	16.33	17.96
West Des Moines	13.67	13.51	13.50	13.49	13.50
Des Moines Independent	17.71	16.96	16.95	17.14	17.10
Saydel	15.75	16.57	16.76	14.78	14.86
Johnston	14.67	14.99	14.84	15.10	15.65
Woodward-Granger	-	-	-	13.92	14.83
Dallas	16.86	18.35	18.35	17.82	17.49
Dallas	-	-	-	-	14.46
Urbandale	14.43	14.38	12.34	12.91	13.44
Urbandale	-	-	-	-	13.02
Other:					
State	0.01	0.01	0.01	0.01	0.00
Area XI Community College	0.51	0.52	0.55	0.54	0.55
Broadlawns County Hospital	2.49	2.55	2.56	2.91	2.99
Ag. Extension	0.03	0.03	0.04	0.04	0.04
Assessor	0.33	0.31	0.31	0.34	0.34

Source: 2006/2007 Tax Rates Payable Fiscal Year Ended June 30, 2008 obtained from Ron Carzoli, Tax/GIS Dept Supervisor

Year Taxes are Payable

2004		2005		2006		2007		2008	
\$	3.50	\$	3.50	\$	3.50	\$	3.50	\$	3.50
	1.61		1.59		1.57		1.64		1.97
	1.13		1.06		1.03		0.96		0.93
	0.11		0.20		0.24		0.24		0.45
	6.35		6.35		6.35		6.35		6.84
	4.59		4.59		4.59		4.59		4.59
	10.94		10.95		10.94		10.94		11.44
	7.81		8.07		7.89		8.05		8.23
	8.89		8.89		8.79		8.64		8.64
	9.90		10.39		10.39		10.34		10.29
	14.56		14.45		14.39		14.38		14.34
	12.89		12.92		13.99		13.97		13.97
	8.92		8.93		9.11		9.25		9.54
	17.05		17.06		16.52		16.45		16.59
	8.10		11.70		11.55		11.69		10.98
	11.52		12.20		12.99		12.65		12.34
	12.82		12.84		12.83		12.75		12.93
	10.89		10.81		10.74		11.31		11.30
	13.87		13.34		13.47		12.45		12.82
	12.43		12.43		12.43		13.92		14.98
	11.48		11.48		11.48		11.48		11.48
	7.90		7.90		7.90		7.90		7.90
	8.10		8.83		9.02		9.08		9.06
	2.71		2.63		2.55		3.43		3.59
	9.07		9.07		9.07		9.07		9.22
	12.35		12.63		12.63		12.22		12.40
	11.60		11.73		11.73		11.95		12.05
	15.12		16.04		16.42		16.13		17.46
	17.37		17.28		17.99		20.99		21.96
	15.28		16.26		16.71		17.23		17.32
	17.10		16.90		16.70		16.71		17.91
	18.88		18.37		18.37		17.21		20.00
	13.50		13.50		13.50		13.70		13.70
	17.36		18.03		18.01		18.02		17.94
	14.80		14.67		13.13		13.39		13.63
	16.73		17.21		17.35		17.35		17.35
	15.95		17.02		16.76		17.52		17.52
	17.50		17.51		17.51		17.50		17.50
	14.74		14.88		14.96		15.68		15.90
	12.96		12.13		13.70		13.48		15.72
	12.61		11.99		13.51		13.48		15.72
	0.00		0.00		0.00		0.00		0.00
	0.58		0.60		0.68		0.69		0.60
	3.06		3.26		3.20		3.49		2.97
	0.04		0.04		0.04		0.04		0.04
	0.32		0.32		0.35		0.30		0.31

