

Comprehensive Annual Financial Report

Fiscal Year Ending June 30, 2011

for

The School Board of Polk County, Florida

Dr. Sherrie B. Nickell, Ed.D.
Superintendent

Our Mission is to ensure rigorous, relevant learning experiences
that result in high achievement for our students.

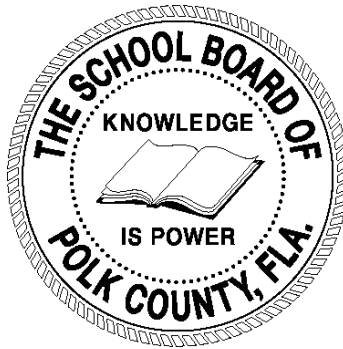
COMPREHENSIVE ANNUAL
FINANCIAL REPORT

of

The School District of
Polk County, Florida

For the

Fiscal Year Ended June 30, 2011



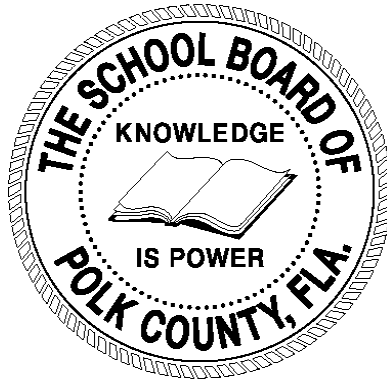
Issued by:

Sherrie B. Nickell, Ed.D, Superintendent of Schools

Prepared by:

Division of Business Services
Mark Grey, Assistant Superintendent
Audra Curts-Whann, Sr. Director of Finance
Pennie L. Zuercher, Director of Financial Reporting

The School District of Polk County, Florida
1915 Floral Avenue
Bartow, Florida 33831



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**COMPREHENSIVE ANNUAL FINANCIAL REPORT
SCHOOL DISTRICT OF POLK COUNTY
For the Fiscal Year Ended June 30, 2011**

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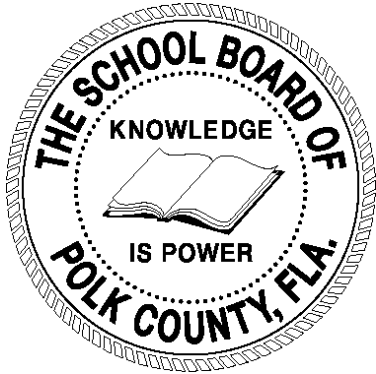
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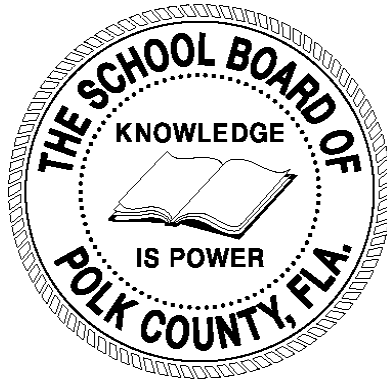
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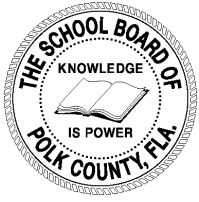
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Introductory Section





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SCHOOL BOARD OF POLK COUNTY

P.O. BOX 391
BARTOW, FLORIDA 33831

1915 SOUTH FLORAL AVENUE
BARTOW, FLORIDA 33830

(863) 534-0500 • SUNCOM 515-1321 • FAX (863) 534-0705

November 30, 2011

Board Members

CHAIRMAN
HAZEL SELLERS
DISTRICT 3

FRANK O'REILLY
DISTRICT 1

LORI CUNNINGHAM
DISTRICT 2

DICK MULLENAX
DISTRICT 4

KAY FIELDS
DISTRICT 5

DEBRA WRIGHT
DISTRICT 6

TIM HARRIS
DISTRICT 7

C. WESLEY BRIDGES II
School Board Attorney

Administration
SHERRIE B. NICKELL, Ed.D.
Superintendent

Mark A. Grey
Assistant Superintendent
Business Services
1915 South Floral Avenue
Bartow, FL 33830

(863) 534-0542
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To the Members of the School Board of Polk County, Florida and Citizens of the Polk County District School Board:

The Comprehensive Annual Financial Report ("CAFR") of the School District of Polk County, Florida (District) for fiscal year ended June 30, 2011 is hereby submitted. These financial statements are presented in conformity with generally accepted accounting principles (GAAP) and are audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the "Government Auditing Standards" issued by the Comptroller General of the United States by a firm of licensed certified public accountants.

Responsibility for both the accuracy of the data, and completeness and fairness of the presentation, including all disclosures, rests with the District's management. To provide a reasonable basis for making these representations, management of the District has established a comprehensive internal control framework that is designed both to protect the District's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the District'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. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The District's financial statements have been audited by Cherry, Bekaert & Holland, LLP, a firm of licensed certified public accountants. The objective of the independent audit is to provide reasonable assurance that the financial statements of the District for fiscal year ended June 30, 2011 are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used; assessing significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the District's financial statements for the fiscal year ended June 30, 2011, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial 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), which should be read in conjunction with the financial statements. The District's MD&A can be found immediately following the report of the independent auditors.

Profile of the District

The District, established in the 1880's, is located in the central part of the State of Florida, along the "Interstate 4 corridor". Geographically, the District covers a land

*Polk County Schools-
An equal opportunity
Institution for education
and employment*

area of 1,875 square miles, which is greater than the State of Rhode Island and comparable to the State of Delaware, and its boundaries are the same as those of Polk County, Florida. As a special-purpose local governmental entity, the District derives its existence from Section 4, Article IX, of the State Constitution. The Board is authorized by State law to levy property taxes for school operations, capital improvements, and debt service.

The State Board of Education (SBE) is the chief implementing and coordinating body of public education in Florida. The SBE promulgates State Board Rules to further define and implement laws created by the Florida Legislature. The Commissioner of Education is the chief educational officer of the State, and is responsible for assisting the SBE in enforcing compliance with the mission and goals of the education system. District School Boards are constitutionally and statutorily charged with the operation and control of public K-12 education. Policy-making and legislative authority are vested in a seven member governing board, whose responsibilities include adopting the budget, appointing committees, and hiring the District's Superintendent. Additionally, the District's attorney and internal auditor report directly to the governing board. Each Board member, although elected at large on a non-party basis, represents a distinct geographic area and is required to live within that area. The District's Superintendent is responsible for carrying out the policies of the Board and for overseeing the day-to-day operations of the District.

The District provides a full range of educational services, including Pre-K, K-12, exceptional student education, career and vocational education, and adult education. During the fiscal year ended 2011, the District operated one hundred sixteen traditional schools, including sixty-six elementary, four elementary/middle, seven elementary/middle/secondary, eighteen middle, three middle/secondary, and eighteen secondary. The District is also financially accountable for a legally separate non-profit corporation organized as a foundation for the benefit of the District, as well as, twenty-three legally separate charter schools (this includes nine schools that converted to charter status). Twenty of these entities are reported separately within the District's financial statements. The remaining three are part of larger entities that will continue to be in existence in the event the charters are terminated. As a result, they are not included in the District's component units. Additional information on all of these legally separate entities can be found in the notes to the financial.

Polk County is the eighth (8th) largest school district in Florida and is among the forty (40) largest school districts in the United States with approximately 93,000 K-12 students.

The District is required to adopt a final budget no later than the first Board meeting in September, after holding two public hearings on the proposed budget. This annual budget serves as the foundation for the District's financial planning and control. The budget is prepared by fund, function (e.g., instruction, maintenance, etc.), school/department, and object (e.g., salary, supplies, etc.). School principals, department heads, and other officials may make transfers of appropriations within the same fund. A transfer of appropriations between funds requires approval of the Board. Appropriations are controlled at the object level within each functional activity and may be amended by resolution at any School Board meeting prior to approval of the District's Annual Financial Report at the end of each fiscal year.

Local Economy

Major industries with headquarters or divisions located within the District's boundaries include retail, healthcare, insurance, transportation, and phosphate processing. The State and County governments also have a major presence within the area that

provides a large employment base of 9,000 individuals. The County's average annual labor force was reported by the Central Florida Development Council at approximately 276,000.

Because of a varied economic base within the District's region, unemployment had been relatively stable during the past ten calendar years, until 2009. The unemployment rate rose from 4.1 percent (2000) to 11.4 percent (2009) as reported by the Central Florida Development Council. The unemployment rate has dropped slightly since 2009, with the Central Florida Development Council reporting the unemployment rate to be 10.8 percent as of April 2011. Further concerns over employment for the near term are reflected by an annual decline in job growth of 3.5 percent in April 2011, as compared with April 2010, as indicated by the Central Florida Development Council.

For most of the decade the District has generally enjoyed a favorable economic environment. More recently, consumers have been burdened by high unemployment rates, high energy and fuel costs, and low home prices. Reflecting these conditions, the Florida Consumer Confidence Index decreased from 79 in April 2010, to 68 in April 2011, as reported by The University of Florida Bureau of Economic and Business Research (BEBR). Inflation is a concern as the year saw a 3.5 percent increase in consumer prices for a second year in a row, following the 2.3 percent increase from the previous year, as reported by the Bureau of Labor Statistics.

Local revenue for school support is derived almost entirely from ad valorem property taxes, which are directly affected by property values. Further complicating the local economy is the decline in assessed property values as reflected by the housing market downturn and the number of foreclosed homes working their way through the local court system. Regarding residential home values, the Florida Association of Realtors reported that the average sales price declined from \$103,500 in June 2010 to \$92,600 in June 2011, which is a 10.5 percent decrease. The Polk County tax roll has been dropping steadily since a peak of \$35.6 billion in 2007. The 2010 tax roll is \$26.6 billion, a decrease of 9.0 percent since 2007, and a decrease of 6.3 percent from last year's value of \$28.4 billion, as reported by the 2010-2011 FEFP calculation.

Long-term financial planning

Unassigned fund balance in the general fund (8.3 percent of total general fund revenues) exceeds the policy guidelines set by the Board for budgetary and planning purposes (i.e., not less than 5.0 percent of total general fund revenues) due to lapse, school carryovers, and cost savings.

The population within the District's boundaries for 2010 was 602,095. Over the past nine years, this population is estimated to have grown by approximately 25 percent. During this same timeframe, student enrollment grew by a similar percentage, excluding enrollment at the adult schools and technical centers. By the end of fiscal year 2011, student enrollment was 93,321, resulting in the District being among the largest 40 school districts in the nation (as a perspective, there are over 13,000 independent school districts in the United States). For the upcoming fiscal year, this enrollment is projected to increase by approximately 645 students, or 0.70 percent, and remains flat or grows less than one percent over the next several years.

In November 2002, the voters of Florida amended the State Constitution to limit class size. Reductions in class size have been mandated since fiscal year ended 2004, such that by the start of fiscal year 2011, the amendment established the maximum number of students in core-curricula courses assigned to a teacher in each of the

following three grade groupings: pre-kindergarten through grade three, 18 students; grades four through eight, 22 students; and grades nine through twelve, 25 students.

If the District's class size is greater than the required maximum, the District may be required to return the dollars to the State of Florida. Prior to fiscal year 2009, class size was calculated using one of the following benchmarks - either at the district level or the school level. Beginning with fiscal year ended 2009, and thereafter, class size was expected to be calculated at the classroom level. However, during the 2009 State Legislative session, class size was set at the school average for fiscal year 2010. It is anticipated that the District will continue to meet the constitutional maximums for the three grade groupings through facilities' and staff allocation planning.

The District has continued to rely on re-locatable buildings to provide additional classroom space at most school campuses throughout the county. In addition to meeting class size reduction requirements, individual re-locatable classrooms are utilized to address immediate needs related to student enrollment, displaced students because of renovations or remodeling in process, or for use as administrative/office space. Currently, there are 892 re-locatable classrooms in the District, of which approximately 32 percent are over 20 years old. Due to the number of aging re-locatable classrooms and the past enrollment changes in the District, it is likely to take many years to upgrade, replace, and/or remove these portables from most school campuses.

With approximately 45 percent of the District's total building square footage constructed prior to 1978, there is an annual need to undertake remodeling and renovation projects. With respect to the 2011 District's Five-Year Facilities Work Program Plan, costs related to new construction and remodeling are estimated at \$64.4 million over the next four years. District capital outlay revenues include State sources, such as school bonds, and local sources, including the capital improvement property tax, half cent sales tax, sales tax revenue bonds, and impact fees.

Although student enrollment growth has slowed considerably and is expected to remain flat or grow less than one percent compared to the rapid growth experienced over the course of the past decade, the previously mentioned class size reduction requirements will still demand additional classroom space to accommodate the additional teachers who will need to be hired to meet this constitutional mandate. The State has eliminated funding construction related to class size reduction and greatly reduced other capital outlay funds. Due to the slowdown in the local economy, the local half cent sales tax revenues and impact fee collections are down from previous years, causing a number of construction projects to be delayed to future years when, and if, the capital outlay funding increases.

Charter schools are increasing the degree of uncertainty in projecting the District's student growth. Charter schools are public schools funded through Florida's program of public education and are intended to expand the capacity of the local school system, while offering unique opportunities for students. These schools are either new schools ("start up charters") or schools that are converted from an existing public school into a charter school. By the end of fiscal year 2011, there were 23 charter schools within the district (of which nine were conversion charter schools) reflecting approximately 10,000 students. For a site to become a charter school, a sponsor, which in the case of Polk County is the District, must approve an application submitted by the charter school. Also, for an existing District school to convert to charter status, at least 50 percent of the teachers and parents must support such conversion. The State funds each charter school based on the number of students it serves. The State money first goes to the District, which disburses the funds to each charter school. Two new pieces of state legislation for fiscal year 2012 will have a major impact on the

District and its employees. Senate Bill 2100 made significant changes to the Florida Retirement System (FRS) impacting both the District and employees. The following is a summary of the changes effective July 1, 2011:

- Employees will be required to contribute 3% of monthly gross compensation to their retirement account with FRS. For Fiscal Year 2011, the District's contribution rate was 10.77% for regular class employees. For Fiscal Year 2012, the District's contribution rate is 4.91%, for regular class employees. Those employees participating in the Deferred Retirement Option Program (DROP) are not affected by the 3% requirement.
- The interest rate paid on DROP accounts will go down from 6.5% to 1.3% for any new DROP enrollees on/after July 1, 2011.
- There will be no cost of living adjustment (COLA) applied to service years earned after July 1, 2011.

The following changes to the Florida Retirement System are for new employees hired on/after July 1, 2011:

- Vesting requirements for the traditional pension plan have increased from six years to eight years for new employees hired on/after July 1, 2011. The vesting requirement of one year for the investment plan has not changed.
- Normal retirement provisions have also increased from 62 to 65 years of age and from 30 years of service to 33 years of service
- The average final compensation (AFC) will be the average of the eight highest fiscal years of compensation for credible service prior to retirement, for the purposes of calculating retirement benefits.

The second piece of new legislation significantly impacting the District and teachers is Senate Bill 736. This legislation mandates that school districts must establish a performance salary schedule by 2014, which provides annual salary increases based on performance evaluation. Fifty percent of a teacher's evaluation will be based on student performance over a three year period with the remainder based on instructional practice or leadership. In addition, the legislation mandates that teacher contracts will be awarded on an annual basis.

With the reduction of the Federal level of the American Recovery and Reinvestment Act (ARRA) stimulus package in 2011, the District has lost Federal Stabilization funding of approximately \$34 million. This temporary non-recurring revenue stream helped to offset most of the reductions from State and Local revenue sources. In addition, the state of Florida reduced per student funding resulting in the District receiving approximately \$5 million less after applying the district cost differential (DCD) for the District. As a result, the District faced difficult decisions heading into FY2011-2012 on how to meet the budget shortfall. The District adopted a new staffing plan, modeled after neighboring Hillsborough County. The new staffing plan resulted in some cuts to the district office and other non-instructional positions including media specialists, paraprofessionals, guidance counselors, and deans, while a few other positions had the number of work hours reduced.

Major Initiatives

In February 2009, the Board members set forth the following goals for the District that were effective for the 2011 fiscal year:

Academics

Goal 1: Improve student achievement and increase the graduation rate

- (1) Increase student proficiency levels to meet or exceed the state standards.
- (2) Increase overall graduation rate.

- (3) Increase the achievement of all subgroups.
- (4) Conduct on-going progress monitoring of student achievement.
- (5) Increase student engagement by providing more opportunities for: career and technical education; career academies; and extra-curricular offerings at the secondary level.

Goal 2: Strengthen instruction and curriculum to meet the educational needs of each student.

- (1) Drive academic achievement through a continuous improvement model used in elementary, middle and high schools.
- (2) Align curriculum that reflects the knowledge and skills students are expected to master on Next Generation Standards at each level, K through 12.
- (3) Drive the teaching/learning process based on the goals, objectives, strategies, and evaluations in the School Improvement Plans.

Goal 3: Enhance parent and community involvement and communication.

- (1) Promote diversity initiatives and encourage strong inclusive practices.
- (2) Increase multicultural cooperation within the schools and community.
- (3) Ensure better communication through updated school web sites.

Instruction

Goal 1: Recruit and retain highly qualified personnel who reflect the changing demographics of our county.

- (1) Develop a supportive district-wide culture committed to attracting, hiring, and retaining highly qualified, appropriately certified instructional and administrative personnel that reflects the changing demographics of our diverse community.
- (2) Provide professional instructional leadership while maintaining a vision, direction and focus for students learning.
- (3) Provide a coordinated system of relevant, timely staff development for all employee groups consistent with the Florida Professional Development Evaluation Protocol.
- (4) Ensure an effective teacher induction seminar.
- (5) Establish a fair competitive compensation structure for instructional and non-instructional employees.
- (6) Incorporate diversity benchmarks into the performance evaluation process for teachers and administrators.
- (7) Use student academic progress as the chief indicator in evaluating school-based administrators.

Management

Goal 1: Ensure students realize their highest potential through the use of all available resources.

- (1) Prioritize resource allocation to enhance student achievement.
- (2) Provide equitable facilities, staffing, and services to all schools.

Goal 2: Establish learning environments that ensure academic and personal success of each student.

- (1) Cultivate a highly professional environment that is safe, orderly, and family friendly.
- (2) Provide safe and secure schools through the implementation of Positive Behavior Support and other strategies.
- (3) Establish school zones that make optimal use of facilities that preserve diversity in the student body.
- (4) Establish and enforce a consistent Attendance Policy throughout the district.

