

BLACK HAWK COUNTY, IOWA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2006

Prepared by:

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Board of Supervisors Office

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Treasurer and Staff

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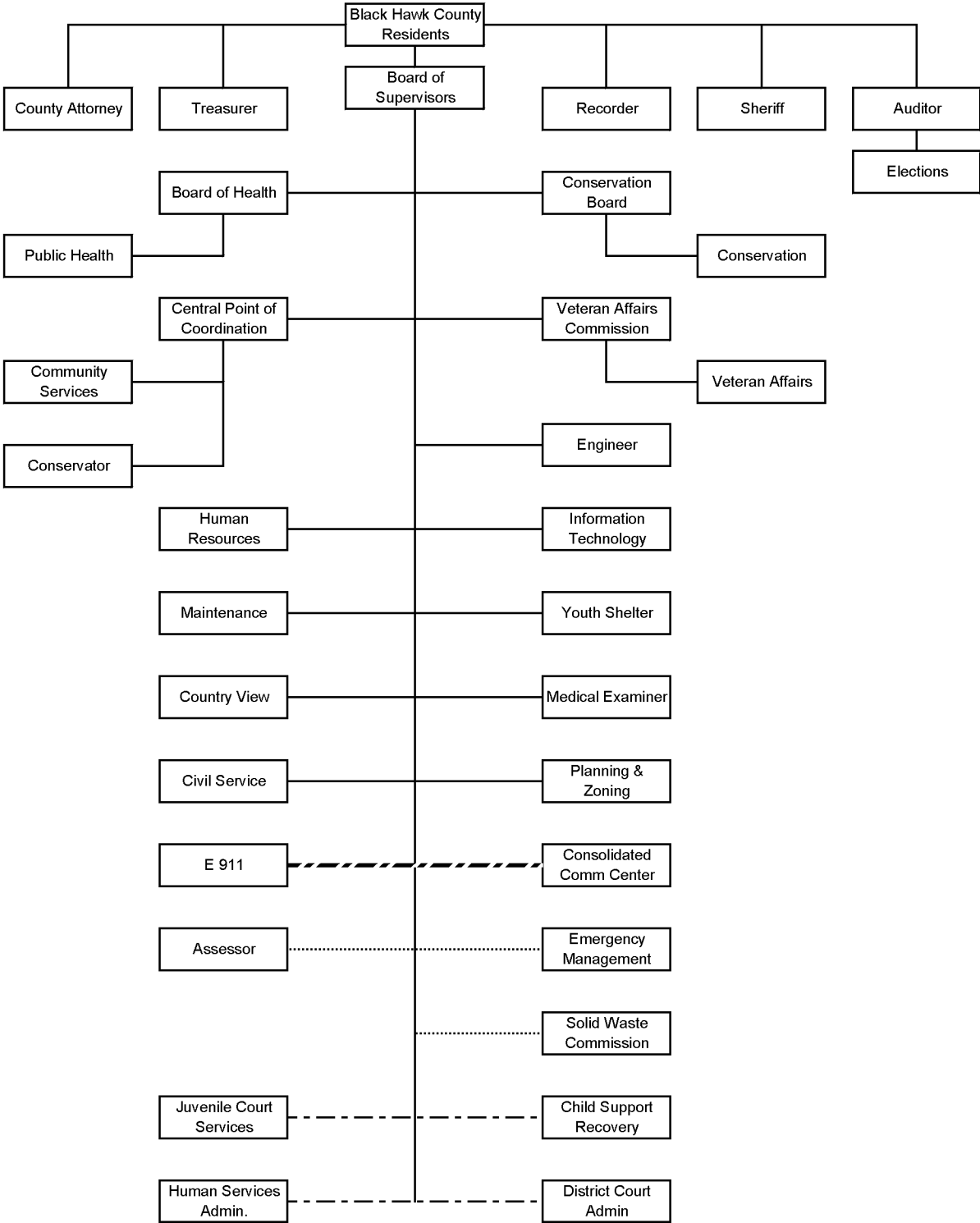
Black Hawk County, Iowa