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	\$				
1999	\$ 11,178,065	\$ 670,623	\$ 413,373	\$	7,401,071	\$ 6,391,401	\$	26,054,533	0.22%	\$ 72.41	
2000	13,965,217	325,000	428,051		6,483,061	5,810,865		27,012,194	0.22%	74.07	
2001	18,967,369	772,000	583,571		6,212,001	5,223,681		31,758,622	0.25%	84.78	
2002	17,804,107	743,000	1,460,564		50,689,273	4,613,174		75,310,118	0.56%	196.83	
2003	22,235,306	713,000	972,395		162,855,294	3,999,006		190,775,001	1.37%	498.62	
2004	20,869,657	682,000	793,822		158,849,951	3,386,366		184,581,796	1.24%	472.54	
2005	22,162,437	650,000	483,525		147,618,237	-		170,914,199	1.08%	430.35	
2006	34,491,195	616,000	687,403		144,921,169	-		180,715,767	1.15%	448.28	
2007	111,657,091	581,000	550,926		136,562,443	-		249,351,460	1.58%	609.83	
2008	110,646,911	545,000	371,163		127,016,267	678,932		239,258,273	1.52%	571.92	

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

Notes: 2007 and 2008 percentages calculated using 2006 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		
1999	\$ 18,579,136	\$ 20,806	\$ 18,558,330	0.12%	\$ 51.58
2000	20,448,278	264,630	20,183,648	0.12%	55.35
2001	25,179,370	416,572	24,762,798	0.14%	66.10
2002	68,493,380	656,237	67,837,143	0.37%	177.30
2003	185,090,600	836,776	184,253,824	0.89%	481.57
2004	179,719,608	993,781	178,725,827	0.83%	457.55
2005	169,780,674	789,769	168,990,905	0.71%	425.51
2006	179,412,364	936,163	178,476,201	0.72%	442.72
2007	248,219,534	417,138	247,802,396	0.92%	606.04
2008	237,663,178	366,009	237,297,169	N/A (a)	567.24

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

Note: (a) 2008 Calendar Year Assessment is for taxes due in fiscal year 2008/2009 and is not yet available.

POLK COUNTY, IOWA

**Direct and Overlapping Governmental Activities Debt
As of June 30, 2008**

Governmental Unit	Taxable Valuation	Debt Outstanding	Totals
County direct debt	\$ 15,014,050,049	\$ 111,563,074	<u>\$ 111,563,074</u>
City debt:			
Alleman	15,817,265	153,000	
Altoona	408,866,647	37,125,000	
Ankeny	1,550,184,587	36,435,000	
Bondurant	63,097,889	4,010,000	
Clive	781,390,901	36,845,000	
Des Moines	5,624,396,283	343,895,000	
Elkhart	7,959,627	915,000	
Grimes	251,739,358	10,335,000	
Johnston	824,436,533	43,560,000	
Mitchellville	38,703,308	400,000	
Pleasant Hill	256,865,681	11,705,000	
Polk City	85,267,578	-	
Runnells	8,110,648	-	
Sheldahl	2,815,253	-	
Urbandale	1,768,552,495	42,830,000	
Windsor Heights	176,510,120	8,345,000	
West Des Moines	2,369,311,233	<u>129,290,733</u>	
Subtotal, City debt		<u>705,843,733</u>	
School district debt:			
Ankeny Community	1,733,617,954	45,150,000	
Bondurant-Farrar	162,477,581	1,205,000	
Dallas	342,400,977	24,770,000	
Des Moines Independent	5,617,087,863	-	
Johnston Community	1,421,489,970	60,055,000	
North Polk Community	200,035,085	2,120,000	
Saydel	518,552,192	4,455,000	
Southeast Polk	912,282,337	52,860,000	
Urbandale Community	946,397,745	50,295,000	
West Des Moines Community	3,607,682,493	<u>3,550,000</u>	
Subtotal, school district debt		<u>244,460,000</u>	
Other:			
Urbandale Sanitary Sewer		<u>4,155,000</u>	
Subtotal, other		<u>4,155,000</u>	
Total, overlapping debt			<u>954,458,733</u>
Total direct and overlapping debt:			<u>\$ 1,066,021,807</u>