In response to the District's student population growth over the past five years (which has slowed considerably) and the demands placed on the District by the Class Size Amendment, the following new school capital projects are planned (primarily in the Lakeland-Winter Haven area, as well as the Northeast section of the District):

<u>New School Project Name</u>	<u>Location</u>	<u>Opening Date</u>
Elementary C	Southwest Lakeland	Unfunded
Elementary D	Northeast Lakeland	Unfunded
Elementary E	Northeast Winter Haven	Unfunded
Elementary H	Northeast Auburndale	Unfunded
Elementary L	Mulberry	On Hold
Mulberry Middle	Mulberry	August 2012
Elementary M	Poinciana	Unfunded
Middle School BB	West Winter Haven	Unfunded
Middle School CC	Southwest Lakeland	Unfunded
High School CCC	Southwest Lakeland	Unfunded

While Class Size Reduction requirements continue, the State has eliminated funding construction related to this requirement and greatly reduced other capital outlay funds. Further, due to the slowdown in the local economy, the local half cent sales tax revenues and impact fee collections are anticipated to be lower than previous years. Consequently, a number of construction projects have been delayed to future years when, and if, the capital outlay funding increases.


Awards and Acknowledgements

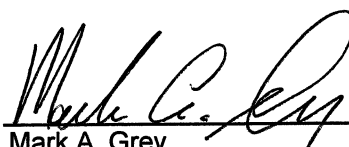
The District received the Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award for its annual budget document for the school year dated 2010-2011. This was the sixth consecutive year that the District earned this distinction. In order to qualify for the Distinguished Budget Presentation Award, the District's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and communication device. The award is valid for a period of one year only. Plans are to submit to the GFOA the District's 2011-2012 budget document, upon approval by the Board, for GFOA to determine its eligibility for another certificate.

The preparation of the CAFR would not be possible without the efficient and dedicated services of the entire staff of the Accounting Department, under the direction of Pennie Zuercher, Director of Financial Reporting. Appreciation is expressed to all members of the Department who assisted and contributed to the preparation of the CAFR.

Credit is also given to the Board for their interest and support in conducting the District's financial matters in a responsible and progressive manner.

Respectfully submitted,


 Sherrie B. Nickell, Ed. D.
 Superintendent of Schools


 Mark A. Grey
 Assistant Superintendent of
 Business Services

THE SCHOOL DISTRICT OF POLK COUNTY, FLORIDA

Principal Officials - Elected

**Board Members – Terms of Office
As of November 30, 2011**

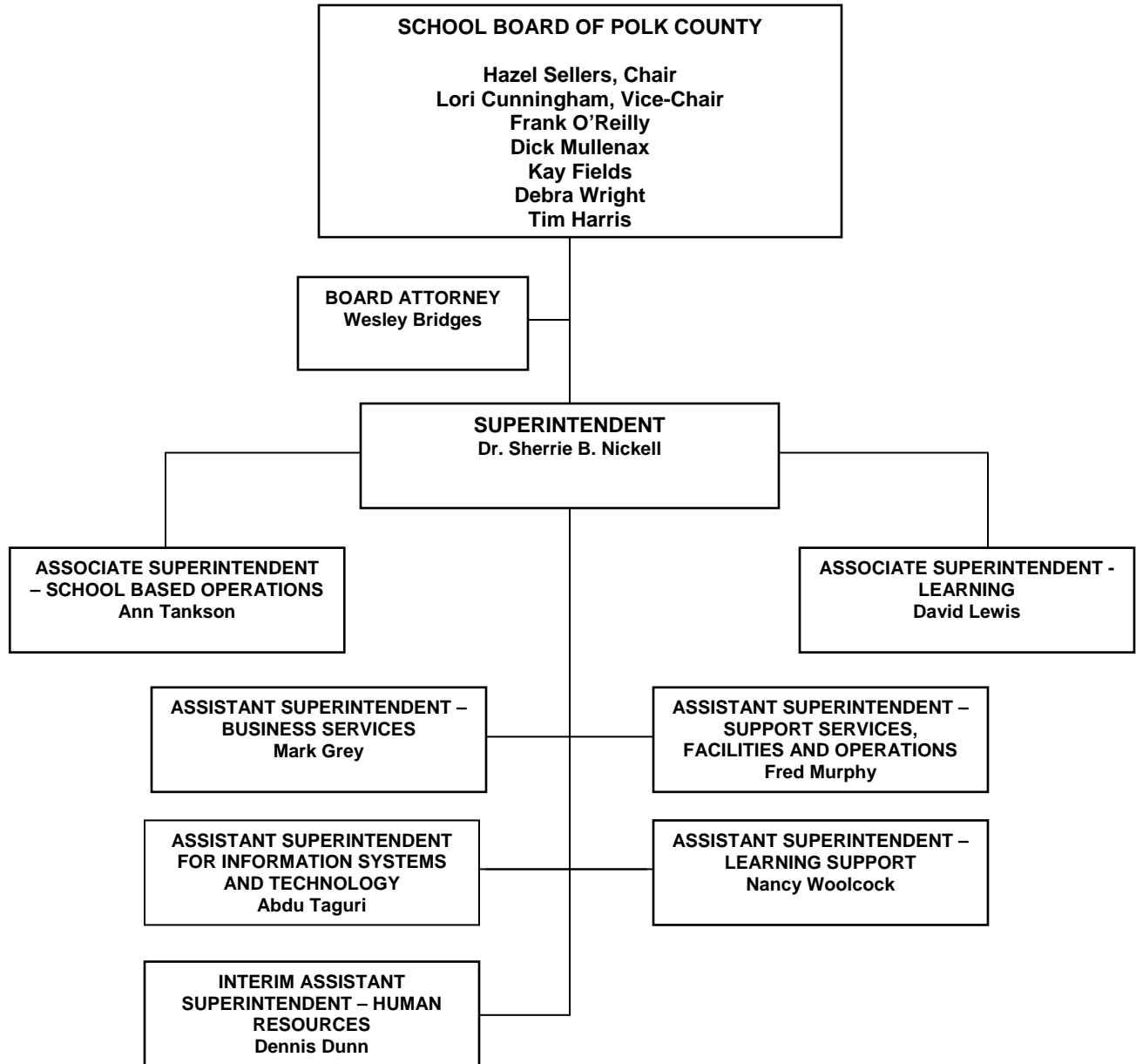
Mrs. Hazel Sellers, Chair Member from District 3 Present term began Present term expires Began as a Board member	November, 2010 November, 2014 November, 2002
Mrs. Lori Cunningham, Vice Chair Member from District 2 Present term began Present term expires Began as a Board member	November, 2008 November, 2012 November, 2004
Mr. Frank O'Reilly Member from District 1 Present term began Present term expires Began as a Board member	November, 2008 November, 2012 November, 2000
Mr. Dick Mullenax Member from District 4 Present term began Present term expires Began as a Board member	November, 2008 November, 2012 November, 2008
Mrs. Kay Fields Member from District 5 Present term began Present term expires Began as a Board member	November, 2010 November, 2014 November, 2002
Mrs. Debra Wright Member from District 6 Present term began Present term expires Began as a Board member	November, 2010 November, 2014 November, 2010
Mr. Tim Harris Member from District 7 Present term began Present term expires Began as a Board member	November, 2010 November, 2014 November, 2006

THE SCHOOL DISTRICT OF POLK COUNTY, FLORIDA

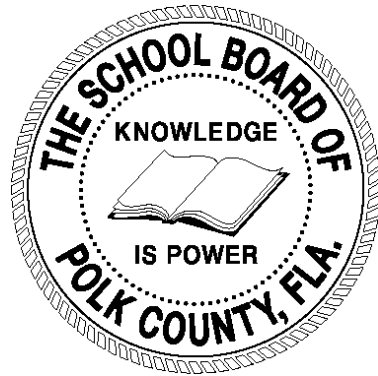
**Other Principal Officials - Appointed
As of November 30, 2011**

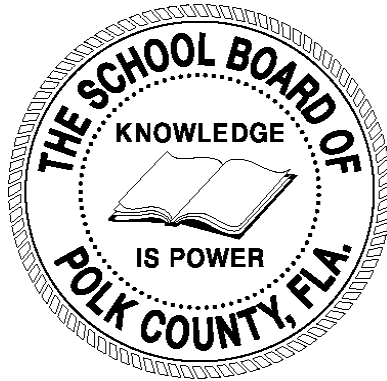
<u>Name</u>	<u>Title</u>
Dr. Sherrie B. Nickell	Superintendent of Schools
David Lewis	Associate Superintendent – Learning
Ann Tankson	Associate Superintendent - School Baaed Operations
Mark Grey	Assistant Superintendent – Business Services
Fred Murphy	Assistant Superintendent for Support Services, Facilities and Operations
Abdu Taguri	Assistant Superintendent - Information Systems and Technology
Nancy Woolcock	Assistant Superintendent – Learning Support
Dennis Dunn	Interim Assistant Superintendent – Human Resources

THE SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
ORGANIZATIONAL CHART
 As Of November 30, 2011



Financial Section





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Independent Auditors' Report

The Honorable Members of the
Polk County District School Board
Bartow, Florida

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the School District of Polk County, Florida (the "District"), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports have been provided to us, and our opinions, insofar as they relate to the amounts included for the aggregate discretely presented component units, are based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Polk County District School Board, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, Other Federal Programs and ARRA Economic Stimulus Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the District changed its accounting policy on recognition of group health insurance premiums, in order to more accurately match wage expense with the health benefit costs. In addition, as discussed in Note 13, the District has adopted the provisions of GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in the year ended June 30, 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2011 on our consideration of the District's internal control over financial reporting and on 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 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 17 through 26 and other required supplemental information on pages 97 through 98 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the 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 Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



Orlando, Florida
November 30, 2011

THE SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2011

As management of the School Board of Polk County, Florida (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found at the beginning of this report, directly behind the Table of Contents page.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$929.2 million (*net assets*). Of this amount, \$32.0 million (*unrestricted net assets*) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net assets increased by \$28.0 million as compared to prior year. This increase is primarily attributable to an increase in capital assets net of accumulated depreciation.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$264.0 million, a decrease of \$45.2 million in comparison to the prior year. Approximately 24 percent of this total amount, \$63.5 million, is *available for spending* at the District's discretion (assigned and unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$53.0 million, or 8.2 percent of total general fund expenditures.
- The District's total long-term debt, net of premiums and discounts, decreased by \$9.5 million (1.7 percent) during the current fiscal year. The key factor in this change was the increase in refunding certificates of participation issued.
- The District's total capital assets, net of accumulated depreciation, increased by \$69.2 million (6.4 percent). The key factors in this included an overall increase to buildings, net of accumulated depreciation, of \$36.0 million, which reflected the completion of new school buildings, as well as remodeling and renovations to existing schools; and an increase of \$32.1 million to construction in progress.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components:

- Government-wide financial statements
- Fund financial statements
- Notes to the 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 the District's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the District'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 the District is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying obligation/event

THE SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2011

giving rise to the change occurs, *regardless of the timing of related cash flows*. This statement is intended to summarize and simplify the user's analysis of the cost of various governmental service and/or subsidy to various business-type activities and/or component units.

The government-wide financial statements include not only the District itself (known as the *primary government*), but also a legally separate foundation and legally separate charter schools for which the District is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself. The Financing Corporation for the School Board of Polk County, Florida (Financing Corporation), which was formed to facilitate acquisition of facilities and equipment, although legally separate, is included as an integral part of the primary government due to the substantive economic relationship between the District and the Financing Corporation.

Effective July 1, 2010, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54 (GASB 54) Fund Balance Reporting and Governmental Fund Type Definitions. The adoption of GASB 54 had no material impact to the District's financial statements. See the related footnotes to the financial statements for further discussion of the adoption of GASB 54.

Fund Financial Statements

Traditional users of governmental financial statements will find the Fund Financial Statements presentation to be more familiar. 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. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Funds are established for various purposes and the Fund Financial Statement allows for the demonstration of sources and uses and/or budgetary compliance associated therewith. All funds of the District can be divided into three categories:

- Governmental funds
- Proprietary funds
- Fiduciary (Agency) 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 funds focus on *sources and uses of liquid 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 financing requirements.

This is the manner in which the financial plan (the budget) is typically developed. The flow and availability of liquid resources is a clear and appropriate focus of any analysis of a government. Because the focus is narrower than that of government-wide financial statement, it is useful to compare it to the information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Reconciliation between the government-wide and the governmental fund financial information is necessary because of the different measurement focus (current financial resources versus total economic resources); such reconciliation is reflected on the page following each statement. The flow of current financial resources reflects bond proceeds and interfund transfers as other financing sources as well as capital expenditures and bond principal payments as expenditures. The reconciliation eliminates these transactions and incorporates the capital assets and long-term obligations (bonds and others) into the governmental activities column in the government-wide statements.

THE SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2011

The District maintains twelve individual 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, other federal programs, ARRA economic stimulus funds, ARRA debt service, local capital improvement, and other capital projects, all of which are considered to be major funds. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary Funds

The District maintains an internal service fund as its only proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses four internal service funds to account for its self-insurance programs, including worker's compensation, general liability, fleet liability, error & omissions, and group insurance. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The four internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements, since they are considered nonmajor funds. Individual fund data for these internal service funds is provided in the form of *combining statements* elsewhere in this report.

Fiduciary (Agency) Funds

Fiduciary (Agency) funds are used to account for resources held for the benefit of parties outside the government. The District maintains one fiduciary (agency) fund to account for school internal funds related to co-curricular and extra-curricular activities. Fiduciary (agency) funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the District's own programs. The accounting used for fiduciary (agency) funds is much like that used for proprietary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a 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* concerning the District's annual appropriated budget for its general fund and the District's progress in funding its obligation to provide other postemployment retiree healthcare insurance benefits.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$929.2 million at the close of the most recent fiscal year.

THE SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2011

District's Net Assets
Governmental Activities
As of June 30, 2011 and June 30, 2010
(in thousands of dollars)

	<u>2011</u>	<u>2010</u>
Current and other assets	\$410,482	\$477,680
Capital assets	1,150,345	1,081,118
Total Assets	<u>1,560,827</u>	<u>1,558,798</u>
Long-term liabilities outstanding	566,182	575,685
Other Liabilities	<u>65,462</u>	<u>81,963</u>
Total Liabilities	<u>631,644</u>	<u>657,648</u>
Net Assets:		
Invested in capital assets, net of related debt	781,310	741,500
Restricted	116,198	136,136
Unrestricted	<u>31,675</u>	<u>23,514</u>
Total net assets	<u>\$929,183</u>	<u>\$901,150</u>

By far the largest of the District's net assets (84.1 percent) reflects its \$781.3 million investment in capital assets (e.g., land, land improvements, buildings, furniture, equipment, motor vehicles, and software), less any related debt to acquire or construct those assets that remains outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net assets, \$116.2 million (12.5 percent), represent resources that are subject to external restrictions on how they may be used--primarily for the acquisition and construction of facilities. The remaining balance of *unrestricted net assets*, \$31.7 million (3.4 percent), may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the District is able to report positive balances in all three categories of net assets. The same situation held true for the prior fiscal year. Compared to the prior fiscal year ending balances, invested in capital assets, net of related debt, increased by \$39.8 million, restricted net assets decreased by \$19.9 million, and unrestricted net assets increased by \$8.2 million. These changes primarily related to the funding of facilities acquisition and construction.

Total net assets have an increase of \$28.0 million compared to the prior fiscal year end driven by the change in capital assets and other liabilities. Other key changes included the following:

- Operational property taxes, which were included in general revenues, decreased by \$22.1 million (11.3 percent) during the year, while property taxes for capital improvements and debt service, which were also included in general revenues, decreased by \$7.1 million (14.6 percent) during the year. Decreases were generally derived from decreases in taxable property value.
- General revenues through non-specific program grants, including the state education finance program, increased by \$48.7 million (8.8 percent) during the year. This increase was driven by an increase in the State portion of the FEFP to offset the decrease in property tax values.

THE SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2011

- Discretionary sales tax revenue and impact fees, which were included in general revenues, increased \$0.9 million (3.2 percent) during the year, which reflected the possible beginnings of a turnaround in the state and local economy.
- Program revenues through operating and capital grants increased by \$1.4 million (3.1 percent), which reflected decreases in facilities acquisition and construction funding and transportation funding through the state, and a small increase in food service funding.
- For the most part, increases in expenses of \$12.4 million (1.4 percent) were a result of increased direct instructional, facilities acquisition and construction, and pupil transportation spending.

THE SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2011

District's Changes in Net Assets
Governmental Activities
For the Fiscal Years Ended June 30, 2011 and June 30,2010
(in thousands of dollars)

	<u>2011</u>	<u>2010</u>
Revenues:		
Program Revenues:		
Charges for services	\$11,042	\$11,970
Operating grants and contributions	35,862	33,547
Capital grants and contributions	11,212	12,107
General Revenues:		
Property taxes-operational	173,763	195,839
Property taxes-capital & debt service	41,306	48,373
Local sales tax and impact fees	30,459	29,510
Grants and contributions not restricted to specific programs	600,709	551,962
Other	<u>14,398</u>	<u>17,612</u>
Total revenues	918,751	900,920
Expenses:		
Instruction	538,107	523,680
Pupil personnel services	36,864	35,808
Instructional media services	11,995	12,440
Instruction and curriculum development services	17,281	15,506
Instructional staff training services	19,642	15,255
Instructional related technology	5,497	6,515
School board	2,536	2,608
General administration	6,677	7,021
School administration	43,096	42,785
Facilities acquisition and construction	5,276	7,218
Fiscal services	3,454	3,111
Food services	45,588	45,300
Central services	16,681	17,832
Pupil transportation	36,143	35,429
Operation of plant	51,622	52,825
Maintenance of plant	21,859	23,807
Administrative technology services	5,108	5,079
Community services	3,327	3,044
Interest on long-term debt	19,775	22,488
Unallocated depreciation and amortization expense	<u>189</u>	<u>533</u>
Total expenses	<u>890,718</u>	<u>878,284</u>
Increase in net assets	28,032	22,636
Net assets - beginning of year	<u>901,150</u>	<u>878,514</u>
Net assets - ending of year	<u>\$929,183</u>	<u>\$901,150</u>

THE SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2011

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable resources*. Such information is useful in assessing the District's financing requirements. In particular, unassigned *fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$264.0 million, a decrease of \$45.2 million when compared to the prior year. Approximately 3.4 percent (\$9.0 million) of the ending fund balance represents inventories and prepaid items that are nonspendable. Approximately 72.5 percent (\$191.5 million) are amounts which are restricted for state categorical programs, federal and state grants, food service, debt service and capital projects. Assigned fund balance amounts are approximately 4.0 percent (\$10.5 million) of the ending fund balance and reflect amounts that are set aside for school operations and budget shortfall. The remaining 20.1 percent (\$53.0 million) that has not been restricted or assigned for other purposes. However, unassigned fund balance includes funds that will be re-appropriated in the next fiscal year for carryovers and encumbrances as well as the required minimum fund balance according to Board policy.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, the general fund had a fund balance of \$79.4 million. Of this, about 66.8 percent (\$53.0 million) was unassigned and available for operations, while the remaining 33.2 percent (\$26.4 million) was already restricted or assigned to state required categorical programs, purchase order/contract liquidations, prepaid items and inventory on hand. As a measure of the general fund's liquidity, it may be useful to compare its unassigned fund balance and its total fund balance to total general fund expenditures. These figures were 8 percent and 12 percent, respectively.