County Officials

Official Title	Official	Term Expiration Date of Elected Officials
Elected Officials		
Supervisor, Chairperson	Scott Jordan	2009
Supervisor	Tom Little	2009
Supervisor	John Miller	2009
Supervisor	Leon V. Mosley	2007
Supervisor	Robert L. Smith, Jr.	2007
County Attorney	Thomas Ferguson	2007
County Auditor	Grant Veeder	2009
County Recorder	Particia S. Sass	2007
County Sheriff	Michael Kubik	2009
County Treasurer	Barbara A. Freet	2007
Associate Officials		
County Assessor	Vicki S. Atkins	2010
Department Heads and Administration		
Central Point of Coordination Administrator/ Community Services Director	Robert Lincoln	
Conservation Executive Director	Vern Fish	
Country View Administrator*	Sherri Niles	
County Buildings Superintendent	Louis Cutwright	
County Engineer	Richard King	
County Finance Director	James W. Bronner	
Human Resources Director	June Watkins	
Information Technology Interim Director	Kim Veeder	
Public Health Director	Thomas O'Rourke	
Veteran Affairs Director	Bennie Spain	
Youth Shelter Director	Tim Staley	

* The Country View Administrator is not an employee of Black Hawk County, Iowa.

FY2006 Organization Chart - Black Hawk County, IA



Certificate of Achievement for Excellence in Financial Reporting

Presented to

**Black Hawk County
Iowa**

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

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

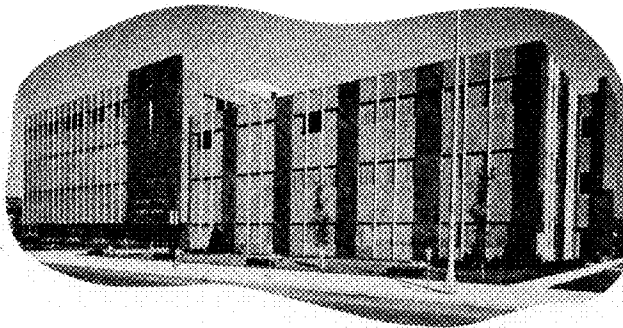


Carla E. Perry

President

Jeffrey R. Emmer

Executive Director



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TOM LITTLE 833-3075
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LEON V. MOSLEY 833-3077
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Administrative Aide

December 7, 2006

Board of Supervisors and Citizens
Black Hawk County, Iowa

The Comprehensive Annual Financial Report (CAFR) for Black Hawk County, Iowa for the fiscal year ended June 30, 2006 is hereby submitted.

Each year the County publishes a complete set of audited financial statements as part of an annual single audit to conform to the provisions of OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. The County assumes full responsibility for the completeness and reliability of the information contained in this report. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

McGladrey & Pullen, LLP, Certified Public Accountants, have issued an unqualified ("clean") opinion on the Black Hawk County financial statements for the year ended June 30, 2006. This independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of Black Hawk County

The first government of Black Hawk County, Iowa was organized August 17, 1853. It is located in the northeast part of the state. The county currently occupies 576 square miles and is the 4th most populous county in the state. The 2000 census population of 128,012 is up 3.4 percent from the 1990 census figure of 123,798. Black Hawk County is empowered to levy a property tax on both real and personal property located within its boundaries.

Black Hawk County currently operates under a five-member Board of Supervisors. Each member is elected at large to a four-year term. The Board of Supervisors is the legislative authority over Black Hawk County. Annually, the Board adopts a budget and establishes tax rates to support County programs. Also elected to four-year terms at large are the following officials: Attorney, Auditor, Recorder, Sheriff and Treasurer. These officials, along with department heads appointed by the Board, are responsible to administer the programs and policies adopted by the Board of Supervisors as well as the budget amount allocated to their department by the Board.

Black Hawk County provides a full range of services. These services include public safety and legal services, physical health and social services, mental health and developmental disabilities services, county environment and education, construction and maintenance of secondary roads, general administrative services and planning and zoning.

Black Hawk County is required by the State of Iowa to adopt an annual budget for the total operating expenditures of the County by function area. This is the foundation of financial planning and control for the County. The budget is prepared by fund (e.g., general, special revenue, debt), function (e.g. public safety), and department (e.g. Sheriff, Conservation). Departments can transfer resources within a department as they see fit. Transfers between departments, however, need special approval for the Board of Supervisors in the form of an amendment to the budget.