Source: Cities and school districts within Polk County

Note: Fiscal year 2008 is matched to 2006 assessment year

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POLK COUNTY, IOWA

**Legal Debt Margin Information
As of June 30, 2008**

	1999	2000	2001	2002	2003
Debt limit	\$ 736,719,808	\$ 758,316,750	\$ 789,920,762	\$ 811,598,813	\$ 896,438,700
Total net debt applicable to limit	80,821,484	89,053,595	173,524,083	193,242,685	315,568,208
Legal debt margin	\$ 655,898,324	\$ 669,263,155	\$ 616,396,679	\$ 618,356,128	\$ 580,870,492
Total net debt applicable to the limit as a percentage of debt limit	12.32%	13.31%	28.15%	31.25%	54.33%

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

Legal Debt Margin Calculation for Fiscal Year 2008 Assessed Value	\$ 24,917,405,799
Debt limit (5% of assessed value)	1,245,870,290
Less: Debt applicable to debt limit; Outstanding County indebtedness (a)	<u>407,803,252</u>
Legal debt margin	<u>\$ 838,067,038</u>

	2004		2005		2006		2007		2008
\$	926,557,167	\$	1,034,571,308	\$	1,074,239,416	\$	1,195,367,969	\$	1,245,870,290
	317,765,656		313,142,908		327,914,085		419,214,286		407,803,252
\$	<u>608,791,511</u>	\$	<u>721,428,400</u>	\$	<u>746,325,331</u>	\$	<u>776,153,683</u>	\$	<u>838,067,038</u>
	52.20%		43.41%		43.94%		54.01%		48.66%

POLK COUNTY, IOWA

Demographic and Economic Statistics Last Ten Calendar Years

Year	(a) Estimated Population	(b) Personal Income (000's)	(b) Per Capita Personal Income	Unemployment Statistics (c)		
				Polk County		State of Iowa
				Labor Force	Rate	
1999	359,826	\$ 11,636,115	\$ 31,399	212,500	2.2%	2.8%
2000	364,672	12,299,159	32,728	210,700	1.9%	2.5%
2001	374,601	12,735,942	33,487	212,900	2.0%	2.6%
2002	382,609	13,421,332	34,858	216,400	2.6%	3.3%
2003	382,609	13,960,668	35,852	228,700	3.5%	4.0%
2004	390,615	14,918,628	37,862	225,000	4.0%	4.5%
2005	397,152	15,754,629	39,215	224,900	4.8%	4.8%
2006	403,132	16,755,221	40,764	232,200	4.3%	4.6%
2007	408,888	*	*	234,900	3.4%	3.7%
2008	418,339	*	*	237,000	3.6%	3.8%

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	2008			1999		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Wells Fargo & Co.	11,700	1	5.26%	-		*
State of Iowa	9,300	2	4.18%	-		*
Principal Financial Group	8,200	3	3.69%	10,083	1	*
Mercy Hospital Medical Center	6,600	4	2.97%	4,600	4	*
Iowa Health Des Moines	6,470	5	2.91%	5,000	3	*
Federal Government	5,600	6	2.52%	-		*
Des Moines Public Schools	4,904	7	2.21%	4,300	5	*
Hy-Vee Food Stores	4,000	8	1.80%	6,000	2	*
MidAmerican Energy Holdings Co.	3,694	9	1.66%	-		*
Wellmark (Blue Cross/Blue Shield)	3,000	10	1.35%	2,100	7	*
Communications Data Services	-		-	2,798	6	*
City of Des Moines	-		-	2,000	8	*
Centrobe	-		-	1,500	9	*
Pioneer Hi-Bred International Co.	-		-	1,500	10	*
Total	63,468		28.54%	39,881		*

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									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Public safety	322	338	342	344	349	349	351	358	361	386
Human services	162	165	198	194	168	166	159	159	163	165
Roads and engineering	81	82	78	73	74	74	72	72	68	69
Administration	162	169	172	165	148	148	151	151	149	153
Other	381	386	388	387	383	376	344	347	351	357
Total	1,108	1,140	1,178	1,163	1,122	1,113	1,077	1,087	1,092	1,130