The fund balance of the District's general fund increased by \$17.3 million during the current fiscal year. Other key factors affecting fund balance include the following:

- Local source revenues of the general fund decreased by \$22.3 million - primarily as a result of a decrease in collections of property taxes for operational purposes. Additionally, there was a \$23.9 million increase in state source revenues due to increased funding of the state portion of the Florida Education Finance Program to offset declining property values.
- Expenditures in the general fund increased by \$4.6 million – primarily as a result of increased capital outlay. Although expenditures exceeded revenues by \$14.9 million, this was more than offset by \$32.2 million of other financing sources--primarily due to transfers in from the capital project funds for capital outlay and maintenance related expenditures, as well as proceeds received in the refinancing of energy related loans.

Capital Project Funds The capital project funds are used to primarily account for the acquisition and construction of major capital facilities. At the end of the current fiscal year the total fund balance for all capital project funds had reached \$170.7 million. The fund balance of the District's capital projects funds decreased by \$64.7 million during the current fiscal year. This is due to revenue being recognized in a prior year when the District received the funding, and project construction costs occurring in the current fiscal year.

Proprietary Funds The District's proprietary funds, which consist of the self-insurance internal services funds, provide similar type of information found in the government-wide financial statements, but in more detail.

THE SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2011

General Fund Budgetary Highlights

Differences between the general fund original budget and the final amended budget included:

- \$2.6 million increase in revenue projections due to other local revenue being greater than planned.
- \$2.6 million increase in expenditure allocations due to an increase in transfers in from other funding sources to cover expenditures.

The final budget projected a net decrease in fund balance of \$18.1 million. However, due to the following actual results, actual fund balance was increased by \$17.3 million:

- Revenues exceeded budgetary estimates by \$1.2 million which was primarily due to higher than expected local source revenues offsetting state revenue shortfalls.
- Expenditures were \$51.5 million less than budgetary estimates due to the lapsing of appropriated salaries/benefits and continuing the District freeze on hiring and spending during the fiscal year.
- Other financing sources were less than budgetary estimates by \$17.2 million which was primarily caused by the timing of general fund maintenance project costs--i.e., transfers to the general fund take place when expenditures occur.

Capital Asset and Debt Administration

Capital Assets The District's investment in capital assets, net of accumulated depreciation, as of June 30, 2011, amounted to \$1.2 billion. This investment in capital assets, net of accumulated depreciation, consists of 96 percent real property, such as land, building and fixed equipment, improvements other than buildings, and construction in progress. The remainder, which reflected 4 percent of the total, consisted of tangible property such as furniture, fixtures, equipment, and vehicles. The overall increase in the District's investment in capital assets, net of accumulated depreciation, was 6.4 percent compared to the balance at prior year end.

Major capital asset events during the current fiscal year included the following:

- Various new buildings, renovations, and remodeling were completed which resulted in a \$62.6 million additions to building acquisition costs.
- Construction in progress on one new school, as well as, major renovations and remodeling to existing schools, was \$98.9 million by fiscal year end. Also, commitments remaining at fiscal year-end on existing construction contracts totaled \$27.9 million.

THE SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2011

**District's Schedule of Capital Assets,
Net of Accumulated Depreciation
(dollars in thousands)**

	2011	2010
Land	\$95,467	\$94,738
Construction in progress	98,926	66,807
Improvements other than buildings	12,822	14,258
Buildings and fixed equipment	891,551	855,549
Furniture, fixtures, and equipment	24,737	21,902
Motor vehicles	20,053	18,291
Audio visual materials and computer software	6,788	9,573
Total	\$1,150,344	\$1,081,118

Additional information on the District's capital assets can be found in the Notes to the Financial Statements found later in this report.

Long-term Debt At the end of the current fiscal year, the District had total bonded debt outstanding of \$201.3 million. This included \$19.9 million of state school bonds issued on behalf of the District by the State Board of Education and backed by the full faith and credit of the State of Florida, as well as, \$183.3 million of sales tax bonds secured by a local option half cent sales tax. Additionally, the District had \$239.7 million in certificates of participation in which the annually appropriated lease payments on the part of the District are the pledged revenue stream.

**District's Long-Term Debt
(in thousands of dollars)**

	2011	2010
Sales tax revenue bonds	\$183,323	\$202,037
Certificates of participation	239,716	231,522
State school bonds	17,930	19,935
Derivative instruments	16,899	17,890
Swap - upfront payments	5,376	5,615
Notes payable	5,413	6,522
Compensated absences	40,389	42,245
Est. liability for claims	33,578	32,975
OPEB liability	23,558	16,944
Total	\$566,182	\$575,685

The District maintains an *insured rating* of "AAA" from Standard & Poor's and "AA3" from Moody's regarding certificates of participation with the understanding that the timely payment on the debt is insured by Financial Security Assurance, Inc. The District maintains an *underlying rating* of "A" from Standard & Poor's and an "A2" from Moody's concerning certificates of participation bonds.

State statutes limit the amount of debt service on the certificates of participation to 75 percent of the local capital improvement tax receipts. The current debt limitation for the District is \$31.0 million, which provides a debt service margin of \$12.1 million when compared to the District's \$18.9 million debt service on the certificates of participation during fiscal year ended 2011.

Sales Tax proceeds that can be applied towards Sales Tax Anticipation Bonds are estimated to be \$30.5 million, which provides a debt service margin of \$4.0 million when compared to the District's \$26.5 million debt service on Sales Tax Anticipation Bonds during fiscal year ended 2011.

THE SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2011

Additional information on the District's long-term debt can be found in the Notes to the Financial Statements found later in this report.

Economic Factors and Next Year's Budget

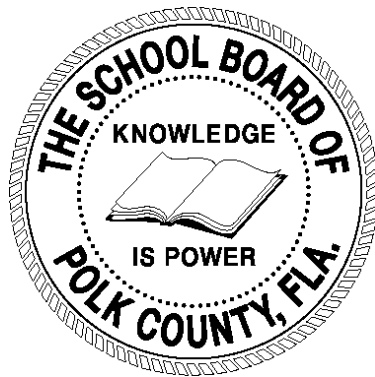
- The current local unemployment rate for the District is 12.5 percent, which is a slight decrease from the 11.4 percent reported for calendar year 2010.
- The District's regional consumer price index increased 3.5 percent from July 2010 to the same time this year.
- The State's consumer confidence index was 68 in April 2011, an increase from the all-time low of 58 in July 2008.
- With the end of the Federal level of the Educations Jobs Fund in 2012, the District will lose Federal funding of about \$17 million.

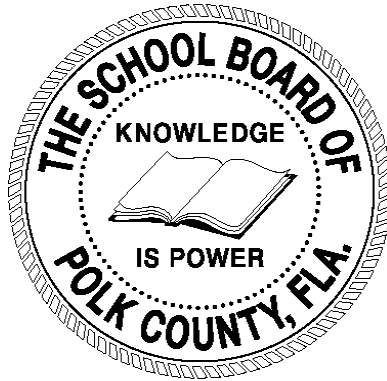
Such factors, which reflect a downturn in the local economy, were considered in preparing the District's budget for the 2012 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Assistant Superintendent for Business Services, the School Board of Polk County, Florida, P.O. Box 391, Bartow, Florida 33831.

BASIC FINANCIAL STATEMENTS





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THE SCHOOL DISTRICT OF POLK COUNTY

**STATEMENT OF NET ASSETS
JUNE 30, 2011**

	<u>Primary Government</u>	
	<u>Governmental Activities</u>	<u>Component Units</u>
ASSETS:		
Cash	\$ 137,572,747	\$ 13,945,565
Investments	210,836,471	6,854,529
Accounts receivable, net	2,002,709	6,066,118
Due from other governmental agencies	19,424,246	201,457
Inventories	6,971,480	-
Deferred charges	4,074,671	-
Prepaid items	2,025,637	1,471,956
Cash with Fiscal Agent	16,223,825	-
Deferred outflow of resources	11,350,242	-
Other assets	-	211,754
Capital Assets (net of accumulated depreciation):		
Land	95,466,901	1,243,569
Land improvements	-	19,750
Construction in progress	98,926,202	-
Improvements other than buildings	12,822,503	436,216
Buildings and systems	891,551,241	6,397,583
Furniture, fixtures and equipment	24,736,973	1,873,189
Motor vehicles	20,052,832	2,321,778
Audio visual materials	6,787,801	-
Computer software	-	25,202
Total assets	<u>\$ 1,560,826,481</u>	<u>\$ 41,068,666</u>
LIABILITIES		
Accounts payable	\$ 22,013,385	\$ 1,832,048
Salaries and wages payable	21,535,362	1,676,532
Accrued payroll taxes and withholdings	4,084,815	-
Accrued interest	4,014,939	-
Due to other governmental agencies	13,445,825	-
Sales Tax payable	8,753	-
Deferred revenue	358,642	125,995
Noncurrent liabilities:		
Due within one year	49,041,556	464,456
Due in more than one year	517,140,623	6,197,292
Total liabilities	<u>631,643,900</u>	<u>10,296,323</u>
NET ASSETS		
Invested in capital assets, net of related debt	781,309,664	5,935,097
Restricted for:		
Categorical carryover programs	6,073,696	-
Debt service	1,938,054	36,199
Capital outlay	98,790,032	46,105
Non categorical carryover programs	9,185,552	-
Endowment - nonexpendable	-	1,580,743
Other purposes	209,797	444,239
Unrestricted	31,675,786	22,729,960
Total net assets	<u>929,182,581</u>	<u>30,772,343</u>
Total liabilities and net assets	<u>\$ 1,560,826,481</u>	<u>\$ 41,068,666</u>

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

THE SCHOOL DISTRICT OF POLK COUNTY

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>
Primary government:		
Governmental activities:		
Instructional services	\$ 538,107,099	\$ 1,888,464
Instructional support services	91,279,023	-
Pupil transportation services	36,142,722	505,027
Operation and maintenance of plant	73,480,893	-
Non capitalizable facilities acquisition and construction	5,276,293	-
School administration	43,096,124	-
General administration	34,455,847	-
Food services	45,587,852	8,648,505
Community services and other	3,326,932	-
Interest on long-term debt	19,775,541	-
Unallocated depreciation expense	189,424	-
Total governmental activities and primary government	<u>\$ 890,717,750</u>	<u>\$ 11,041,996</u>
Component units:		
Foundation and charter schools	\$ 78,823,215	\$ 2,177,555
Total component units	<u>\$ 78,823,215</u>	<u>\$ 2,177,555</u>

General Revenues:
 Property taxes, levied for operational purposes
 Property taxes, levied for capital projects
 Local sales taxes
 Grants and contributions not restricted
 to specific programs
 Investment earnings
 Miscellaneous
 Total general revenues
 Change in net assets
 Net assets - beginning
 Net assets - ending

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

Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
		Primary Government Governmental Activities	Component Units
Operating Grants and Contributions	Capital Grants and Contributions		
\$ -	\$ -	\$ (536,218,635)	\$ -
-	-	(91,279,023)	-
-	-	(35,637,695)	-
-	1,069,562	(72,411,331)	-
-	7,282,673	2,006,380	-
-	-	(43,096,124)	-
-	-	(34,455,847)	-
35,861,743	-	(1,077,604)	-
-	-	(3,326,932)	-
-	2,859,693	(16,915,848)	-
-	-	(189,424)	-
<u>\$ 35,861,743</u>	<u>\$ 11,211,928</u>	<u>\$ (832,602,083)</u>	<u>\$ -</u>
\$ 9,684,181	\$ 716,884	-	(66,244,595)
<u>\$ 9,684,181</u>	<u>\$ 716,884</u>	-	<u>(66,244,595)</u>
		173,762,642	-
		41,306,172	-
		30,458,775	-
		600,709,390	70,424,576
		2,903,912	45,858
		11,493,681	1,185,619
		<u>860,634,572</u>	<u>71,656,053</u>
		28,032,489	5,411,458
		901,150,092	25,360,885
		<u>\$ 929,182,581</u>	<u>\$ 30,772,343</u>

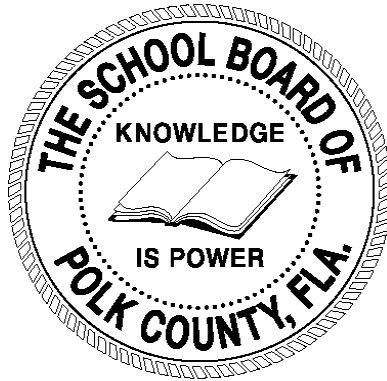
THE SCHOOL DISTRICT OF POLK COUNTY

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	General	Other Federal Programs	ARRA Economic Stimulus Funds	ARRA Debt Service
ASSETS				
Cash	\$ 66,648,249	\$ 9,009,572	\$ 348,741	\$ 1,608,821
Investments	28,987,006	-	-	-
Accounts and interest receivable	990,452	82,190	-	-
Due from other governmental agencies	1,490,597	3,303,103	-	-
Due from other funds	19,507,258	-	-	-
Inventories	5,708,295	-	-	-
Prepaid Items	1,956,114	69,523	-	-
Total assets	<u>\$ 125,287,971</u>	<u>\$ 12,464,388</u>	<u>\$ 348,741</u>	<u>\$ 1,608,821</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts and contracts payable	\$ 8,701,451	\$ 395,266	\$ 923	\$ -
Salaries and wages payable	21,535,361	-	-	-
Payroll deductions and withholdings	3,677,961	286,489	49,748	-
Due to other funds	-	10,666,701	-	-
Due to other governmental agencies	11,960,365	832,316	298,070	-
Sales tax payable	8,224	-	-	-
Deferred revenue	5,065	73,819	-	-
Matured interest payable	-	-	-	-
Total liabilities	<u>45,888,427</u>	<u>12,254,591</u>	<u>348,741</u>	<u>-</u>
Fund balances				
Nonspendable:				
Inventories	5,708,295	-	-	-
Prepaid Amounts	1,956,114	69,523	-	-
Restricted:				
Categorical Programs	6,073,696	-	-	-
Special Revenues	-	140,274	-	-
Food Service	-	-	-	-
Debt Service	-	-	-	1,608,821
Capital Projects	-	-	-	-
Other	2,163,490	-	-	-
Assigned:				
Budget Shortfall	8,000,000	-	-	-
Encumbrances	16,223	-	-	-
School Carryover	1,853,245	-	-	-
Other	579,587	-	-	-
Unassigned	53,048,894	-	-	-
Total fund balances	<u>79,399,544</u>	<u>209,797</u>	<u>-</u>	<u>1,608,821</u>
Total liabilities and fund balances	<u>\$ 125,287,971</u>	<u>\$ 12,464,388</u>	<u>\$ 348,741</u>	<u>\$ 1,608,821</u>

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

Local Capital Improvement	Other Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
\$ 18,213,020	\$ 22,242,411	\$ 12,307,340	\$ 130,378,154
31,408,189	93,578,042	6,578,949	160,552,186
612,688	4,439	83,517	1,773,286
18,869	8,589,802	6,021,874	19,424,245
-	-	-	19,507,258
-	-	1,263,185	6,971,480
-	-	-	2,025,637
<u>\$ 50,252,766</u>	<u>\$ 124,414,694</u>	<u>\$ 26,254,865</u>	<u>\$ 340,632,246</u>
\$ -	\$ 6,399,288	\$ 726,868	\$ 16,223,796
-	-	-	21,535,361
-	-	70,615	4,084,813
-	8,840,557	-	19,507,258
-	-	350,074	13,440,825
-	-	530	8,754
-	-	279,758	358,642
-	-	1,432,959	1,432,959
-	<u>15,239,845</u>	<u>2,860,804</u>	<u>76,592,408</u>
-	-	1,263,185	6,971,480
-	-	-	2,025,637
-	-	-	6,073,696
-	-	-	140,274
-	-	7,922,367	7,922,367
-	-	2,911,211	4,520,032
50,252,766	109,174,849	11,297,298	170,724,913
-	-	-	2,163,490
-	-	-	8,000,000
-	-	-	16,223
-	-	-	1,853,245
-	-	-	579,587
-	-	-	53,048,894
<u>50,252,766</u>	<u>109,174,849</u>	<u>23,394,061</u>	<u>264,039,838</u>
<u>\$ 50,252,766</u>	<u>\$ 124,414,694</u>	<u>\$ 26,254,865</u>	<u>\$ 340,632,246</u>



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THE SCHOOL DISTRICT OF POLK COUNTY

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Total Fund Balances - Governmental Funds \$ 264,039,838

Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 1,150,344,452

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. 15,424,910

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. 34,559,717

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. (532,604,356)

Accrued interest on long-term liabilities is not due and payable in the current period and therefore, is not reported in the funds. (2,581,980)

Total Net Assets - Governmental Activities \$ 929,182,581

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

THE SCHOOL DISTRICT OF POLK COUNTY

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	General	Other Federal Programs	ARRA Economic Stimulus Funds	ARRA Debt Service
REVENUES				
Local sources:				
Ad valorem taxes	\$ 173,762,642	\$ -	\$ -	\$ -
Local sales tax	-	-	-	-
Food services	-	-	-	-
Interest income	768,549	-	-	-
Other	12,050,390	82,750	-	6
Total local sources	<u>186,581,581</u>	<u>82,750</u>	<u>-</u>	<u>6</u>
State sources:				
Florida education finance program	324,016,824	-	-	-
Public education capital outlay	-	-	-	-
Categorical programs	111,106,542	-	-	-
Workforce development	10,063,651	-	-	-
Food services	-	-	-	-
Other	1,252,535	316,212	-	-
Total state sources	<u>446,439,552</u>	<u>316,212</u>	<u>-</u>	<u>-</u>
Federal sources:				
Food services	-	-	-	-
Federal grants direct	954,013	13,269,366	286,550	504,294
Federal grants through state and local	1,822,361	65,750,738	69,261,284	-
Total federal sources	<u>2,776,374</u>	<u>79,020,104</u>	<u>69,547,834</u>	<u>504,294</u>
Total revenues	<u>635,797,507</u>	<u>79,419,066</u>	<u>69,547,834</u>	<u>504,300</u>
EXPENDITURES				
Current:				
Instructional Services	433,804,368	41,841,685	32,946,645	-
Pupil personnel services	11,975,781	4,657,009	18,240,870	-
Instructional media services	3,685,237	893,475	6,768,080	-
Instruction and curriculum development services	3,198,982	12,732,509	419,740	-
Instructional staff training services	930,092	8,936,514	8,715,802	-
Instructional related technology	5,202,311	-	-	-
Board of education	2,398,241	-	-	-
General administration	3,490,214	1,653,331	1,545,852	-
School administration	40,600,784	42,364	4,333	-
Facilities acquisition and construction	5,448,258	-	-	-
Fiscal services	3,169,493	81,131	15,894	-
Food services	-	91,339	20,916	-
Central services	14,163,812	1,499,027	108,593	-
Pupil transportation services	33,157,039	1,516,369	9,423	-
Operation of plant	48,651,442	221,026	-	-
Maintenance of plant	20,772,476	71,124	-	-
Administrative technology services	4,789,330	-	43,704	-
Community services and other	349,376	2,797,407	-	-
Debt Service:				
Principal retirement	1,109,284	-	-	892,557
Interest	268,484	-	-	105,760
Dues, fees and other	-	-	-	-
Capital outlay				
Facilities acquisition and construction	2,281,861	271,999	90,206	-
Other capital outlay	11,267,564	2,102,790	617,776	-
Total expenditures	<u>650,714,429</u>	<u>79,409,099</u>	<u>69,547,834</u>	<u>998,317</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(14,916,922)</u>	<u>9,967</u>	<u>-</u>	<u>(494,017)</u>