Local Economy

Black Hawk County is the fourth largest county in population in the State of Iowa. The cities of Cedar Falls and Waterloo make up just over 80 percent of the population with the remainder living in smaller towns, each are under 2,500 in population, and on farms.

Population since the 2000 Census figure of 128,012 has been declining slightly with the 2005-2006 estimate being closer to 126,000. The unemployment rate had recently climbed from 2.9 percent in 2000 to a rate of 5.0 percent in 2004-2005. That rate has lowered slightly for 2005-2006 to 4.7 percent.

The major industries located within the County's boundaries and the primary employers from each are as follows: Farm tractor and component manufacturing – John Deere, Health care – Covenant Medical Center and Allen Memorial Hospital, Pork processing – Tyson Foods, Bath and kitchen cabinet manufacturing – Omega Cabinets Limited and Bertch Cabinets, and various retail and financial service providers – Hy-Vee, Target distribution, Wal-Mart and GMAC mortgage.

Recently, several businesses have announced plans for expansion, record earnings or the construction of new business in the County. This should help overall employment increase and provide additional capital investment into the County.

LS Power, a New Jersey based company has proposed an estimated \$1.3 billion, 750-megawatt, coal-fired power plant in Black Hawk County. The plant will sell power to municipal and investor-owned electric utilities and cooperatives. Construction is expected to begin in 2007 and continue into 2011. Approximately 1,200 construction workers will be employed by the plant over the four-year construction period. Once completed, the plant will staff approximately 100 permanent professional staff.

The Isle of Capri Casino originally had announced in May of 2005 that it would build a \$135 million casino, hotel and restaurant complex in Black Hawk County. Due to added amenities such as a full-service spa, resort pool, night club, etc..., the estimate recently has grown to an estimated \$175 million. As construction continues, the target date for opening is still the spring of 2007. The complex will employ approximately 800 people when finished.

Allen Hospital announced a plan for a \$47 million expansion to include an emergency room and cardiac care building. In May or June of 2007, construction will begin on the three-story, 70,000 square-foot building. The emergency department is expected to open in late 2008 with the cardiac center opening slated for late 2009.

The supermarket industry continues to expand in Black Hawk County. The Hy-Vee supermarket chain recently completed an \$11 million dollar expansion of their Cedar Falls store, which increased the store size 20,000 square feet to 80,000 square feet in total. This expansion followed the recent relocation and construction of the Logan Avenue store at a cost of \$3.5 million. The Fareway supermarket chain likewise has completed construction of a new 24,000 square-foot store in Evansdale for an estimated cost of \$1.5 million.

The medical supply company, Van G. Miller and Associates continues construction on their 60,000 sq. ft. expansion. The completion date is scheduled for the spring of 2007. The new expansion of their existing facilities will generate approximate 140 new jobs within a year or two of completion with a total estimated cost of \$9 million dollars. The new facility will house the Homelink division of the company.

Deere & Company, the world's premier producer of agricultural equipment, and top employer in Black Hawk County, for the third consecutive year recently posted record earnings. The \$1.694 billion in fiscal year earnings equates to \$7.18 per share up from last years previous record earnings total of \$1.447 billion, or \$5.87 per share. New products such as the 8030 tractor produced in Black Hawk County were key contributors to this year's record earnings. This is the company's best five year span of performance since 1993-1998.

ConAgra Foods, Inc. recently confirmed that they will expand their existing pudding plant an additional \$46 million dollars by adding 200,000 square feet of space. The expansion will add an approximately 50 jobs to the plant as it will double in size. Construction is underway with a production startup date of July 1, 2007 planned.

During the past ten years, the County's expenses including debt and capital projects have increased 23.5 percent overall. The largest percentage increase was in the public safety and legal services area as well as the county environment and education. They increased over the ten year period 47.9 percent and 73.2 percent respectively. The largest dollar increase was in the Mental Health service area. It increased just over \$5.7 million dollars over the ten year period, or 40 percent. The mental health increase is primarily due to the rising costs of providing these services to the public along with an overall increased public demand for the services. The increases for the other areas are primarily driven by wage and insurance increases.