Source: County Budget Office

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POLK COUNTY, IOWA

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

Function / Program	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Public safety and legal services:										
Sheriff:										
# of E911 calls	*	*	30,236	40,394	46,075	45,257	47,550	42,474	45,866	N/A (a)
# of civil papers served	*	*	34,294	35,123	42,875	37,303	42,154	46,164	45,488	N/A (a)
# of average daily jail population	*	*	649	778	772	834	959	993	995	N/A (a)
# of bookings	*	*	14,018	14,275	12,990	14,454	17,234	17,377	17,978	17,917
Medical Examiner:										
# of death investigations	*	*	768	920	800	876	939	995	996	1,133
# of autopsies	*	*	123	172	150	187	235	212	169	164
Physical health and social services:										
Health Department:										
# of patient visits to STD clinic	*	*	3,916	4,269	4,424	4,698	4,435	4,074	4,752	5,347
Public Works:										
# of septic/well inspections	*	*	*	*	646	824	811	795	817	662
# of food inspections	*	*	2,296	2,448	2,974	2,481	2,787	N/A (b)	N/A (b)	N/A (b)
Veteran Affairs:										
# of clients interviewed	*	*	5,729	5,376	6,882	6,001	4,164	6,213	5,726	5,446
# of vouchers issued	*	*	4,351	5,328	3,069	2,585	2,876	3,548	3,516	3,362
Mental Health:										
# of individuals served	*	*	5,820	6,764	7,125	7,033	7,487	7,282	7,224	7,768
# of individuals receiving ongoing/intensive svc	*	*	2,758	2,887	2,895	2,983	3,174	3,225	3,399	3,607
County environment and education:										
Public Works:										
# of requests of service for weed eradication	*	*	1,446	1,964	4,463	2,538	4,342	3,994	3,781	3,516
# of lots cleaned up	*	*	85	82	67	38	46	33	28	35

POLK COUNTY, IOWA

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

Function / Program	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Roads and transportation:										
Public Works:										
# of gravel miles maintained	*	*	269	244	226	218	201	187	182	177
# of paved miles maintained	*	*	492	513	517	548	548	582	570	573
Governmental services to residents,										
Treasurer:										
# of titles	*	*	156,228	168,828	162,770	169,846	172,545	146,641	134,329	137,707
# of registrations	*	*	404,897	417,345	405,811	416,446	494,924	593,767	569,082	552,415
Auditor / Elections:										
# of registered voters	*	*	240,000	240,000	245,000	250,000	265,000	253,400	275,511	292,803

*Information not available

Source: County records

Notes: (a) 2008 information is not yet available.
(b) turned over to State in July 2005.

POLK COUNTY, IOWA

Capital Asset Statistics by Function/Program Last Ten Fiscal Years

Function / Program	Fiscal Year			
	1999 (a)	2000 (a)	2001 (a)	2002
Public safety and legal services	\$ 2,359,789	\$ 2,418,490	\$ 3,364,761	\$ 41,622,924
Physical health and social services	101,066	101,066	101,066	8,042,448
Mental health	-	-	-	54,768
County environment and education	2,063,982	2,203,425	2,345,624	4,653,147
Roads and transportation	8,060,493	8,771,314	8,117,117	67,830,894
Governmental services to residents	2,093,314	2,195,178	2,224,430	1,417,453
Administration	-	-	-	22,036,438
Interprogram	16,174,945	16,616,582	18,908,064	-
Nonprogram-financing/capital projects	47,827,710	50,539,221	62,526,700	-

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

Fiscal Year						
2003	2004	2005	2006	2007	2008	
\$ 41,803,545	\$ 41,798,054	\$ 42,377,518	\$ 49,107,367	\$ 91,968,820	\$ 107,014,496	
9,936,678	10,085,394	10,111,029	10,950,861	12,668,272	11,692,242	
54,768	54,768	-	-	-	-	
5,071,794	5,303,553	5,317,890	6,369,054	6,066,861	7,852,059	
76,407,203	86,828,497	91,571,796	96,256,517	96,853,889	98,759,779	
1,417,453	1,417,453	1,448,189	2,546,321	2,517,342	2,509,217	
22,254,209	20,596,001	20,352,004	21,221,297	21,502,376	33,889,089	
-	-	-	-	-	-	
-	-	-	-	-	-	