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

Local Capital Improvement	Other Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
\$ 41,306,172	\$ -	\$ -	\$ 215,068,814
-	30,458,775	-	30,458,775
-	-	8,648,505	8,648,505
426,093	601,529	-	1,796,171
48,965	2,745,336	167,358	15,094,805
<u>41,781,230</u>	<u>33,805,640</u>	<u>8,815,863</u>	<u>271,067,070</u>
-	-	-	324,016,824
-	-	7,854,662	7,854,662
-	-	-	111,106,542
-	-	-	10,063,651
-	-	733,698	733,698
-	1,655,192	3,314,716	6,538,655
-	<u>1,655,192</u>	<u>11,903,076</u>	<u>460,314,032</u>
-	-	35,128,045	35,128,045
-	-	-	15,014,223
-	-	-	136,834,383
-	-	<u>35,128,045</u>	<u>186,976,651</u>
<u>41,781,230</u>	<u>35,460,832</u>	<u>55,846,984</u>	<u>918,357,753</u>
-	-	-	508,592,698
-	-	-	34,873,660
-	-	-	11,346,792
-	-	-	16,351,231
-	-	-	18,582,408
-	-	-	5,202,311
-	-	-	2,398,241
-	-	-	6,689,397
-	-	-	40,647,481
-	2,707,062	27,327	8,182,647
-	-	-	3,266,518
-	-	43,009,129	43,121,384
-	-	-	15,771,432
-	-	-	34,682,831
-	-	-	48,872,468
-	-	-	20,843,600
-	-	-	4,833,034
-	-	-	3,146,783
-	-	26,747,444	28,749,285
-	-	19,368,377	19,742,621
-	-	1,210,693	1,210,693
47,939	78,261,973	11,153,591	92,107,569
-	3,971,142	129,906	18,089,178
<u>47,939</u>	<u>84,940,177</u>	<u>101,646,467</u>	<u>987,304,262</u>
<u>41,733,291</u>	<u>(49,479,345)</u>	<u>(45,799,483)</u>	<u>(68,946,509)</u>

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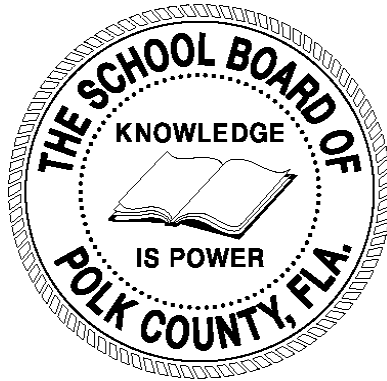
THE SCHOOL DISTRICT OF POLK COUNTY

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	General	Other Federal Programs	ARRA Economic Stimulus Funds	ARRA Debt Service
OTHER FINANCING SOURCES (USES):				
Long term bonds issued	-	-	-	111,037
Premium on sale of bonds	-	-	-	-
Refunding bonds issued	-	-	-	-
Payments to refunded bond escrow agent	-	-	-	-
Loss Recoveries	11,488			
Transfers in	32,432,004	-	-	1,999,461
Transfers out	(263,112)	-	-	(7,660)
Total other financing sources and uses	<u>32,180,380</u>	<u>-</u>	<u>-</u>	<u>2,102,838</u>
Net change in fund balances	17,263,458	9,967	-	1,608,821
Fund balances - beginning - restated	<u>62,136,086</u>	<u>199,830</u>	<u>-</u>	<u>-</u>
Fund balances - ending	<u>\$ 79,399,544</u>	<u>\$ 209,797</u>	<u>\$ -</u>	<u>\$ 1,608,821</u>

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

Local Capital Improvement	Other Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
-	21,111,963	-	21,223,000
-	-	54,848	54,848
-	-	44,485,000	44,485,000
-	-	(43,636,330)	(43,636,330)
-	7,660	42,697,075	11,488
(42,409,793)	(28,271,349)	(4,562,545)	77,136,200
(42,409,793)	(7,151,726)	39,038,048	(75,514,459)
(676,502)	(56,631,071)	(6,761,435)	23,759,747
50,929,268	165,805,920	30,155,496	(45,186,762)
\$ 50,252,766	\$ 109,174,849	\$ 23,394,061	\$ 264,039,838



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THE SCHOOL DISTRICT OF POLK COUNTY

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Net Change in Fund Balances - Total Governmental Funds \$ (45,186,762)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$113,597,138) exceeds depreciation expense (\$44,156,914) during the current period. 69,440,224

The statement of activities reflects only the gain/loss on the sale of assets, whereas the governmental funds include all proceeds from these sales. Thus, the change in net assets differs by the cost of assets sold. (213,465)

Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increased long-term liabilities in the statement of net assets. Repayment of long-term debt is an expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which payments of debt principal (\$72,385,615) exceeded proceeds (\$65,708,000) in the current year. 6,677,615

Premiums and discounts on debt issued, along with deferred amounts recognized on refunded debt, are reported in the governmental funds in the year debt is issued, but are deferred and amortized over the life of the debt in the statement of activities. This is the amount by which the additions (\$841,368) exceeds amortization (\$779,870) 1,621,238

Debt issuance costs associated with long-term debt are reported in governmental funds in the year debt is issued, but are deferred and amortized over the life of the debt in the statement of activities. This is the amount the net in increase in deferred charges (-\$182,882) exceeds the net amortization (-\$28,476) (154,406)

Upfront payments associated with interst rate swaps/swaptions are reported in governmental funds in the year debt is issued, but are deferred and amorized over the term of the swap/swaption in the statement of activities. This is the amount of amortization during the current period. (238,568)

Expenses in the statement of activities that do not require the use of current financial resources are not reported in the governmental funds:

Postemployment health care benefits (6,614,301)

Interest expense 59,638

Compensated absences 1,856,310

Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The net revenue of internal service funds is reported with governmental activities. 784,966

Change in Net Assets of Governmental Activities \$ 28,032,489

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

THE SCHOOL DISTRICT OF POLK COUNTY

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Local sources:				
Ad valorem taxes	\$ 171,723,901	\$ 171,723,901	\$ 173,762,642	\$ 2,038,741
Other	9,569,894	12,165,171	12,818,939	653,768
Total local sources	181,293,795	183,889,072	186,581,581	2,692,509
State sources:				
Florida education finance program	272,635,421	326,911,673	324,016,824	(2,894,849)
Categorical programs	162,216,086	110,876,267	111,106,542	230,275
Workforce development	9,833,747	10,076,298	10,063,651	(12,647)
Other	1,142,551	900,000	1,252,535	352,535
Total state sources	445,827,805	448,764,238	446,439,552	(2,324,686)
Federal sources:				
Federal grants direct	685,000	685,000	954,013	269,013
Federal grants through state	1,300,000	1,300,000	1,822,361	522,361
Total federal sources	1,985,000	1,985,000	2,776,374	791,374
Total revenues	629,106,600	634,638,310	635,797,507	1,159,197
EXPENDITURES				
Current:				
Instructional services:	481,151,250	459,933,439	433,804,368	26,129,071
Pupil Personnel Services	12,490,220	12,694,412	11,975,781	718,631
Instructional Media Services	2,836,733	3,871,232	3,685,237	185,995
Instruction and Curriculum Development Services	3,323,582	3,440,940	3,198,982	241,958
Instruction Staff Training Services	773,634	1,045,212	930,092	115,120
Instruction Related Technology	6,010,588	5,665,242	5,202,311	462,931
Board of Education	2,977,227	2,968,662	2,398,241	570,421
General Administration	2,611,745	3,621,234	3,490,214	131,020
School Administration	40,277,395	41,636,939	40,600,784	1,036,155
Facilities Acquisition and Construction	9,991,575	7,841,002	5,448,258	2,392,744
Fiscal Services	3,275,200	3,336,447	3,169,493	166,954
Central Services	15,420,637	15,859,582	14,163,812	1,695,770
Pupil Transportation	34,029,209	34,254,865	33,157,039	1,097,826
Operation of Plant	49,844,518	50,522,799	48,651,442	1,871,357
Maintenance of Plant	27,783,016	28,852,942	20,772,476	8,080,466
Administrative Technology Services	5,038,495	5,260,955	4,789,330	471,625
Community Services	323,374	532,743	349,376	183,367
Debt Service				
Redemption of principal	1,111,600	1,111,600	1,109,284	2,316
Interest	268,257	268,257	268,484	(227)
Total debt service	1,379,857	1,379,857	1,377,768	2,089
Capital Outlay				
Facilities acquisition and construction	-	6,040,526	2,281,861	3,758,665
Other capital outlay	-	13,427,981	11,267,564	2,160,417
Total capital outlay	-	19,468,507	13,549,425	5,919,082
Total expenditures	699,538,255	702,187,011	650,714,429	51,472,582

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

THE SCHOOL DISTRICT OF POLK COUNTY

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Excess (deficiency) of revenues over (under) expenditures	<u>(70,431,655)</u>	<u>(67,548,701)</u>	<u>(14,916,922)</u>	<u>52,631,779</u>
OTHER FINANCING SOURCES (USES)				
Loss Recoveries	-	-	11,488	11,488
Transfers in	46,469,075	49,679,089	32,432,004	(17,247,085)
Transfers out	-	(263,112)	(263,112)	-
Total other financing sources and uses	<u>46,469,075</u>	<u>49,415,977</u>	<u>32,180,380</u>	<u>(17,235,597)</u>
Net change in fund balances	<u>(23,962,580)</u>	<u>(18,132,724)</u>	<u>17,263,458</u>	<u>35,396,182</u>
Fund balances - beginning - restated	<u>68,818,030</u>	<u>68,818,030</u>	<u>62,136,086</u>	<u>(6,681,944)</u>
Fund balances - ending	<u>\$ 44,855,450</u>	<u>\$ 50,685,306</u>	<u>\$ 79,399,544</u>	<u>\$ 28,714,238</u>

THE SCHOOL DISTRICT OF POLK COUNTY

MAJOR SPECIAL REVENUE FUND - OTHER FEDERAL PROGRAMS

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Local sources:				
Other	\$ 1,828,036	\$ 3,765,697	\$ 82,750	\$ (3,682,947)
Total local sources	1,828,036	3,765,697	82,750	(3,682,947)
State sources:				
Other	98,431	324,249	316,212	(8,037)
Total state sources	98,431	324,249	316,212	(8,037)
Federal sources:				
Federal grants direct	7,218,720	19,415,224	13,269,366	(6,145,858)
Federal grants through state	84,324,785	91,921,600	65,750,738	(26,170,862)
Total federal sources	91,543,505	111,336,824	79,020,104	(32,316,720)
 Total revenues	 93,469,972	 115,426,770	 79,419,066	 (36,007,704)
EXPENDITURES				
Current:				
Instructional services:	48,242,610	57,190,388	41,841,685	15,348,703
Pupil Personnel Services	5,156,446	6,387,225	4,657,009	1,730,216
Instructional Media Services	846,510	970,042	893,475	76,567
Instruction and Curriculum Development Services	16,569,706	19,312,067	12,732,509	6,579,558
Instruction Staff Training Services	12,488,445	15,557,230	8,936,514	6,620,716
General Administration	2,475,841	3,032,805	1,653,331	1,379,474
School Administration	213,632	76,262	42,364	33,898
Fiscal Services	43,083	186,747	81,131	105,616
Food Service	21,410	91,338	91,339	(1)
Central Services	1,850,480	2,788,382	1,499,027	1,289,355
Pupil Transportation	2,920,634	3,422,914	1,516,369	1,906,545
Operation of Plant	109,279	313,870	221,026	92,844
Maintenance of Plant	57,968	99,444	71,124	28,320
Community Services	2,270,000	2,889,431	2,797,407	92,024
Capital Outlay				
Facilities acquisition and construction	192,873	435,140	271,999	163,141
Other capital outlay	-	2,662,432	2,102,790	559,642
Total capital outlay	192,873	3,097,572	2,374,789	722,783
 Total expenditures	 93,458,917	 115,415,717	 79,409,099	 36,006,618
 Excess (deficiency) of revenues over (under) expenditures	 11,055	 11,053	 9,967	 (1,086)
 Net change in fund balances	 11,055	 11,053	 9,967	 (1,086)
 Fund balances - beginning	 199,830	 199,830	 199,830	 -
 Fund balances - ending	 \$ 210,885	 \$ 210,883	 \$ 209,797	 \$ (1,086)

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

THE SCHOOL DISTRICT OF POLK COUNTY

MAJOR SPECIAL REVENUE FUND - ARRA ECONOMIC STIMULUS FUNDS

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Federal grants direct	\$ 286,550	\$ 286,550	\$ 286,550	\$ -
Federal grants through state	49,362,299	70,204,471	69,261,284	(943,187)
Total federal sources	<u>49,648,849</u>	<u>70,491,021</u>	<u>69,547,834</u>	<u>(943,187)</u>
Total revenues	<u>49,648,849</u>	<u>70,491,021</u>	<u>69,547,834</u>	<u>(943,187)</u>
EXPENDITURES				
Current:				
Instructional services:	13,179,712	33,538,986	32,946,644	592,342
Pupil Personnel Services	18,794,279	18,252,300	18,240,870	11,430
Instructional Media Services	7,000,860	6,768,623	6,768,080	543
Instruction and Curriculum Development Services	361,620	420,283	419,740	543
Instruction Staff Training Services	8,606,942	8,993,831	8,715,802	278,029
General Administration	1,528,257	1,581,808	1,545,852	35,956
School Administration		6,506	4,333	2,173
Fiscal Services		15,942	15,895	47
Food Service	20,824	26,349	20,916	5,433
Central Services	50,295	120,419	108,593	11,826
Pupil Transportation	7,507	9,423	9,423	-
Operation of Plant	553	2,173		2,173
Administrative Technology Services		46,936	43,704	3,232
Capital Outlay				
Facilities acquisition and construction	98,000	90,206	90,206	-
Other capital outlay		617,236	617,776	(540)
Total capital outlay	<u>98,000</u>	<u>707,442</u>	<u>707,982</u>	<u>(540)</u>
Total expenditures	<u>49,648,849</u>	<u>70,491,021</u>	<u>69,547,834</u>	<u>943,187</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	-	-
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

THE SCHOOL DISTRICT OF POLK COUNTY

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

JUNE 30, 2011

	Total Internal Service Funds
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 23,418,420
Investments	50,284,285
Accounts receivable	229,423
Total assets	<u>\$ 73,932,128</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 5,794,013
Payroll Deductions and Withholdings	575
Estimated liability for claims	13,358,733
Total current liabilities	<u>19,153,321</u>
Noncurrent liabilities:	
Estimated liability for claims	20,219,090
Total noncurrent liabilities	<u>20,219,090</u>
Total liabilities	<u>39,372,411</u>
NET ASSETS	
Unrestricted	<u>34,559,717</u>
Total net assets	<u>34,559,717</u>
Total net assets and liabilities	<u>\$ 73,932,128</u>

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

THE SCHOOL DISTRICT OF POLK COUNTY

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Total Internal Service Funds
OPERATING REVENUES:	
Premium revenue from other funds	\$ 92,432,225
Other revenue	5,459,959
Total operating revenues	<u>97,892,184</u>
OPERATING EXPENSES:	
Purchased services	8,034,098
Claims, premiums and other	88,391,815
Total operating expenses	<u>96,425,913</u>
Operating income	<u>1,466,271</u>
NON-OPERATING REVENUE:	
Interest	940,437
Total non-operating revenue	<u>940,437</u>
Income before transfers	2,406,708
TRANSFERS IN	156,000
TRANSFERS OUT	<u>(1,777,741)</u>
Change in net assets	784,967
Total net assets - beginning - restated	<u>33,774,750</u>
Total net assets - ending	<u>\$ 34,559,717</u>

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

THE SCHOOL DISTRICT OF POLK COUNTY

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from interfund services provided	\$ 94,322,811
Payment to suppliers	(8,976,925)
Payment for interfund services used	(87,788,625)
Other receipts	5,460,534
Net cash provided by operating activities	<u>3,017,795</u>
CASH FLOWS FROM NON CAPITAL AND RELATED FINANCING ACTIVITIES:	
Transfers from other funds	156,000
Transfers to other funds	(1,777,741)
Net cash used in noncapital and related financing activities	<u>(1,621,741)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sales and maturities of investments	13,661,312
Purchase of investments	(590,966)
Interest and dividends earned on investments	940,437
Net cash provided by investing activities	<u>14,010,783</u>
Net increase in cash and cash equivalents	15,406,837
Cash and cash equivalents - Beginning of year	<u>8,011,583</u>
Cash and cash equivalents - End of year	<u>\$ 23,418,420</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 1,466,271
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	1,895,586
Increase (decrease) in accounts payable	(941,650)
Increase (decrease) in due from other governmental agencies	(5,000)
Increase (decrease) in estimated liability for claims adjust expense	602,588
Total adjustments	<u>1,551,524</u>
Net cash provided by operating activities	<u>\$ 3,017,795</u>

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

THE SCHOOL DISTRICT OF POLK COUNTY

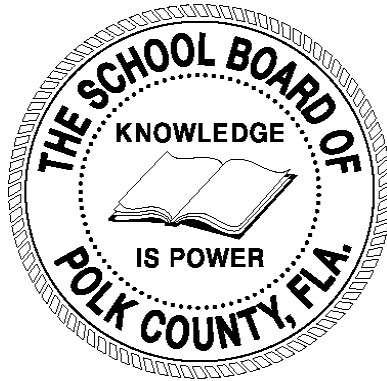
STATEMENT OF ASSETS AND LIABILITIES

FIDUCIARY FUNDS

JUNE 30, 2011

	Agency Funds
ASSETS	
Cash	\$ 6,295,835
Investments, at fair value	2,490,399
Accounts receivable, net	125,670
Inventory	443,892
Due from other agencies	201
Total assets	<u>9,355,997</u>
LIABILITIES	
Accounts payable	11,257
Payroll deductions	597
Due to student organizations	9,344,143
Total liabilities	<u>9,355,997</u>

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



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SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The District School Board (District) has direct responsibility for the operation, control and supervision of District Schools and is considered a primary government for financial reporting. The Polk County School District is considered part of the Florida system of public education.

The governing body of the school district is the Polk County District School Board, which is comprised of seven elected members. The appointed Superintendent of Schools is the executive officer of the School Board. Geographic boundaries of the District correspond with those of Polk County, Florida.