For the same ten year period, the County's total revenue has increased by 20 percent. Some areas have had very significant percentage increases such as the Licenses and Permits and the Interest and Penalty on Property Tax areas at just over 63 percent and 67 percent respectively. While that percentage change is very significant, the dollar totals of those increases were \$139,000 and \$138,000. The majority of the actual dollar increase, which accounts for over 80 percent of the almost \$10.3 million increase, comes from tax increases at \$6.34 million and intergovernmental revenues such as federal and state grants at just under \$2.47 million.

Long-Term Financial Planning

The unreserved, undesignated, general basic fund combined with the general supplemental fund balance for Black Hawk County is at 15.9 percent of total general fund expenditures. This is the highest percentage of fund balance since FY2000. The FY2006 percentage figure is within the range of 15 – 20 percent, which is the preferred range for Black Hawk County. The total combined general fund balance (unreserved, reserved, designated, etc...) is at 18.95 percent of total general fund expenditures. This is very close to the 20-25 percent range, which is the overall goal for the County. Black Hawk County will continue to progress towards the combined general fund balance figure of 20 – 25 percent of expenditures and also work very diligently to keep the current unreserved plus supplemental fund balance within the preferred range of 15-20 percent of expenditures.

Health care costs also continue to rise. The County actively looks at various plans to continue to provide the scope of services that employees have received in the past, but for less of an overall cost. A Request for Proposal (RFP) for the County's health plan consultant was executed in FY2006 with the current consultant being retained for one additional year. Also, as a result of the RFP, a committee was formed to look at the possibility of not continuing to use a consultant past FY2007, and to instead bring the process in house by hiring an individual to assume these duties. That committee's recommendation will be considered by the Board of Supervisors in the coming months.

The County's secondary road system is also being continually reviewed. The County Engineer has identified a downward trend in the overall quality of numerous County roads and bridges. A long range plan considering how much additional funding will be required to reduce the decline and eventually reverse this trend on the aging road system is being developed. The Board will be contemplating this plan and the various funding options in the coming months, as well.

Relevant Financial Policies

Black Hawk County has designated a portion of its fund balance for tax stabilization and to offset termination of benefit payments. The County has chosen to use part of this balance to offset increases in the debt service tax rate if it hits the pre-determined threshold. The balance is also used to offset any unanticipated, unbudgeted retirement payout that occurs throughout the year and can not be offset through the normal budget amendment process.

Major Initiatives

There are four large bridges throughout Black Hawk County. One of these bridges was replaced a few years ago. Another bridge is currently closed and being prepared for replacement starting in the spring of 2007. The cost estimate for that bridge replacement is approximately \$2.6 million, of which the State of Iowa awarded the County \$2 million for the project. The third bridge replacement is scheduled to occur in fiscal year 2010 or 2011 with an estimated price of \$4 – 4.5 million pending available funding. The final of these four bridges will need to be replaced in the next five to ten years. It will also be a multi-million dollar project.

Additionally, there are two bridges that are part of the Cedar Valley Nature Trail within Black Hawk County that are also in need of replacement in the coming years. These two bridges will have estimated project costs similar to the other bridges already listed. One of these two bridges is in need of replacement as soon as funding is available. The other will need similar attention in the next few years. The overall challenge of these projects will be funding them with the least amount of interruption for the surrounding areas.

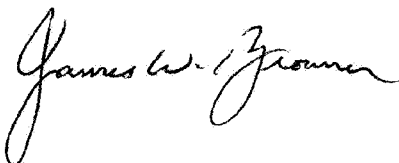
Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Black Hawk County, IA for its comprehensive annual financial report for the fiscal year ended June 30, 2005. This was the first year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This 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. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

I would like to thank all of the County employees and other individuals that assisted in the preparation of the Comprehensive Annual Financial Report. Most notably, I would like to thank the entire staffs of both the Auditor's Office and Treasurer's Office. The completion of this report could not have been accomplished without their efficient and dedicated service. The excellent service provided by the County's independent auditors, McGladrey & Pullen, LLP is also greatly appreciated. Finally, I would like to thank the Board of Supervisors for their leadership and support without which preparation of this report would not have been possible.

Respectfully submitted,



James W. Bronner
Finance Director