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POLK COUNTY, IOWA

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008**

Grantor/Program	CFDA Number	Contract Number	Total Federal Expenditures For Fiscal Year 2008
OFFICE OF NATIONAL DRUG CONTROL POLICY			
Direct Program - Iowa Enforcement Initiative (HIDTA) Grant	07.Unknown	I7PMWP556Z	\$ 28,605
Direct Program - Iowa Enforcement Initiative (HIDTA) Grant	07.Unknown	I8PMWP556Z	50,525
Total Office of National Drug Control Policy			<u>79,130</u>
DEPARTMENT OF AGRICULTURE			
Direct Program - Commodity Supplemental Food Distribution	10.565	N/A	775,635
Direct Program - Wetland Reserve Program-Chichaqua Fencing Contract	10.072	65-6114-5-317B	15,674
Direct Program - Soil and Water Conservation	10.902	68-6114-8-26	-
Passed through Iowa Department of Human Services:			
Local Administration Expense Reimbursement	10.561	N/A	234,842
Commodity Supplemental Food Program	10.565	N/A	198,811
Passed through Iowa Department of Education:			
National School Breakfast Program	10.553	77-8810	21,445
National School Lunch Program	10.555	77-8810	31,897
Child Care Food Program	10.558	77-8050	1,058,015
Child Care Food Program	10.558	77-8050	358,783
Total Department of Agriculture			<u>2,695,102</u>
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Direct Program - Economic Development Initiative - Special Project, Neighborhood Initiative and Miscellaneous Grants	14.251	B-06-SP-IA-0284	96,730
Passed through Iowa Department of Economic Development:			
Community Development Block Grants	14.228	06-HSG-025	107,609
Total Department of Housing and Urban Development			<u>204,339</u>
U.S. FISH AND WILDLIFE SERVICE			
Direct Program - Challenge Cost-Share Program	15.642	301816J089	2,758
Passed through Iowa Department of Natural Resources:			
Outdoor Recreation - Acquisition, Development and Planning	15.916	19-01245	48,500
Total U.S. Fish and Wildlife Service			<u>51,258</u>
DEPARTMENT OF JUSTICE			
Direct Program - State Criminal Alien Assistance Program	16.606	2007APBX0675	1,105
Direct Program - State Criminal Alien Assistance Program	16.606	2008APBX0778	37,416
Passed through Iowa Department of Human Rights:			
Juvenile Accountability Incentive Block Grant	16.523	JAB-S08-45	13,429
Title V Delinquency Prevention Program	16.548	DMCDR-F08-POLK	-
Passed through Iowa Department of Justice:			
Crime Victim Assistance (VOCA)	16.575	VA-08-22	104,020
Violence Against Women Formula Grants	16.588	VW-08-22	8,840
Passed through Governor's Office of Drug Control Policy:			
Drug Endangered Children	16.541	06-OJDP05	10,747
Project Safe Neighborhoods (Bomb Dog)	16.609	03-SD08	741
Project Safe Neighborhoods	16.609	03S-SD08	391
COPS Meth Initiative	16.710	07JAG/C06-A25	26,069
Edward Byrne Justice Assistance Grant (JAG) Program	16.738	07JAG/C06-A25	414,480
Passed through the City of Des Moines:			
Edward Byrne Justice Assistance Grant (JAG) Program	16.738	2006-DJ-BX-531	22,925
Edward Byrne Justice Assistance Grant (JAG) Program	16.738	2007-DJ-BX-0221	-
Total Department of Justice			<u>640,163</u>
DEPARTMENT OF TRANSPORTATION			
Passed through Iowa Department of Transportation:			
Highway Planning and Construction - Central Iowa Trail Loop	20.205	04-STPES-114	1,801,671
Highway Planning and Construction	20.205	03-STPE-129	437,157
Highway Planning and Construction	20.205	2007-16-013	119,851
Recreational Trails Program	20.219	2006-NT-008	5,804
Recreational Trails Program	20.219	2008-NT-003	-