The accompanying basic financial statements present the District and its discretely presented component units, entities for which the District is considered financially accountable. The District's discretely presented component units are combined into a single column in the government-wide financial statements to emphasize that they are legally separate from the District.

Criteria for determining if other entities are potential component units which should be reported within the District's basic financial statements are identified and described in the Governmental Accounting Standards Board's (the "GASB") Codification of Governmental Accounting and Financial Reporting Standards, Sections 2100 and 2600. The application of these criteria provides for identification of any entities for which the District School Board is financially accountable and other organizations for which the nature and significance of their relationship with the School Board are such that exclusion would cause the District's basic financial statements to be misleading or incomplete.

Based on the application of these criteria, the following component units are included within the District School Board's entity:

Blended Component Unit – The Financing Corporation for the School Board of Polk County, Florida (Financing Corporation) was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in a subsequent note on Certificates of Participation. Due to the substantive economic relationship between the Polk County District School Board and the Financing Corporation, the financial activities of the Financing Corporation are included in the accompanying basic financial statements as provided under criteria for defining the reporting entity. Therefore, the financial activities of the Financing Corporation are reported in the District's financial statements and separate financial statements are not published.

Discretely Presented Component Units – The component unit columns in the basic financial statements include financial data for the Polk Education Foundation and Business Partnership, Inc. and the following charter schools: Discovery Academy of Lake Alfred, Inc. whose emphasis is technology based; McKeel Academy of Technology, Inc., McKeel Elementary, Inc. and South McKeel Elementary all of whose emphasis is on technology, math, computers and science; Our Children's Academy, which provides Pre-K and ESE services; Hartridge Academy, Inc. which offers a Spanish language immersion program focusing on academic excellence and technology; Ridgeview Global Studies Academy, Inc. which places emphasis on global studies; Compass Charter Middle School, Inc. which targets problem students; Babson Park Elementary, which specializes in first grade preparation; Hillcrest Elementary, which specializes in music, dance and the arts; Janie Howard Wilson Elementary, which emphasizes careers and environmental academics; Edward W. Bok Academy, which offers a Pre-International Baccalaureate curriculum; Lake Wales High School, which offers advanced placement and career learning; Lakeland Montessori, Inc. and Lakeland Montessori Middle at The Polk Museum of Art, both with the Montessori philosophy; Polk Avenue Elementary, which offers foreign language exposure; Berkley Accelerated Middle School, which offers standard based instruction; Berkley Elementary Charter

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

A. Reporting Entity (continued)

School, Inc. which focuses on cooperative learning; and finally Life Skills Center East, which serves as a dropout retrieval program; (collectively, The Charter Schools)

The Polk Education Foundation and Business Partnership, Inc. is a separate not-for-profit corporation organized and operated as a direct-support organization under Section 1001.453, Florida Statutes, to receive, hold, and administer property and to make expenditures for the benefit of the District. An audit of the organization's financial statements is conducted by independent certified public accountants and is filed in the District's administrative office.

The Charter Schools are separate, not-for-profit corporations organized pursuant to Chapter 617 Florida Statutes, the Florida Not For Profit Corporation Act, and section 1002.33, Florida Statutes. Each Charter School operates under a charter approved by its sponsor, the Polk County District School Board. An audit of each Charter School for the fiscal year ended June 30, 2011, is required and is filed at the District's administrative office.

The Achievement Academy, Inc.; Central Florida Speech & Hearing, d.b.a. The A.C.E. Charter School; Polk State Collegiate High School; and Polk State College Chain of Lakes Collegiate High School are not required to be included as Discretely Presented Component Units per GASB Statement No. 14, *The Financial Reporting Entity*, as these charter schools are part of a larger entity which will continue to be in existence in the event the charters were terminated.

Complete financial statements of the Foundation can be obtained from their administrative office at:

Polk Education Foundation
1530 Shumate Drive
Bartow, FL 33830

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

A. Reporting Entity (continued)

Complete audited financial statements of the individual component units can be obtained from their administrative offices. These schools include:

A.C.E. Charter School
710 E. Bella Vista St.
Lakeland, FL 33805

Achievement Academy
716 E. Bella Vista St.
Lakeland, FL 33805

Babson Park Elementary
815 N. Scenic HWY
Babson Park, FL 33827

Berkley Elementary Charter School
5240 Berkley Road
Auburndale, FL 33823

Berkley Accelerated Middle
5316 Berkley Road
Auburndale, FL 33823

Compass
550 E. Clower Street
Bartow, FL 33830

Discovery Academy
1000 Buena Vista Dr.
Lake Alfred, FL 33850

Edward W. Bok Academy
13895 HWY 27
Lake Wales, FL 33853

Hartridge Academy
1400 HWY 92 W.
Winter Haven, FL 33881

Hillcrest Elementary
1051 State Rd. 60 E
Lake Wales, FL 33853

Janie Howard Wilson Elementary
306 Florida Avenue
Lake Wales, FL 33853

Lake Wales High School
#1 Highlander Way
Lake Wales, FL 33853

Lakeland Montessori Middle at
The Polk Museum of Art
800 E. Palmetto
Lakeland, FL 33801

Lakeland Montessori Inc.
1124 N. Parker Avenue
Lakeland, FL 33805

Life Skills Center East
3425 Old Lake Alfred Rd.
Winter Haven, FL 33881

McKeel Academy of Technology
1810 West Parker St.
Lakeland, FL 33815

McKeel Elementary Academy
411 N. Florida Avenue
Lakeland, FL 33801

Our Children's Academy
150 Ave B SE
Winter Haven, FL 33881

Polk Avenue Elementary
110 E. Polk Avenue
Lake Wales, FL 33853

PSC-Collegiate High School
Chain of Lakes
999 Avenue H NE
Winter Haven, FL 33881

PSC-Collegiate High School
3425 Winter Lake Rd, LAC Building
Lakeland, FL 33881

Ridgeview Global Studies Academy
1000 Dunson Rd
Davenport, FL 33896

South McKeel Elementary
2222 Edgewood Drive S
Lakeland, FL 33803

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

B. Basis of Presentation

Government-wide Financial Statements – Government-wide financial statements, including the statement of net assets and the statements of activities, present information about the School District as a whole. These statements include the non-fiduciary financial activity of the primary government and its component units. The statements distinguish between governmental activities of the District and those that are considered business-type activities.

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function or segment. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meet the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues, with certain exceptions.

Fund Financial Statements – Governmental fund financial statements are prepared using the current financial resources measurement focus, whereas, the proprietary and fiduciary fund financial statements are prepared using the economic resources measurement focus. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Non-major governmental funds are aggregated and reported in a single column. Because the focus of governmental fund financial statements differs from the focus of government-wide financial statements, reconciliation is presented with each of the governmental fund financial statements.

The District reports the following major governmental funds:

General-Primary Operating Funds – accounts for all financial resources not accounted for and reported in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.

Other Federal Programs – accounts for and reports funds received by the District from the Federal government either directly or through the State.

ARRA Economic Stimulus Programs – accounts for and reports funds received by the District from the ARRA Economic Stimulus funds.

ARRA Debt Service – accounts for and reports funds received by the District from the ARRA Qualified School Construction Bond program.

Local Capital Improvement – accounts for and reports on funds received by the District from a tax levied by the School Board against the taxable value of property used to finance projects advertised for expenditure pursuant to this authority.

Other Capital Projects Fund – accounts for and reports on other miscellaneous funds from various sources used for capital outlay as follows: Proceeds from Certificates of Participation Bonds; Sales Tax Revenues; Sales Tax Bond Proceeds; Land Sale Proceeds; Impact Fee Revenue; State Class Size Reduction Funds; State Classroom First Lottery Bond Proceeds; State SIT Awards; and Charter School Capital Outlay.

Additionally, the District reports the following fund types:

Internal Service Funds – accounts for the self-insured programs for employee group health, casualty, liability, and workers' compensation coverage for the School Board.

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

B. Basis of Presentation (continued)

Fiduciary (Agency) Funds – are used to account for resources held by the schools, which are collected for and used by student and school athletic, class and club activities.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures, or expenses, are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are prepared using the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become 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.

Property taxes, interest and certain General Fund program grants associated with the current fiscal year are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal year. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenues are recognized at the time the expenditures are made.

Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, as under accrual accounting. The principal exceptions to this general rule are: (1) interest on general long-term debt is recognized as expenditures when due; and (2) expenditures related to liabilities reported as general long-term debt are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Private-sector standards of accounting and financial reporting issued by the Financial Accounting Standards Board (the "FASB") prior to December 1, 1989, generally are followed in the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB.

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 the proprietary funds' principal ongoing operations. The major operating revenues of the District's internal service funds are from charges for employee health insurance premiums. The major operating expenses for the internal service funds include administrative expenses, claims and insurance premiums for excess coverage. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

The Polk Education Foundation and Business Partnership, Inc, shown as a discretely presented component unit, is presented under the economic resources measurement focus and the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

C. Basis of Accounting (continued)

when incurred.

The Charter Schools, shown as discretely presented component units, are presented in accordance with governmental accounting and financial reporting standards, concurrently with the District. The Polk Education Foundation and Business Partnership, Inc. presents financial statements in conformity with standards issued by FASB.

D. Deposits and Investments

Banks qualified as public depositories under Florida law hold cash deposits. All deposits are insured by Federal depository insurance and collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes. The exhibits presented in this Annual Financial Report (the "AFR") consider cash as those accounts used as demand deposit accounts. In addition, the statement of cash flows for proprietary funds considers as cash and cash equivalents those accounts used as demand deposit accounts, all highly liquid investments with an original maturity of three months or less and cash held by fiscal agents.

Investments include amounts placed in Florida PRIME, formerly called SBA, Debt Service accounts for investment of debt service moneys reported for fair value, and amounts placed with the Florida PRIME for participation in Fund B Surplus Funds Trust Fund (Fund B) investment pool. The investment pools operate under investment guidelines established by Section 215.47, Florida Statutes.

The District's investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of .78965331 at June 30, 2011. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by Florida PRIME, are effected by transferring eligible cash or securities to Local Government Investment Pool (LGIP), consistent with the pro rata allocation of pool shareholders of record at the creation date of Fund B. One hundred percent of such distributions from Fund B are available as liquid balance within LGIP. Fund B is not rated by any nationally recognized statistical rating agency.

The District's investments in LGIP, which Florida PRIME indicates is a Securities and Exchange Commission Rule 2a7-like fund as of June 30, 2011, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. These investments are reported at fair value, which is amortized cost. The Florida PRIME is rated by Standard and Poor's and is currently rated at AAAM.

The District entered into an investment advisory program with Stable River Capital Management, Inc. whereby District moneys are placed with a third-party custodian, SunTrust Bank, and invested by the advisor, Stable River. All moneys are invested as authorized by Section 218.415, Florida Statutes, and Board Policy Section 5.003 in United States Government securities or obligations either directly or through a money market fund. The U.S. Government money market funds are stated at cost, which approximates fair value, while securities owned directly by the District are reflected at fair value.

The District also has investment management agreements with The Core Fund, UBS Global Asset Management Inc. (UBS), and MBIA Capital Management Corp. (MBIA) and their respective custodians. The Core Fund is an external pool similar to the Florida PRIME. UBS purchases U.S. government securities for our portfolio, which is held by UBS Financial Services Inc. MBIA is available for use in the future. Several portfolio managers are being used to allow diversity with our investments. All such investments are reported at fair value.

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

D. Deposits and Investments (continued)

Investments made locally consist of money market mutual funds, United States Treasury Securities and Collateralized Mortgage Obligations and are reported at fair value. Types and amounts of investments held at fiscal year-end are described in a subsequent note on investments.

E. Interfund Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are reported as "due to/from other funds" in the fund financial statements.

The Certificate of Participation Fund (COPS), a capital outlay fund, reimburses expenditures once a requisition has been submitted to the trustee. During this process, the local sales tax capital outlay fund temporarily advances funds to cover the expenditures. This process creates temporary Due To and Due From balance sheet accounts.

F. Inventories and Prepaid Items

Inventories consist of expendable supplies held for consumption in the course of District operations. All inventories are stated on a moving-average basis. The costs of inventories are recorded as expenditures when used, rather than when purchased. Prepaid items consist of payment of items which will benefit future accounting periods, such as property insurance.

G. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of \$750 or more and an estimated useful life of 1 year or more.

Such assets, except land acquired prior to 1977 and buildings and fixed equipment acquired prior to 1976, are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair value at the date of donation.

The value of land acquired prior to 1977 is reported at the assessed value recorded by the Polk County Property Appraiser as of March 10, 1977. Buildings and fixed equipment acquired prior to 1976 are reported at replacement cost at June 30, 1976, as determined for insurance purposes at that time.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest costs incurred during the construction phase of capital assets are not capitalized as part of the cost of construction.

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

G. Capital Assets (continued)

Property, plant, and equipment are depreciated using the straight line method over the following estimated useful lives:

<u>Assets are:</u>	<u>Years</u>
Buildings	50
Building Improvements	40
Improvements Other Than Buildings	20
Motor Vehicles	10
Equipment	7
Furniture & Fixtures	5
Software	5
Computers	3
Audio Visual Materials	3

Current year information relative to changes in capital assets is described in a subsequent note.

H. Long-Term Liabilities

Long-term obligations that will be financed from resources to be received in the future by governmental funds are reported as liabilities in the government-wide statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, bonds and other long-term obligations are not recognized as liabilities until due. Governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the period in which the debt is issued. The face amount of debt issued is reported as other financing sources while 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 debt service expenditures.

The District enters into interest rate swap agreements to modify interest rates on outstanding debt. The fair values of these instruments are reflected on the government wide financial statements. On the fund level financial statements, up-front premium payments received are recognized as other financing sources. In addition, the net interest expenditures resulting from agreements are recorded in the financial statements.

In the government-wide financial statements, compensated absences (i.e., paid absences for employee vacation leave and sick leave) are accrued as liabilities to the extent that it is probable that the benefits will result in termination payments.

Changes in long-term liabilities for the current year are reported in a subsequent note.

I. State Revenue Sources

Revenues from State sources for current operations are primarily from the Florida Education Finance Program (FEFP) administered by the Florida Department of Education (Department) under the provisions of Section 1011.62, Florida Statutes. In accordance with this law, the District determines and reports the number of full-time equivalent (FTE) students and related data to the Department. The Department performs certain edit checks on the reported number of FTE and related data and calculates the allocation of funds to the District.

The District is permitted to amend its original reporting for a period of one year following the date of

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

I. State Revenue Sources (continued)

the original reporting. Such amendments may impact funding allocations for subsequent years. The Department may also adjust subsequent fiscal period allocations based upon an audit of the District's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made.

The State provides financial assistance to administer certain categorical educational programs. State Board of Education rules require that revenue earmarked for these programs be expended only for the program for which the money is provided and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical educational programs. The Department generally requires that categorical educational program revenues be accounted for in the General Fund. A portion of the fund balance of the General Fund is reserved for the unexpended balance of categorical educational program resources.

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay (PECO) money, to the District School Board on an annual basis. Accordingly, the District recognizes the allocation of PECO funds as deferred revenue until such time as an encumbrance authorization is received.

A schedule of revenue from State sources for the current year is presented in a subsequent note.

J. Property Taxes - Revenue Recognition

The School Board is authorized by State law to levy property taxes for district school operations, capital improvements, and debt service.

Property taxes consist of ad valorem taxes on real and personal property within the District. The Polk County Property Appraiser determines property values and property taxes are collected by the Polk County Tax Collector.

The School Board adopted the 2010 tax levy on September 7, 2010. Taxes become an enforceable lien on property as of January 1; tax bills are mailed in October; and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to four percent for early payment.

Taxes become delinquent on April 1 of the year following the year of assessment and State law provides for enforcement of collection of personal property taxes by seizure of the property to satisfy unpaid taxes and for enforcement of collection of real property taxes by the sale of interest-bearing tax certificates to satisfy unpaid taxes. The procedures result in the collection of essentially all taxes prior to the June 30 fiscal year-end.

Property tax revenue is recognized when the District receives taxes, however, revenue is accrued for taxes collected by the Polk County Tax Collector at fiscal year-end but not yet remitted to the District. Because any delinquent taxes collected after June 30 would not be material, delinquent taxes receivable are not accrued and no delinquent tax revenue deferral is recorded.

Millages and taxes levied for the current year are presented in a subsequent note.

K. Federal Revenue Sources

The District receives Federal awards for the enhancement of various educational programs. Federal awards are generally received based on applications submitted to and approved by various grantor agencies. For Federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred.

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

L. Use of Estimates

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States (GAAP) requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

M. Change in Accounting Policy

Effective July 1, 2010, the District changed its accounting policy on the recognition of group health insurance premiums in order to more accurately match wage expense with the health benefit costs which requires the District to restate beginning fund balances. Prior to the 2010-2011 fiscal year, the District recognized premiums associated with accrued wages in the period the wages were paid instead of the period the wages were earned/expensed. The District began recognizing premium expense for employee group health in the same period as the wages associated with the premiums were earned/expensed. As a result, the District is restating beginning fund balances as follows to account for the change in accounting method:

	General Fund	Food Service	Proprietary Funds
Fund Balance, previously reported	\$ 68,818,031	\$ 8,516,053	\$ 26,251,344
Change in calculation of premiums	(6,681,945)	(841,460)	7,523,406
Fund Balance, as restated	<u>\$ 62,136,086</u>	<u>\$ 7,674,593</u>	<u>\$ 33,774,750</u>

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

2. DIFFERENCES BETWEEN GOVERNMENT-WIDE FINANCIAL STATEMENTS AND GOVERNMENTAL FUND STATEMENTS

A. Explanation of Certain Differences Between the Governmental Funds Balance Sheet and the Government-wide Statement of Net Assets

The Governmental Funds Balance Sheet includes reconciliation between Total Fund Balances-Governmental Funds and Total Net Assets-Governmental Activities reported on the Statement of Net Assets. One element of that reconciliation explains, "Long-term liabilities, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds". The details of this \$537,015,740 difference are as follows:

Bonds Payable, Net of Premium	\$ (201,252,521)
Certificates of Participation, Net of Discount and Deferred Amount	(239,717,147)
Notes Payable	(5,412,771)
Compensated Absences Payable	(40,388,998)
Derivative Instrument, Net of Upfront Payment	(22,274,731)
Other Long-Term Liabilities	<u>(23,558,188)</u>
 Net adjustment to reduce Total Fund Balances-Total Governmental Funds to Total Net Assets-Governmental Activities	 <u>\$ (532,604,356)</u>

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

3. BUDGETARY COMPLIANCE ACCOUNTABILITY

The School Board follows procedures established by State statutes and State Board of Education rules in establishing budget balances for governmental funds as described below:

- Budgets are prepared, public hearings are held, and original budgets are adopted annually for all governmental funds types in accordance with procedures and time intervals prescribed by law and State Board of Education rules.
- Appropriations are controlled at the object level (e.g., salaries, purchased services, and capital outlay) within each function (e.g., instruction, pupil personnel services, and school administration) and may be amended by resolution at any School Board meeting prior to the due date for the annual financial report.
- Budgets are prepared using the same modified accrual basis as is used to account for governmental funds.
- Budgetary information is integrated into the accounting system and, to facilitate budget control, budget balances are encumbered when purchase orders are issued. Appropriations lapse at fiscal year-end and encumbrances outstanding are honored from the subsequent year's appropriations.
- The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund-function level. The School Board made several supplemental budgetary appropriations throughout the year. Supplemental budgetary appropriations are presented in budget and actual comparison statements by original budget and final budget amounts and discussed in the Management's Discussion and Analysis (MD&A).