POLK COUNTY, IOWA

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008**

Grantor/Program	CFDA Number	Contract Number	Total Federal Expenditures For Fiscal Year 2008
Passed through Iowa Department of Public Defense:			
2007 HMEP - Training	20.703	N/A	\$ 2,110
2008 HMEP - Training	20.703	N/A	3,951
2007 HMEP - Planning	20.703	N/A	144
2008 Hazmat Symposium	20.703	N/A	5,549
Total Department of Transportation			<u>2,376,237</u>
ENVIRONMENTAL PROTECTION AGENCY			
Direct Program-Research, Development, Monitoring, Public Education, Training, Demonstrations, and Studies			
	66.716	X8-98785701-0	18,814
Direct Program-Environmental Education Grant Program	66.951	NE-98785301-0	7,087
Passed through Iowa Department of Natural Resources:			
Air Pollution Control Implementation Plan Agreement	66.001	2008-7230-02	184,694
Capitalization Grants for Clean Water State Revolving Funds	66.458	PDCW0690	192,673
Total Environmental Protection Agency			<u>403,268</u>
DEPARTMENT OF ENERGY			
Passed through Iowa Department of Human Rights:			
Weatherization Assistance for Low-Income Persons	81.042	DOE-08-20S	203,875
Weatherization Assistance for Low-Income Persons	81.042	DOE-07-20S	105,647
Total Department of Energy			<u>309,522</u>
DEPARTMENT OF EDUCATION			
Passed through Iowa Department of Education and DMACC:			
Iowa New Choices	84.048	N/A	2,599
Total Department of Education			<u>2,599</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through Aging Resource of Central Iowa:			
Title IIIB - Transportation	93.044	N/A	148,900
Title IIIB - Well Elderly Clinic	93.044	N/A	10,000
Title IIIB - Advocacy/Counseling	93.044	N/A	18,600
Title IIIC-1 - Nutrition	93.045	N/A	218,567
Special Program for the Aging - Title IV and Title II Discretionary Projects	93.048	29707E20	50,144
Special Program for the Aging - Title IV and Title II Discretionary Projects	93.048	29707E20	10,299
Nutrition Services Incentive Program	93.053	N/A	97,086
Passed through Iowa Department of Human Rights:			
Family Development and Self Sufficiency	93.558	FaDSS-08-20-FS	227,216
Low-Income Home Energy Assistance	93.568	HEAP-08-20S	378,232
Low-Income Home Energy Assistance	93.568	HEAP-07-20S	114,602
Passed through Iowa Department of Human Services:			
Local Purchase Allocation Social Services Block Grant	93.667	N/A	1,369,994
Local Administration Expense Reimbursement-TANF	93.558	N/A	254,768
Local Administration Expense Reimbursement	93.596	N/A	62,069
Local Administration Expense Reimbursement	93.658	N/A	150,041
Local Administration Expense Reimbursement	93.659	N/A	35,670
Local Administration Expense Reimbursement	93.667	N/A	167,135
Local Administration Expense Reimbursement	93.767	N/A	2,123
Local Administration Expense Reimbursement-Medical Assistance Program	93.778	N/A	324,534

(continued)