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

4. INVESTMENTS

As of June 30, 2011, the District has the following investments and maturities:

Investment	Average Maturity	Fair Value
Money Market Funds		
State Board of Administration Local Government Surplus Funds Trust Fund Investment Pool: LGIP (Florida PRIME)	31.0 Days	\$ 63,200,857
State Board of Administration Local Government Surplus Funds Trust Fund Investment Pool US Bank Trustee for Polk Co SB: LGIP (Florida PRIME)	31.0 Days	23,480,521
RMA Money Market Portfolio	31.0 Days	258,408
Federated Prime Obligations Money Market Funds	40.0 Days	54,224,779
		<hr/>
Total Money Market Funds		141,164,565
Other investments		
State Board of Administration Local Government Surplus Funds Trust Fund Investment Pool: Fund B	7.16 Years	3,423,519
State Board of Administration Local Government Surplus Funds Trust Fund Investment Pool US Bank: Fund B	7.16 Years	39,992
State Board of Administration- Debt Service Account	-	497,637
Trust Fund Investment US Bank FNMA Notes	Less than 6 months	2,406,555
The Core Fund – Short-Term U.S. Government Bond Fund	Less than one Year	52,805,938
United States Treasury Notes	9 Years	5,096,253
United States Treasury Bills	Less than 90 days	4,943,901
Ridgeworth U.S. Gov. Sec. Ultra Fund	3.44 Years	2,899,548
U.S. Small Business Administration Loan Pools	7 Years	48,962
		<hr/> <u>\$ 213,326,870</u>
Investments are reflected in the financial statements: as follows (in thousands)		
Governmental Funds		\$ 160,552,186
Internal Service Funds		<u>50,284,285</u>
Governmental Activities		210,836,471
Fiduciary Funds		2,490,399
		<hr/> <u>\$213,326,870</u>

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

4. INVESTMENTS (continued)

Interest Rate Risk

- The District has a formal investment policy as authorized by section 218.415 Florida Statutes that limits investments to a maximum of five years, but may exceed five years when there is opportunity to achieve a greater return and /or the average life is expected to be less.
- The District has \$48,962 in United States Small Business Administration Loans which have either quarterly or monthly adjustments of interest and may have prepayments.
- The State Board of Administration Pool and The Core Fund, and the various money market funds are considered 2a7-like pools.

Custodial Credit Risk

- All securities are held in the District's name, either directly by the District or by the District's third party custodians per the Board's investment policy and Florida Statute.

Credit Risk

- As of June 30, 2011, the District's investment in the State Board of Administration Local Government Surplus Funds Trust Fund Investment pool (LGIP) known as Florida PRIME, was rated AAAM by Standard and Poor's and the Fund B investments were unrated. Federated PRIME Obligations Funds were rated AAAM by Standard and Poor's. The Core Fund was rated AAA/S1 by Standard & Poor's.
- The District's investments in the State Board of Administration Debt Service Accounts, which are not rated, are to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. The District relies on policies developed by the State Board of Administration for managing credit risk for this account.
- The District's investments in the RMA Money Market Portfolio, which are not rated, are funds which will be invested in either United States Treasury Bills or United States Treasury Notes at the next reinvestment period.
- As of June 30, 2011, the District's investment in United States Treasury Bills and United States Treasury Notes are rated AAA by all credit agencies.
- As of June 30, 2011, Trust Fund Investment US Bank FNMA Notes was rated AAA/A-1+ by S&P and Aaa/P-1 by Moody's. They were downgraded by S&P to AA+/A-1 on August 5, 2011. Ridgworth U.S. Government Securities Ultra-Short Bond Fund is rated AAA.

Concentration of Credit Risk

- All of the District's investments are issued or explicitly guaranteed by the United States Government or are in mutual funds, external investment pools, and other pooled investments which do not require disclosure for concentration of credit risk.

State Board of Administration – Florida Local Government Investment Pool Risk:

On November 29, 2007, the trustees of the State Board of Administration (SBA) suspended deposits and withdrawals from the Florida Local Government Investment Pool (Investment Pool). This action was taken to stop withdrawals that caused the Investment Pool's assets to fall from about \$27 billion down to \$14 billion in a month's time. Some local governments initiated withdrawals due to fears associated with

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

4. INVESTMENTS (continued)

securities that were downgraded below the credit quality guidelines set for initial purchase as well as some limited defaults.

On December 4, 2007, the SBA split the Investment Pool into two funds: 86% was placed in LGIP to hold high-quality money-market appropriate securities and 14% was placed in Fund B to hold higher-risk securities in default, having payment extensions or experiencing significant credit risk. In addition, the Investment Pool's entire November interest and loan loss reserve was placed in Fund B to offset some of the lost value. The goal of Fund B is to maximize the collection of Fund B's principal and interest and to allow all or as much principal as possible to be returned to participants. The District believes that its principal balance in LGIP totaling \$86,681,378 on June 30, 2011 (\$63,200,857 in the District's account plus \$23,480,521 in the US Bank Trustee account) will continue to be maintained without loss by the SBA. The maintenance of the principal balance (face value) in Fund B totaling \$4,386,117 on June 30, 2011 (\$4,335,472 in the District's account plus \$50,645 in the US Bank Trustee account) is uncertain at this time. The current market value adjustment is (\$922,605).

5. ACCOUNTS RECEIVABLE

The majority of receivables are due from other agencies. These receivables and the remaining accounts receivable are considered to be fully collectible. However, a portion of the receivables that are not due from other agencies have been deemed a risk and the District has established an allowance for uncollectible accounts receivable in the amount of \$152,636, 0.8 percent of total accounts receivable.

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

6. CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 was as follows:

GOVERNMENTAL ACTIVITIES	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 94,738,186	\$ 728,715	\$ -	\$ 95,466,901
Construction in Progress	66,806,899	94,736,413	62,617,110	98,926,202
Total capital assets, not being depreciated	<u>161,545,085</u>	<u>95,465,128</u>	<u>62,617,110</u>	<u>194,393,103</u>
Capital assets, being depreciated:				
Improvements Other Than Buildings	42,363,290	736,673	49,905	43,050,058
Buildings and Fixed Equipment	1,240,631,850	62,349,637	2,617	1,302,978,870
Furniture, Fixtures, and Equipment	77,292,006	11,095,227	3,907,886	84,479,347
Motor Vehicles	60,604,152	5,406,472	2,439,244	63,571,380
Audio Visual Materials and Computer Software	24,773,143	1,161,112	590,879	25,343,376
Total capital assets, being depreciated	<u>1,445,664,441</u>	<u>80,749,121</u>	<u>6,990,531</u>	<u>1,519,423,031</u>
Less accumulated depreciation for:				
Improvements Other Than Buildings	28,105,117	2,137,944	15,506	30,227,555
Buildings and Fixed Equipment	385,082,592	26,345,494	457	411,427,629
Furniture, Fixtures, and Equipment	55,390,520	8,155,407	3,803,552	59,742,375
Motor Vehicles	42,313,064	3,604,496	2,399,012	43,518,548
Audio Visual Materials and Computer Software	15,200,541	3,913,573	558,539	18,555,575
Total accumulated depreciation	<u>526,091,834</u>	<u>44,156,914</u>	<u>6,777,066</u>	<u>563,471,682</u>
Total capital assets, being depreciated, net	<u>919,572,607</u>	<u>36,592,207</u>	<u>213,465</u>	<u>955,951,349</u>
Capital assets, net	<u>\$ 1,081,117,692</u>	<u>\$ 132,057,335</u>	<u>\$ 62,830,575</u>	<u>\$ 1,150,344,452</u>

Depreciation expense was charged to functions as follows:

Instructional	\$ 26,946,890
Student Personnel Services	1,836,362
Media Services	597,315
Curriculum Development	858,108
Instructional Training	974,221
Instructional Technology Support	274,139
Board	126,065
General Administration	350,970
School Administration	2,156,962
Facilities & Construction	271,024
Fiscal Services	172,035
Food Services	2,304,512
Central Services	829,979
Student Transportation	1,818,058
Operation of Plant	2,579,621
Maintenance of Plant	1,096,649
Administrative Technology Support	254,676
Community Services	164,953
Unallocated	544,375
Total Depreciation Expense	<u>\$ 44,156,914</u>

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

7. NOTES PAYABLE

Notes Payable are comprised of the following:

	<u>Balance at 06/30/11</u>
<u>Suntrust</u> \$2,542,500, Borrowed 7/15/2008, under provisions of Section 1013.23, Florida Statutes. Repayment is in 7 annual payments through 11/01/2014 ranging from \$250,086 to \$426,162. Interest Rate of 4.157 percent. Proceeds used to refinance loans for Upgrade of Lighting Systems by Johnson Controls.	\$ 1,456,107
<u>Capital One</u> \$1,621,100, Borrowed 7/15/2008, under provisions of Section 1013.23, Florida Statutes. Repayment is in 14 semi-annual payments through 06/30/2015 ranging from \$83,997 to \$217,900. Interest rate of 4.267 percent. Proceeds used to refinance loans for Retrofit lighting countywide by Johnson Controls.	1,086,488
<u>Suntrust</u> \$2,592,900, Borrowed 07/15/2008, under provisions of Section 1013.23, Florida Statutes. Repayment is in 15 semi-annual payments through 1/15/2016 ranging from \$133,300 to \$215,300. Interest rate of 4.267 percent. Proceeds used to refinance loans for Retrofit lighting countywide by Johnson Controls.	1,867,101
<u>Capital One</u> \$1,743,300, Borrowed 07/15/2008, under provisions of Section 1013.23, Florida Statutes. Repayment is in 13 semi-annual payments through 12/01/2014 ranging from \$117,291 to \$150,397. Interest rate of 4.267 percent. Proceeds used to refinance loans for Retrofit lighting countywide by Johnson Controls.	<u>1,003,075</u>
Total Notes Payable	<u><u>\$ 5,412,771</u></u>

Notes payable are as follows:

Fiscal Year Ended <u>June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2012	\$1,402,590	\$1,181,605	\$220,985
2013	1,427,929	1,257,529	170,400
2014	1,437,026	1,320,454	116,572
2015	1,280,966	1,222,583	58,383
2016	<u>444,380</u>	<u>430,600</u>	<u>13,780</u>
Total	<u>\$5,992,891</u>	<u>\$5,412,771</u>	<u>\$580,120</u>

The collateral for these notes payable consists of various electrical and water conservation equipment and fixtures installed throughout the District.

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

8. CERTIFICATES OF PARTICIPATION

The certificates of participation are instruments issued to finance lease purchase agreements in accordance with Section 235.056, Florida Statutes. US Bank is the trustee for the certificates and makes all interest, principal, and fee payments, invests idle funds, and complies with the requirements of the issue documents. The certificates mature serially and the debt service is funded by transfers from Capital Improvement Fund (Section 236.25). The following is a description of the Certificates of Participation:

Series 2001A

The District entered into a financing arrangement on March 21, 2001, which arrangement was characterized as a lease-purchase agreement, with the Financing Corporation for the School Board of Polk County, Florida, whereby the District secured financing for 10 various educational facilities. The financing was accomplished through the issuance of Certificates of Participation, Series 2001A, totaling \$54,615,000, to be repaid from the proceeds of rents paid by the District.

As a condition of the 2001A financing arrangement, the District has given a ground lease on District property to the Financing Corporation for the School Board of Polk County, Florida, with a rental fee of \$10 per year. The initial term of the lease is for the period commencing on March 21, 2001, and ending on the earlier of: (a) the date on which the Series 2001 Certificates and all other amounts due in respect of the Trust Agreement or the Lease Agreement have been paid in full or (b) January 1, 2026 (both dates inclusive). The properties covered by the ground lease are, together with the improvements constructed thereon from the financing proceeds, leased back to the District.

If the District fails to renew the lease and to provide for the rent payments through to term, the District may be required to surrender the sites included under the Ground Lease Agreement for the benefit of the securers of the Certificates for a period of time specified by the arrangement which may be up to approximately 25 years from the date of inception of the arrangement.

The District properties included in the ground lease under this arrangement include lands on which the Series 2001 projects are located. The following 10 schools are in this arrangement: Elementary Schools E & F (N.E. Roberts Elementary and R. Bruce Wagner Elementary), Auditorium Lake Gibson High School, Homer K Addair Academy (formerly known as the Lake Alfred Career Development Academy), Classroom Wing Jewett Elementary, Agri Science Center/Gym Auburndale Senior High, New Cafeteria/Remodel Bartow Senior & Haines City High Schools, Administration Building, Kathleen Elementary, Quad Classroom Lewis Elementary.

The lease payments are payable by the District, semiannually, on the fifteenth (15th) day preceding each January 1 and July 1 at interest 3.25 to 5.0 percent.

The District partially refunded series 2001A with Series 2010D on December 30, 2010. Please see series 2010D below.

Series 2002

The District entered into a refunding arrangement on November 13, 2002, to advance refund the Certificates of Participation, Series 1993, issued on behalf of the District by the Financing Corporation for the School Board of Polk County, Florida. The Series 1993 was issued to advance refund the Certificates of Participation, Series 1990 and Series 1991, issued on behalf of the District by the Florida School Boards Association, Inc. This refunding was accomplished through the issuance of Certificates of Participation, Series 2002, totaling \$30,270,000, to be repaid from the proceeds of rents paid by the District.

As a condition of the financing arrangement associated with the Series 2002 Certificates, the District has given a ground lease on District property to the Financing Corporation for the School Board of Polk County, Florida, with a rental fee of \$10 per year. By a master lease-purchase agreement, the

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

8. CERTIFICATES OF PARTICIPATION (continued)

properties covered by the ground lease are, together with the improvements constructed thereon from the financing proceeds, leased back to the District. The initial term of the lease is 1 year commencing on November 1, 2002 and ending on the earlier of (a) the date on which the Series 2002 certificate has been paid or provision for such payment has been made pursuant to the Trust Agreement or (b) July 1, 2013.

If the District fails to renew the master lease-purchase agreement and to provide for the rent payments through to term, the District may be required to surrender the sites included under the Ground Lease Agreement, together with improvements thereon, to the Trustee for the benefit of the securers of the Certificates for a period of time specified by the arrangement which may be up to approximately 30 years from the date of inception of the arrangement.

The District properties included in the 2002 ground lease under this arrangement include the lands on which the Series 1990 and 1991 Projects are located and which came from the Series 1993 refunding of 1990 and 1991. The Series 1990 Projects included the construction of Valley View Elementary, Socrum Elementary, Watson Elementary, portions of Loughman Oaks Elementary and George W. Jenkins Senior High schools. The Series 1991 Project included the construction of George W. Jenkins Senior High School.

Net proceeds of the Series 2002 Certificates were placed in an irrevocable trust to provide for the future debt service payments on the Series 1993 Certificates. Accordingly, the trust account assets and the liability for the Series 1993 Certificates are not included in the Board's financial statements.

The Series 2002 Certificates include serial certificates maturing from 2003 through 2013 and term certificates maturing in 2013. The lease payments on the Series 2002 Certificates are payable by the District, semiannually, on July 1 and January 1 at interest rates ranging from 2.0 to 4.0 percent.

Series 2003B

The District entered into a refunding arrangement on July 30, 2003, to advance refund the Certificates of Participation, Series 1994, issued on behalf of the District by the Financing Corporation for the School Board of Polk County, Florida. The financing was accomplished through the issuance of Certificates of Participation, Series 2003B, totaling \$19,700,000, to be repaid from the proceeds of rents paid by the District.

As a condition of the financing arrangement associated with the Series 2003B Certificates, the District has given a ground lease on District property to the Financing Corporation for the School Board of Polk County, Florida, with a rental fee of \$10 per year. By a master lease-purchase agreement, the property covered by the ground lease are, together with the improvements constructed thereon from the financing proceeds, leased back to the District. The initial term of the lease is 1 year commencing on July 30, 2003 and ending on the earlier of (a) the date on which the Series 2003B certificate has been paid or provision for such payment has been made pursuant to the Trust Agreement or (b) January 1, 2018.

If the District fails to renew the master lease-purchase agreement and to provide for the rent payments through to term, the District may be required to surrender the site included under the Ground Lease Agreement, together with improvements thereon, to the Trustee for the benefit of the securers of the Certificates for a period of time specified by the arrangement which may be up to approximately 25 years from the date of inception of the arrangement.

The District property included in the 2003B ground lease under this arrangement includes the land on which the Series 1994 project is located. The Series 1994 Project was for the construction of Lake Region Senior High School.

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

8. CERTIFICATES OF PARTICIPATION (continued)

Net proceeds of the Series 2003B Certificates were placed in an irrevocable trust to provide for the future debt service payments on the Series 1994 Certificates. Accordingly, the trust account assets and the liability for the Series 1994 Certificates are not included in the Board's financial statements.

The Series 2003B Certificates include serial certificates maturing from 2004 through 2018 and term certificates maturing in 2018. The lease payments on the Series 2003B Certificates are payable by the District, semiannually, on July 1 and January 1 at interest rates ranging from 2.0 to 4.0 percent.

Series 2004-QZAB/COPS

The District entered into a financing arrangement on June 8, 2004, characterized as a lease-purchase agreement, with the Financing Corporation for the School Board of Polk County, Florida, whereby the District secured financing through Qualified Zone Academy Bonds (QZABs) for technology improvements. The financing was accomplished through the issuance of Qualified Zone Academy Bonds-Certificates of Participation, Series 2004, totaling \$3,561,000, to be repaid from the proceeds of rents paid by the District.

As a condition of this 2004 financing arrangement, the District will give title to the equipment to the Financing Corporation for the School Board of Polk County, Florida. The initial term of the lease is for the period commencing on June 8, 2004, and ending on the earlier of: (a) the date on which the Series 2004 QZAB/Certificates and all other amounts due in respect of the Trust Agreement or the Lease Agreement have been paid in full or (b) June 7, 2020 (both dates inclusive). The technology equipment covered by the ground lease are leased back to the District.

If the District fails to renew the lease and to provide for the rent payments through to term, the District may be required to surrender the equipment included under the Ground Lease Agreement for the benefit of the securers of the QZAB/Certificates for a period of time specified by the arrangement which may be up to approximately 16 years from the date of inception of the arrangement.

The District technology equipment included in the ground lease under this arrangement includes approximately 5,442 computers and monitors.

The Series 2004-QZAB/COPS mature on June 7, 2020 and required the District to make annual payments into an escrow account annually from 2005 through 2009 at \$403,617 per year. The total amount paid into escrow in the form of a sinking fund (\$2,018,084) with interest earnings should be sufficient to pay off the principal due on term certificates maturing in 2020, considering the subsidy. The escrow/sinking fund is included in Investments. The QZABs are financial instruments that provide a different kind of subsidy in the form of a tax credit to a bank, in this case, Wachovia Bank, N.A., that holds the QZABs. The District was eligible for this program since the schools which participated had at least 35 percent or more of their students eligible for free or reduced lunch under the National school Lunch Act, and the District had established a partnership with a business, Gateway, who provided the 10 percent matching in Online Training classes for teachers and students.

Series 2009A

The District entered into a refunding arrangement on July 24, 2009, to advance refund the Certificates of Participation, Series 2003A. The refunding was accomplished through the issuance of Certificates of Participation, Series 2009A, totaling \$46,755,000, to be repaid from the proceeds of rents paid by the District.

As a condition of the 2009 financing arrangement, the District has given a ground lease on District property to the Financing Corporation for the School Board of Polk County, Florida, with a rental fee of \$10 per year. The initial term of the lease is for the period commencing on July 24, 2009, and ending

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

8. CERTIFICATES OF PARTICIPATION (continued)

on the earlier of: (a) the date on which the Series 2009A Certificates and all other amounts due in respect of the Trust Agreement or the Lease Agreement have been paid in full or (b) January 1, 2028 (both dates inclusive). The properties covered by the ground lease are, together with the improvements constructed thereon from the financing proceeds, leased back to the District.

If the District fails to renew the lease and to provide for the rent payments through to term, the District may be required to surrender the sites included under the Ground Lease Agreement for the benefit of the securers of the Certificates for a period of time specified by the arrangement which may be up to approximately 25 years from the date of inception of the arrangement.

The District properties included in the ground lease under this arrangement include lands on which the original Series 2003A projects are located. The following 5 schools are in this arrangement: Chain of Lakes Elementary, Ridge Community High School, Sandhill Elementary Classroom Addition, Ridgeview Elementary Classroom Addition, and Haines City High School Administrative Suite/Media Center.

The Net proceeds of the Series 2009A Certificates were used to currently refund the Series 2003A Certificates.

The Series 2009A Certificates include serial certificates maturing through 2028 and term certificates maturing in 2028. The lease payments on the Series 2009A Certificates are payable by the District, annually, on Jan. 1. The lease payments are payable by the District, monthly, at an interest rate of 3.865 percent.

Please refer to Floating-to Fixed Cancelable Interest Rate Swap note below for information regarding outstanding swap associated with Series 2009A (originally Series 2003A).

Series 2009B

The District entered into a refunding arrangement on July 24, 2009, to advance refund the Certificates of Participation, Series 2008A (formerly Series 1998). The refunding was accomplished through the issuance of Certificates of Participation, Series 2009B, totaling \$36,985,000, to be repaid from the proceeds of rents paid by the District.

As a condition of the financing arrangement associated with the Series 2009B Certificates, the District has given a ground lease on District property to the Financing Corporation for the School Board of Polk County, Florida, with a rental fee of \$10 per year. By a master lease-purchase agreement, the property covered by the ground lease are, together with the improvements constructed thereon from the financing proceeds, leased back to the District. The initial term of the lease is for the period commencing on July 24, 2009, and ending on the earlier of: (a) the date on which the Series 2009B Certificates and all other amounts due in respect of the Trust Agreement or the Lease Agreement have been paid in full or (b) January 1, 2023 (both dates inclusive). The properties covered by the ground lease are, together with the improvements constructed thereon from the financing proceeds, leased back to the District.

If the District fails to renew the master lease-purchase agreement and to provide for the rent payments through to term, the District may be required to surrender the site included under the Ground Lease Agreement, together with improvements thereon, to the Trustee for the benefit of the securers of the Certificates for a period of time specified by the arrangement which may be up to approximately 25 years from the date of inception of the arrangement.

The District property included in the 2009B ground lease under this arrangement includes the land on which the Series 1998 project is located. The Series 1998 Project was for the construction of Sleepy Hill Middle School and Dundee Ridge Middle School.

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

8. CERTIFICATES OF PARTICIPATION (continued)

The net proceeds of the Series 2009B Certificates were used to currently refund the Series 2008A Certificates.

The Series 2009B Certificates include serial certificates maturing from 2010 through 2023, and term certificates maturing in 2023. The lease payments on the Series 2009B Certificates are payable by the District annually, on January 1 at interest rates ranging from approximately from 3.457 to 4.48 percent.

Please refer to Floating-to Fixed Cancelable Interest Rate Swap note below for information regarding outstanding swaps associated with Series 2009B (originally Series 2008A).

Series 2009C-QSCB/COPS

The District entered into a financing arrangement on December 30, 2009, which arrangement was characterized as a lease-purchase agreement in the form of Qualified School Construction Bonds, with the Financing Corporation for the School Board of Polk County, Florida. The financing was accomplished through the issuance of Certificates of Participation, Series 2009C, totaling \$20,543,000, to be repaid from the proceeds of rents paid by the District.

As a condition of the 2009 financing arrangement, the District has given a ground lease on District property to the Financing Corporation for the School Board of Polk County, Florida, with a rental fee of \$10 per year. The initial term of the lease is for the period commencing on December 30, 2009, and ending on the earlier of: (a) the date on which the Series 2009C Certificates and all other amounts due in respect of the Trust Agreement or the Lease Agreement have been paid in full or (b) December 15, 2024 (both dates inclusive). The properties covered by the ground lease are, together with the improvements constructed thereon from the financing proceeds, leased back to the District.

If the District fails to renew the lease and to provide for the rent payments through to term, the District may be required to surrender the sites included under the Ground Lease Agreement for the benefit of the securers of the Certificates for a period of time specified by the arrangement which may be up to approximately 25 years from the date of inception of the arrangement.

The District properties included in the ground lease under this arrangement include lands on which the Series 2009C project is located. The Series 2009C project was for the reconstruction of Mulberry Middle School.

The lease payments are payable by the District into a sinking fund on an annual basis, and interest at a rate of 1.95% is paid quarterly. Sinking fund proceeds are invested and accumulate over the life of the bonds, ending in a lump sum repayment to the bondholders at bond maturity. The interest earnings of the sinking fund are estimated. Therefore, the final principal payment will be adjusted as required based upon final interest earned. Bondholders earn federal tax credits in lieu of interest.

The following is a schedule of required sinking fund deposits and estimated earnings to accumulate through maturity in the sinking fund:

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

8. CERTIFICATES OF PARTICIPATION (continued)

Payment Due Date (FY)	Principal	Interest Earned Sinking Fund	Estimated Sinking Fund Balance
2011	\$ 1,104,527	\$ -	\$ 1,104,527
2012	1,104,527	33,136	2,242,190
2013	1,104,527	67,266	3,413,983
2014	1,104,527	102,420	4,620,930
2015	1,104,527	138,628	5,864,085
2016	1,104,527	175,923	7,144,535
2017	1,104,527	214,336	8,463,398
2018	1,104,527	253,902	9,821,827
2019	1,104,527	294,655	11,221,009
2020	1,104,527	336,630	12,662,166
2021	1,104,527	379,865	14,146,558
2022	1,104,527	424,397	15,675,482
2023	1,104,527	470,264	17,250,273
2024	1,104,526	517,507	18,872,306
2025	1,104,526	566,168	20,543,000
	<u>\$ 16,567,903</u>	<u>\$ 3,975,097</u>	<u>\$ 20,543,000</u>

Series 2010A

The District entered into a financing arrangement on March 9, 2010, to advance refund the Certificates of Participation, Series 1999A. The refunding was accomplished through the issuance of Certificates of Participation, Series 2010A, totaling \$51,315,000, to be repaid by the proceeds of rents paid by the District.

As a condition of the financing arrangement associated with the Series 2010A Certificates, the District has given a ground lease on District property to the Financing Corporation for the School Board of Polk County, Florida, with a rental fee of \$10 per year. By a master lease-purchase agreement, the property covered by the ground lease are, together with the improvements constructed thereon from the financing proceeds, leased back to the District. The initial term of the lease is for the period commencing on March 9, 2010, and ending on the earlier of: (a) the date on which the Series 2010A Certificates and all other amounts due in respect of the Trust Agreement or the Lease Agreement have been paid in full or (b) January 1, 2024 (both dates inclusive). The properties covered by the ground lease are, together with the improvements constructed thereon from the financing proceeds, leased back to the District.

If the District fails to renew the master lease-purchase agreement and to provide for the rent payments through to term, the District may be required to surrender the site included under the Ground Lease Agreement, together with improvements thereon, to the Trustee for the benefit of the securers of the Certificates for a period of time specified by the arrangement which may be up to approximately 25 years from the date of inception of the arrangement.

The District property included in the 2010A ground lease under this arrangement includes the land on which the Series 1999A projects are located. The Series 1999A Project was for the construction of Sandhill Elementary, Pinewood Elementary, Berkley Elementary and Ridgeview Elementary Schools, and an addition to Lakeland Senior High School.

The net proceeds of the Series 2010A Certificates were used to currently refund the Series 1999A Certificates.

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

8. CERTIFICATES OF PARTICIPATION (continued)

The lease payment are payable by the District, annually, on the fifteenth (15th) day preceding January 1st, at interest rates ranging from 3.00 to 4.25 percent.

Series 2010B

The District entered into a refunding arrangement on March 9, 2010, to advance refund the COPs Series 1999B. The refunding was accomplished through the issuance of Certificates of Participation, Series 2010B, totaling \$5,840,000, to be repaid by the proceeds of rents paid by the District.

As a condition of the 1999 financing arrangement, the District has given a ground lease on District property to the Financing Corporation for the School Board of Polk County, Florida, with a rental fee of \$10 per year. The initial term of the lease is for the period commencing on March 11, 1999 and ending on the earlier of: (a) the date on which the Series 2010B Certificates and all other amounts due in respect of the Trust Agreement or the Lease Agreement have been paid in full or (b) January 1, 2015 (both dates inclusive). The properties covered by the ground lease are, together with the improvements constructed thereon from the financing proceeds, leased back to the District.

If the District fails to renew the lease and to provide for the rent payments through to term, the District may be required to surrender the sites included under the Ground Lease Agreement for the benefit of the securers of the Certificates for a period of time specified by the arrangement which may be up to approximately 25 years from the date of inception of the arrangement.

The District properties included in the 2010B ground lease under this arrangement include lands on which the Series 1995 projects are located along with a new project for Series 1999B. The Series 1995 Projects were for the construction of an auditorium at Auburndale Senior High School, and new schools Blake Elementary (now Blake Academy) and Lake Alfred middle School (now Discovery Academy Charter School). The Series 1999B project consisted of the construction of an auditorium at Mulberry Senior High School.

The net proceeds of the 2010B Certificates were used to currently refund the Series 1999B Certificates.

The lease payment are payable by the District, annually, on the fifteenth (15th) day preceding January 1st, at an interest rate of 3.00 percent.

Series 2010C-QSCB/COPS

The District entered into a financing arrangement on November 22, 2010, which arrangement was characterized as a lease-purchase agreement in the form of Qualified School Construction Bonds, with the Financing Corporation for the School Board of Polk County, Florida. The financing was accomplished through the issuance of Certificates of Participation, Series 2010C, totaling \$21,223,000, to be repaid from the proceeds of rents paid by the District.

The District has elected to receive a refundable credit from the United States Department of Treasury in accordance with Section 6431(f) of the Internal Revenue Code of 1986, as amended, equal to the lesser of the amount of interest payable with respect to the Certificates on such date or the amount of interest which would have been payable with respect to the Certificates on such date if such interest were determined at the tax credit rate otherwise applicable to such Certificates in accordance with the Code. Because the tax credit rate set by the Department of Treasury on November 18, 2010 (5.49%) exceeds the interest rate on the Certificates (5.38%) the interest rate applicable to the Certificates is the maximum allowable interest rate credit which will be paid to the District with respect to the Certificates (the "Subsidy Payments").

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

8. CERTIFICATES OF PARTICIPATION (continued)

As a condition of the 2010 financing arrangement, the District has given a ground lease on District property to the Financing Corporation for the School Board of Polk County, Florida, with a rental fee of \$10 per year. The initial term of the lease is for the period commencing on November 1, 2010, and ending on the earlier of: (a) the date on which the Series 2010C Certificates and all other amounts due in respect of the Trust Agreement or the Lease Agreement have been paid in full or (b) October 31, 2034 (both dates inclusive). The properties covered by the ground lease are, together with the improvements constructed thereon from the financing proceeds, leased back to the District.

If the District fails to renew the lease and to provide for the rent payments through to term, the District may be required to surrender the sites included under the Ground Lease Agreement for the benefit of the securers of the Certificates for a period of time specified by the arrangement which may be up to approximately 25 years from the date of inception of the arrangement.

The District properties included in the ground lease under this arrangement include lands on which the Series 2010C project is located. The Series 2010C project was for the construction of the Freshman Academy at Winter Haven High School; the Freshman Academy at Kathleen Senior High School; reconstruction of the Winter Haven High School Master Plan Phase II.

The lease payments are payable by the District into a sinking fund on an annual basis, and interest at a rate of 2.75% is paid quarterly. Sinking fund proceeds are invested and accumulate over the life of the bonds, ending in a lump sum repayment to the bondholders at bond maturity. The interest earnings of the sinking fund are estimated. Therefore, the final principal payment will be adjusted as required based upon final interest earned. Bondholders earn federal tax credits in lieu of interest.

The following is a schedule of required sinking fund deposits and estimated earnings to accumulate through maturity in the sinking fund:

Payment Due Date (FY)	Principal	Interest Earned Sinking Fund	Estimated Sinking Fund Balance
2012	\$ 865,432	\$ -	\$ 865,432
2013	865,432	23,799	1,754,663
2014	865,432	48,253	2,668,348
2015	865,432	73,380	3,607,160
2016	865,432	99,197	4,571,789
2017	865,432	125,724	5,562,945
2018	865,432	152,981	6,581,358
2019	865,432	180,987	7,627,777
2020	865,432	209,764	8,702,973
2021	865,432	239,332	9,807,737
2022	865,432	269,713	10,942,882
2023	865,432	300,929	12,109,243
2024	865,432	333,004	13,307,679
2025	865,432	365,961	14,539,072
2026	865,432	399,824	15,804,328
2027	865,432	434,619	17,104,379
2028	865,432	470,370	18,440,181
2029	865,432	507,105	19,812,718
2030	865,432	544,850	21,223,000
	<u>\$ 16,443,208</u>	<u>\$ 4,779,792</u>	<u>\$ 21,223,000</u>

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

8. CERTIFICATES OF PARTICIPATION (continued)

Series 2010D

The District entered into a refunding arrangement on December 30, 2010, to partially advance refund the COPs Series 2001A. The refunding was accomplished through the issuance of Certificates of Participation, Series 2010D, totaling \$44,120,000, to be repaid by the proceeds of rents paid by the District.

As a condition of the 2001A financing arrangement, the District has given a ground lease on District property to the Financing Corporation for the School Board of Polk County, Florida, with a rental fee of \$10 per year. The initial term of the lease is for the period commencing on March 21, 2001 and ending on the earlier of: (a) the date on which the Series 2001A Certificates and all other amounts due in respect of the Trust Agreement or the Lease Agreement have been paid in full or (b) January 1, 2026 (both dates inclusive). The properties covered by the ground lease are, together with the improvements constructed thereon from the financing proceeds, leased back to the District.

If the District fails to renew the lease and to provide for the rent payments through to term, the District may be required to surrender the sites included under the Ground Lease Agreement for the benefit of the securers of the Certificates for a period of time specified by the arrangement which may be up to approximately 25 years from the date of inception of the arrangement.

The District properties included in the ground lease under this arrangement include lands on which the Series 2001 projects are located. The following 10 schools are in this arrangement: Elementary Schools E & F (N.E. Roberts Elementary and R. Bruce Wagner Elementary), Auditorium Lake Gibson High School, Homer K Addair Academy (formerly known as the Lake Alfred Career Development Academy), Classroom Wing Jewett Elementary, Agri Science Center/Gym Auburndale Senior High, New Cafeteria/Remodel Bartow Senior & Haines City High Schools, Administration Building, Kathleen Elementary, Quad Classroom Lewis Elementary.

The net proceeds of the 2010D Certificates were used to currently refund the Series 2001A Certificates.

The lease payments are payable by the District, annually, on the fifteenth (15th) day preceding January 1st at interest 5.0 to 5.25 percent.

The following is a summary of certificates of participation payable:

	<u>Balance at 6/30/11</u>
Series 2001A, \$54,615,000, Issued 3/21/01, partially refunded 12/30/10	\$3,250,000
Series 2002, \$30,270,000, Issued 11/13/02	6,725,000
Series 2003B, \$19,700,000, Issued 7/30/03	10,720,000
Series 2004-QZAB/COPS, \$3,561,000, Issued 6/08/04	3,561,000
Series 2009A (Refinances 2003A), \$46,755,000, Issued 07/30/2009	45,265,000
Series 2009B (Refinances 2008A), \$36,985,000., Issued 07/30/2009	36,880,000
Series 2009C QSCB, \$20,543,000, Issued 12/30/2009	20,543,000
Series 2010A (Refinances 1999A), \$51,315,000, Issued 03/23/2010	50,835,000
Series 2010B (Refinances 1999B), \$5,840,000, Issued 03/23/2010	4,740,000
Series 2010C QSCB, \$21,223,000, Issued 11/22/10	21,223,000
Series 2010D (Partial Refinance 2001A), \$44,120,000, Issued 12/30/10	<u>44,120,000</u>
 Total Certificates of Participation	 <u>\$247,862,000</u>

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

8. CERTIFICATES OF PARTICIPATION (continued)

The following is a schedule by years of future minimum lease payments under the lease agreements together with the present value of minimum lease payments as of June 30, 2011:

Fiscal Year Ended <u>June 30</u>	Certificates of Participation		
	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2012	\$17,177,448	\$8,300,000	\$8,877,448
2013	17,201,850	8,640,000	8,561,850
2014	17,199,308	8,955,000	8,244,308
2015	17,189,963	9,265,000	7,924,963
2016	17,166,091	9,595,000	7,571,091
2017-2021	86,386,368	55,010,000	31,376,368
2022-2026	86,529,127	69,615,000	16,914,127
2027-2030	<u>79,786,698</u>	<u>78,482,000</u>	<u>1,304,698</u>
Grand Totals	<u>\$338,636,853</u>	<u>\$247,862,000</u>	<u>\$90,774,853</u>
Total COPS		\$247,862,000	
Less: Unamortized Premium/Discount		(886,333)	
Deferred Amount on Refunding		<u>(7,258,520)</u>	
Total COPS Payable		<u>\$239,717,147</u>	

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

9. BONDS PAYABLE

The following is a description of debt issues:

State School Bonds

These bonds are issued by the State Board of Education (SBE) on behalf of the District. The bonds mature serially and are secured by a pledge of part of the District's portion of State-assessed motor vehicle license tax. The State's full faith and credit is also pledged as security for these issues. Principal and interest payments interest payments, investment of Debt Service Fund resources, and compliance with reserve requirements are administered by the State Board of Education the State board of Administration.