POLK COUNTY, IOWA

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008**

Grantor/Program	CFDA Number	Contract Number	Total Federal Expenditures For Fiscal Year 2008
Passed through Iowa Department of Public Health:			
Public Health Emergency Preparedness	93.069	5888BT01	\$ 67,873
Public Health Emergency Preparedness	93.069	5888BT07	-
Public Health Emergency Preparedness - City Readiness Initiative	93.069	5888BT16	123,689
Tuberculosis Elimination	93.116	MOU-2007-TB02	4,943
Tuberculosis Elimination	93.116	MOU-2008-TB01	21,541
Childhood Lead Poisoning	93.197	5888LP06	66,081
I-4 Project	93.268	5887I457	28,656
I-4 Project	93.268	5888I464	8,352
Bioterrorism Preparedness Planning Program	93.283	5887BT01	2,654
Bioterrorism Preparedness Planning Program	93.283	5887BT07	900
Bioterrorism Preparedness Planning Program - City Readiness Initiative	93.283	5887BT17	77,477
Wisewoman	93.283	5888WW11	40,655
Iowa Breast and Cervical Cancer Early Detection Program	93.283	5888NB20	117,767
EMS Disaster Preparedness	93.889	5887EM176	300
HIV Counseling, Testing and Referral	93.940	5888AP10	2,727
HIV Counseling, Testing and Referral	93.940	5887AP10	6,381
HIV-CTR & Hepatitis	93.940	5888AP22	7,564
HIV-CTR & Hepatitis	93.940	5887AP22	11,000
Total Department of Health and Human Services			<u>4,228,540</u>
DEPARTMENT OF HOMELAND SECURITY			
Passed through United Way:			
FEMA	97.024	Phase XXIV	19,456
Passed through City of Des Moines:			
Law Enforcement Terrorism Prevention Program	97.074	FY2005-LETPP-LIEN5-05	33,057
Law Enforcement Terrorism Prevention Program	97.074	FY2006-LETPP-LEIN5-05	31,099
Passed through Iowa Department of Public Defense:			
Pre-Disaster Mitigation Competitive Grant Program	97.017	PDMC-PL-07-LA-2005-099	8,470
State Homeland Security Grant Program (05 Region 1)	97.067	N/A	36,056
Homeland Security Grant Program - MMRS	97.067	2007-GE-T7-0032-013A	-
Homeland Security Grant Program - MMRS	97.067	2006-GE-T6-0065-020A	-
Emergency Management Performance Grant (EMPG)	97.067	N/A	39,000
Total Department of Homeland Security			<u>167,138</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 11,157,296</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, 2008**

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, 2008. All federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through other government agencies expended during the year, is included in the schedule. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*.

Note 2. Significant Accounting Policies

Revenue from federal awards is recognized when the County has done everything necessary to establish its right to revenue. For governmental funds, revenue from federal grant is recognized when they become both measurable and available. Expenditures are recognized when they become a demand on current available financial resources.

Note 3. Subrecipients

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

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Economic Development Initiative - Special Project, Neighborhood Initiative and Miscellaneous Grants	14.251	\$ 47,400
Juvenile Accountability Incentive Block Grant	16.523	\$ 13,429
Edward Byrne Justice Assistance Grant (JAG) Program	16.738	\$ 294,276

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, 2008, was \$775,635. As of June 30, 2008, the County had commodities on hand with a value of \$326,609.

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

Year Ended June 30, 2008

Number	Comment	Status	Corrective Action or Other Explanation
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Findings Related to the Basic Financial Statements

None

Findings and Questioned Costs for Federal Awards

07-III-A	The County does not have an adequate system in place for ensuring that vendors used for the Iowa Breast and Cervical Cancer Early Detection Program and the Wisewoman programs are not suspended or debarred from participation in federal programs.	Corrected	N/A
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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, 2008, which collectively comprise Polk County, Iowa's basic financial statements and have issued our report thereon dated November 25, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Polk County Iowa's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Polk County Iowa's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Polk County, Iowa's internal control over financial reporting.

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

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

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

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the basic financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

We noted certain matters that we have reported to management of Polk County, Iowa in a separate letter dated November 25, 2008.

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 25, 2008

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, 2008. 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, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 08-III-A.

Internal Control Over Compliance

The management of Polk County, Iowa is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Polk County, Iowa's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Polk County, Iowa's internal control over compliance.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

Polk County, Iowa's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Polk County, Iowa's response and, accordingly, we express no opinion on it.

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

McGladrey & Pullen, LLP

Davenport, Iowa
November 25, 2008

Polk County, Iowa

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2008**

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?
- Significant deficiencies identified that are not considered to be material weaknesses?
- Noncompliance material to financial statements noted?

- Yes No
 Yes None Reported
 Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?
- Significant deficiencies identified that are not considered to be material weaknesses?

- Yes No
 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:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.558	Child Care Food Program
20.205	Highway Planning and Construction
93.558	Family Development and Self Sufficiency and Local Administration Expense Reimbursement-TANF

Dollar threshold used to distinguish between type A and type B programs: \$334,719

Auditee qualified as low-risk auditee?

- Yes No

Polk County, Iowa

Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

II. Findings Related to the Basic Financial Statements

A. Significant Deficiencies in Internal Control

None

B. Compliance

None

III. Findings and Questioned Costs for Federal Awards

Significant Deficiencies in Administering Federal Awards:

None

Instances of Noncompliance:

08-III-A

U.S. Department of Agriculture, Passed through the Iowa Department of Human Services, Local Administration Expense Reimbursement (CFDA 10.561)

U.S. Department of Health and Human Services, Passed through the Iowa Department of Human Services, Local Administration Expense Reimbursement – TANF (CFDA 93.558)

U.S. Department of Health and Human Services, Passed through the Iowa Department of Human Services, Local Administration Expense Reimbursement (CFDA 93.596, 93.658, 93.659, 93.667)

U.S. Department of Health and Human Services, Passed through the Iowa Department of Human Services, Local Administration Expense Reimbursement – Medical Assistance Program (CFDA 93.778)

Federal Award Years 2007 – 2008

Finding: The County has not ensured that vendors used for the above programs are not suspended or debarred from participation in federal programs.

Condition: The County has not ensured vendors used have not been suspended or debarred from participation in federal programs. The County had six vendors where the County expended \$25,000 or more for these programs during the fiscal year.

Effect: Federal compliance requirements may not be met.

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

Polk County, Iowa

Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

Questioned Costs: None

Recommendation: We recommend the County ensure vendors used have not been suspended or debarred prior to entering into contracts or purchase orders for all transactions (federal and nonfederal), including, but not limited to, implementing A-133 suspension and debarment training for all personnel in the procurement office.

Response and Corrective Action Plan: In September 2008, the County Administrator informed all departments responsible for grants management to include the necessary language in all future contracts to comply with the suspension and debarment requirement. In addition, the County will continue to review vendors, who meet the necessary requirements, for suspension and debarment based upon semiannual inquiry of departments.

IV. Other Findings Related to Required Statutory Reporting

- A. Certified Budget:** Disbursements during the year ended June 30, 2008 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, 2008 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, 2008.
- D. Business Transactions:** No business transactions between the County and County officials or employees were noted for the year ended June 30, 2008.
- 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, 2008**

- 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	\$ 572,694
Interest/receipts from other sources	719,373
	<u>1,292,067</u>
 Disbursements:	
Salaries	179,714
FICA, IPERS, & insurance benefits	59,010
Travel	10,014
Facility costs	345,740
Office supplies	9,094
Communication	16,582
Equipment/repair	25,214
Project activity expense	8,338
Cost share	75,000
Fee programs expense	293,725
Resale	5,052
Grant and contract programs	432,680
Other expense	8,874
	<u>1,469,037</u>
Excess of disbursements over receipts	(176,970)
Cash balance, beginning of year	532,164
Cash balance, end of year	<u>\$ 355,194</u>

Total expenditures during the year ended June 30, 2008 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	\$ 16,582	\$ 14,500
Cost share	75,000	73,000
Fee programs expense	293,725	170,000
Resale	5,052	5,000
Grant and contract programs	432,680	270,000

- 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, 2008 did not exceed the amounts budgeted.

Polk County, Iowa

**Corrective Action Plan
Year Ended June 30, 2008**

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

08-III-A	The County has not ensured that vendors are not suspended or debarred from participation in federal programs tested.	See corrective action plan at 08-III-A.	Keith Olson, Central Accounting Manager	November 2008	June 2009
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