The following is a summary of bonds payable at June 30, 2011:

<u>State School Bonds:</u>	<u>Balance at 6/30/2011</u>
Series 2002-B, \$910,000, Issued 7/15/02, Matures Serially to 1/15/15, Interest Rates Ranging from 3.375 to 5.75 Percent. Payable in Future Annual Installments Ranging from \$20,000 to \$120,000, Semiannual Interest Payments Range from \$6,450 to \$42,975.	\$ 345,000
Series 2003-A, \$495,000, Issued 6/15/2003, Matures Serially to 1/1/23, Interest Rates Ranging from 3.0 to 5.0 Percent, Payable in Future Annual Installments Ranging from \$20,000 to \$35,000, Semiannual Interest Payments Range from \$1,487 to \$18,210.	295,000
Series 2004-A, \$415,000, Issued 8/25/2004, Matures Serially to 1/1/24, Interest Rates Ranging from 3.0 to 4.625 Percent, Payable in Future Annual Installments Ranging from \$15,000 to \$35,000, Semiannual Interest Payments Range from \$809 to \$8,021.	310,000
Series 2005-A, \$1,185,000, Issued 6/1/2005, Matures Serially to 7/1/25, Interest Rates Ranging from 3.0 to 5.0 Percent, Payable in Future Annual Installments Ranging from \$20,000 to \$90,000, Semiannual Interest Payments Range from \$1,912 to \$35,421.	950,000
Series 2005-A (Q), \$14,020,000, Issued 05/1/2005. This refunded 1996-A, Matures Serially to 01/01/2016, Interest Rates Ranging from 3.0 to 5.0 Percent, Payable in Future Annual Installments Ranging from \$825,000 to \$1,900,000, Semiannual Interest Payments Range from \$47,500 to \$467,343.	8,325,000
Series 2005-B (R), \$2,595,000, Issued 07/1/2005. This partially refunded 1998-A, Matures Serially To 01/01/2018, Interest Rates Ranging from 3.5 to 5.0 Percent, Payable in Future Annual Installments Ranging from \$15,000 to \$355,000, Semiannual Interest Payments Range from \$8,875 to \$64,500.	1,885,000
Series 2006-A, \$1,035,000, Issued 06/15/2006, Matures Serially to 01/01/2026, Interest Rates Ranging From 4.0 to 5.0 Percent, Payable in Future Annual Installments Ranging from \$30,000 to \$95,000, Semi-Annual Interest Payments Range from \$2,197 to \$24,917.	880,000
Series 2009-A (Refunding Portion), \$655,000, Issued 08/15/2009. This refunded 1999-A, Matures Serially 01/01/2019, Interest Rates Ranging from 2.0 to 5.0 Percent, Payable in Future Annual Installments Ranging from \$55,000 to \$80,000, Semiannual Interest Payments Range from \$2,000 to \$13,575.	530,000
Series 2009-A (New Money Portion), \$4,220,000, Issued 08/15/2009, Matures Serially to 1/01/2029, Interest Rates Ranging from 2.0 to 5.0 Percent, Payable in Future Annual Installments Ranging from \$85,000 to \$460,000, Semiannual Interest Payments Range from \$9,775 to \$87,025.	4,045,000
Series 2010-A, \$365,000, Issued 10/14/10, Matures Serially to 1/1/21, Interest Rates Ranging from 4.0 to 5.0 Percent. Payable in Future Annual Installments Ranging from \$30,000 to \$50,000, Semiannual Interest Payments Range from \$1,250 to \$8,750.	365,000
Total State School Bonds	\$ 17,930,000

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

9. BONDS PAYABLE (continued)

Sales Tax Bonds:

These bonds are authorized by the Constitution and Laws of the State of Florida, including, particularly Chapter 1010, Florida Statutes, Chapter 212, Part I, Florida Statutes and other applicable provisions of law. The bonds are secured by a pledge of the proceeds received pursuant to a Local Option Half Cent Sales Tax passed by Polk County voters which commenced January 1, 2004 for a period not to exceed fifteen (15) years. Sales tax received for the current year was \$30,458,775. For the fiscal year, the amount of principal and interest on Sales Tax Bonds was \$26,493,008.

Series 2004, \$54,240,000, Issued 5/20/04, Matures Serially to 10/1/19, Interest Rates Ranging From 2.0 to 5.25 percent, Payable in Future Annual Installments Ranging from \$2,920,000 To \$4,825,000, Semiannual Interest Payments Range from \$126,656 to \$1,030,656.	\$ 32,505,000
Series 2005, \$92,245,000, Issued 07/26/2005, Matures Serially to 10/01/19, Interest Rates Ranging From 3.0 to 5.0 percent, Payable in Future Annual Installments Ranging from \$5,265,000 To \$8,495,000, Semiannual Interest Payments Range from \$210,925 to \$1,767,868.	57,955,000
Series 2007, \$109,445,000, Issued 11/30/2007, Matures Serially to 10/01/2018, Interest Rates Ranging from 3.3375 to 5.0 percent, Payable in Future Annual Installments Ranging from \$7,815,000 to \$12,535,000, Semiannual Interest Payments Range from \$300,850 to \$2,588,892.	<u>85,000,000</u>
Total Sales Tax Bonds	<u>\$ 175,460,000</u>
Total Bonds Payable	<u><u>\$ 193,390,000</u></u>

The various bonds were issued to finance capital outlay projects of the District.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2011 are as follows:

State School Bonds

Fiscal Year Ended <u>June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2012	\$2,916,764	\$2,070,000	\$846,764
2013	2,927,001	2,180,000	747,001
2014	2,919,995	2,280,000	639,995
2015	2,901,485	2,375,000	526,485
2016	2,923,595	2,515,000	408,595
2017-2021	4,010,888	2,910,000	1,100,888
2022-2026	2,892,643	2,340,000	552,643
2027-2029	<u>1,369,550</u>	<u>1,260,000</u>	<u>109,550</u>
Total	<u>\$22,861,921</u>	<u>\$17,930,000</u>	<u>\$4,931,921</u>

Sales Tax Bonds

Fiscal Year Ended <u>June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2012	\$26,494,711	\$18,525,000	\$7,969,711
2013	26,491,366	19,340,000	7,151,366
2014	26,491,790	20,235,000	6,256,790
2015	26,491,900	21,220,000	5,271,900
2016	26,490,734	22,275,000	4,215,734
2017-2019	<u>79,478,362</u>	<u>73,865,000</u>	<u>5,613,362</u>
Totals	<u>\$211,938,863</u>	<u>\$175,460,000</u>	<u>\$36,478,863</u>

State School Bonds	\$17,930,000
Sales Tax Bonds	<u>175,460,000</u>
Sub Total Bonds	\$193,390,000
Plus Unamortized Bond Premium/Discount	<u>7,862,521</u>
Total Bonds Payable	<u><u>\$201,252,521</u></u>

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

10. CHANGES IN LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities:

Description	RESTATED BALANCE 7/1/10	ADDITIONS	DEDUCTIONS	BALANCE 6/30/11	DUE WITHIN ONE YEAR
Notes Payable	\$ 6,522,055	\$ -	\$ 1,109,284	\$ 5,412,771	\$ 1,181,605
Certificates of Participation (COP)	233,644,000	65,343,000	51,125,000	247,862,000	8,300,000
COP-Prem/Discount	(529,733)	(432,150)	(75,550)	(886,333)	(35,633)
COP – Deferred Amt on Refunding	(1,592,474)	(6,009,905)	(343,859)	(7,258,520)	(557,262)
Bonds Payable	213,160,000	365,000	20,135,000	193,390,000	20,595,000
Bonds Payable-Prem/Discount	8,811,448	52,191	1,001,118	7,862,521	1,001,118
Derivative Instruments	17,890,466	-	991,728	16,898,738	-
Borrowing – Swap Upfront Payment	5,614,561	-	238,568	5,375,993	318,289
Compensated Absences Payable	42,245,308	3,304,696	5,161,006	40,388,998	4,879,706
Estimated Liability for Claims	32,975,235	2,109,137	1,506,549	33,577,823	13,358,733
Other Post-Employment Benefits	16,943,887	9,121,894	2,507,593	23,558,188	-
Total	\$575,684,753	\$73,853,863	\$83,356,437	\$566,182,179	\$ 49,041,556

For the governmental activities, compensated absences and post-employment benefits are generally liquidated with resources of the General Fund. Estimated insurance claims are generally liquidated with resources of the internal service funds.

11. DEFEASED DEBT

On December 30, 2010, the District entered into a refunding arrangement with Citigroup to currently refund the 2001A Certificates of Participation, \$43,215,000, with the 2010D series Certificates of Participation, \$44,120,000. Accordingly, the trust account assets and the liability for the defeased certificates are not included in the District's financial statements. As a result of this refunding, the District will see an approximate increase in Debt Service payments and fees in the amount of \$2,428,674, which resulting in an estimated economic loss (difference between the present value of debt service payment on the old and new debt) of \$1,386,167.

On October 14, 2010, a portion of the bond proceeds received for the issuance of the State Board of Education (SBE) Capital Outlay Bonds, 2010 Series A, \$365,000, refunded certain callable portions of the SBE Capital Outlay Bonds, 2001 Series A. Accordingly, Series 2001 Series A, \$405,000 are considered defeased. As a result of this refunding, the District will see a decrease in Debt Service payments and fees in the amount of \$52,351.

12. ESTIMATED ARBITRAGE REBATE

The District is not aware of any arbitrage at June 30, 2011.

13. DERIVATIVE INSTRUMENTS

Floating-to-Fixed Cancelable Interest Rate Swap:

In connection with the issuance on July 30, 2003, of the \$50,355,000 variable-rate Certificates of Participation Series 2003A, the District entered into a floating-to-fixed cancelable interest rate swap with Citibank, N.A., New York ("Citibank"), effective through January 1, 2028, to hedge against future increases in interest rates. The swap will effectively convert the Certificates into 25 year synthetic fixed rate debt obligations with a fixed rate of 3.87 percent. In exchange for an upfront premium payment of

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
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13. DERIVATIVE INSTRUMENTS (continued)

\$3,440,000 received by the District, the swap counterparty has the right to cancel the swap on any date on or after August 1, 2008, without making a termination payment. In exchange for an additional reduction in the fixed rate paid by the District on the swap, the counterparty has the right to pay a lower Alternate Floating Rate equal to 69.5 percent one month London Interbank Offer Rate (LIBOR) rather than the Securities Industry and Financial Markets Association ("SIFMA"). The counterparty currently pays this lower Alternate Rate. In the event the swap is terminated, the District will be exposed to potentially higher interest rate payments on the Certificates which would equal prevailing interest rates. Also, if the District terminates the swap and the swap has a negative fair value, the District would be liable to the counterparty for a payment equal to the swap's fair value. The District expects that the rate on the swap in the Alternate Rate in which the District receives 69.5 percent of LIBOR and the rate on the Series 2003A Certificates will be substantially the same throughout the term of the swap. The counterparty is a major municipal swap dealer and as of June 30, 2011 was rated AA- by Fitch Rating, AA by Standard & Poors, and Aa1 by Moody's Investors Service. As of June 30, 2011, the swap associated with Series 2003A (2009A), with a notional amount of \$48,865,000 in which the District pays 3.87% and receives 69.5% of one-month LIBOR, had a fair value of \$(5,939,945).

Floating-to-Fixed Interest Rate Swap

One swap associated with the Series 2008A issue, with a notional amount of \$31,740,000 in which the District pays 4.48% and receives the SIFMA Municipal Swap index minus 0.02%, had, as of June 30, 2011, a fair value of \$(4,097,668). The other swap associated with the Series 2008A issue, with a notional amount of \$4,780,000 in which the District pays 3.457% and receives the SIFMA Municipal Swap Index less 0.02%, had, as of June 30, 2011, a fair value of \$(396,146). All fair values are calculated by the counterparty, and are flat mark-to-market, and all negative marks represent a liability to the District.

Interest Rate Swaption Agreement:

On October 5, 2005, the District entered into an interest rate swaption with Citibank, whereby Citibank has (or had) the right to enter into an interest rate swap agreement associated with the Series 2001A Certificates of Participation. As an alternative to advance refunding the prior certificates, the Board approved the future current refunding of all or a portion of the outstanding prior certificates and the execution of the swaption agreement for an upfront premium associated with each prior certificate. The District entered into the swaption primarily to modify its risk of interest rate changes with respect to the refunding certificates, and to lock in and receive on a current basis an amount equal to or greater than the present value savings achievable if the prior certificates were refunded.

On December 30, 2010, the Series 2001A issue was refunded with the proceeds of the Series 2010D issue. As a result, the fair value of the swap at that date of \$5,548,496 was reclassified to the deferred amount on refunding and will be amortized over the remaining life of the Series 2001A issue. The 2001A swap is now associated with the Series 2010D issue.

The swaption was exercised by Citibank on December 30, 2010. Under the terms of the swap agreement, the District will make semiannual payments to Citibank based on the notional amount and a fixed rate equal to each corresponding issue as specified in the table above. Citibank will make semi-annual payments to the District based on an amortized notional amount and a variable rate equal to the SIFMA Municipal Swap Index, less 0.02%. At June 30, 2011, the SIFMA Municipal Swap Index was 0.35%. The underlying swap will be for the entire duration of the refunding certificates, subject to certain events of default or termination events. The District or the counterparty may terminate the swap if the other party fails to perform under the terms of the agreement. If the District terminates the swap and the swap has a negative fair value, the District would be liable to the counterparty for a payment equal to the swap's fair value. The 2001A swap had a (\$916,483) fair value as of June 30, 2011.

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

13. DERIVATIVE INSTRUMENTS (continued)

Borrowings of Hybrid Derivative Investment:

The District received upfront payments of \$2,041,000 and \$1,417,500 for the 2001A and 2008A swaptions. In addition, the District received an upfront payment of \$3,440,000 for an option on its 2003 Interest Rate Swap. The upfront payments were composed of intrinsic and time value of option components resulting in a hybrid derivative. The borrowings on the swaptions accreted interest between the inception date and the exercise date. The hybrids are composed of the intrinsic value, the time value and the at market swap. The intrinsic portion valued at unamortized cost of \$2,701,480 at June 30, 2011. The time value portion is considered deferred revenue and is carried at \$2,674,513 for a total liability for upfront payments of \$5,375,993.

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2011, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2011 financial statements are as follows:

	Changes in Fair Value		Fair Value at June 30, 2011		
	Classification	Amount	Classification	Amount	Notional
Governmental Activities Hedging Derivatives:					
2003 Interest Rate Swap (2009A) COPS	Deferred outflow of resources	\$ 1,168,134	Debt	\$ (5,939,945)	\$ 48,865,000
2008A Interest Rate Swap (2009B COPS)	Deferred outflow of resources	\$ 2,307	Debt	\$ (396,146)	\$ 4,780,000
2001A - Swap (2010D COPS)	Deferred outflow of resources	\$ (351,845)	Debt	\$ (916,483)	\$ 44,120,000
2008A - Swaption (2009B COPS)	Deferred outflow of resources	\$ 173,132	Debt	\$ (4,097,668)	\$ 31,740,000
Total Hedging Derivative Instruments				\$ (11,350,242)	
2001A SWAP	Deferred amount on refunding	\$ (5,350,335)		\$ (5,548,496)	
Total Derivatives				\$ (16,898,738)	

The fair values take into consideration the prevailing interest rate environment and the specific terms and conditions of each swap.

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
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June 30, 2011

13. DERIVATIVE INSTRUMENTS (continued)

Objective and Terms of Derivative Instruments

The following table displays the objective and terms of the District's derivative instruments outstanding at June 30, 2011, along with the credit rating of the associated counterparty:

	Objective	Notional	Effective Date	Maturity Date	Amount of Cash Received	Terms	Counterparty	Counterparty Credit Rating
Governmental Activities								
Hedging Derivatives:								
2003 Interest Rate Swap	Hedge changes in cash flows on the 2003 Certificates (2009A)	\$ 50,535,000	7/30/2003	1/1/2028	\$ 3,440,000	Pay 3.865%; receive 69.5% 1 mo LIBOR	Citibank NA, New York	A1,A+,A+
2008A Interest Rate Swap	Hedge changes in cash flows on the 2008A Certificates (2009B)	\$ 4,835,000	6/24/2008	1/1/2018	N/A	Pay 3.457%; receives SIFMA 0.02%	Citibank NA, New York	A1,A+,A+
2001A - Swap	Hedge against future increase in interest rates (2010D)	\$ 44,120,000	1/1/2011	1/1/2026	\$ 2,041,000	Pay 4.72%; receives SIFMA 0.02%	Citibank NA, New York	A1,A+,A+
2008A - Swaption	Hedge against future increase in interest rates (2009B)	\$ 31,855,000	7/1/2008	1/1/2023	\$ 1,417,500	Pay 4.48%; receives SIFMA 0.02%	Citibank NA, New York	A1,A+,A+

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

13. DERIVATIVE INSTRUMENTS (continued)

As of June 30, 2011 aggregate debt service requirements of the District's debt and receipts and disbursements on associated derivative instruments are as follows, assuming current interest rates on debt and current reference rates on hedging instruments will remain the same.

Series 2009A and 2009B

Period Ending	Bond Principal	Bond Interest Expense Projected at SIFMA (0.41%)	Swap Payment Fixed at 3.865%	Swap Receipt Projected at SIFMA minus 0.02%(0.39%)	Total
7/7/2012	\$ 890,000	\$ 334,990	\$ 3,304,287	\$ 315,705	\$ 4,844,982
7/7/2013	920,000	331,270	3,268,944	312,166	4,832,380
7/7/2014	1,725,000	325,857	3,219,606	307,017	5,577,480
7/7/2015	1,790,000	318,652	3,155,447	300,163	5,564,262
7/7/2016	3,215,000	308,481	3,053,907	290,489	6,867,877
7/7/2017	3,425,000	294,837	2,909,363	277,510	6,906,710
7/7/2018	3,555,000	280,491	2,771,190	263,864	6,870,545
7/7/2019	5,530,000	261,889	2,586,577	246,169	8,624,635
7/7/2020	5,780,000	238,706	2,337,906	224,118	8,580,730
7/7/2021	6,065,000	214,565	2,079,694	201,221	8,560,480
7/7/2022	6,425,000	188,900	1,807,783	177,119	8,598,802
7/7/2023	6,830,000	161,601	1,521,964	151,787	8,665,352
7/7/2024	910,000	145,724	1,358,452	137,075	2,551,251
7/7/2025	945,000	141,922	1,322,608	133,459	2,542,989
7/7/2026	985,000	137,966	1,285,315	129,695	2,537,976
7/7/2027	16,110,000	103,460	961,557	97,026	17,272,043
7/7/2028	17,045,000	34,942	323,307	32,624	17,435,873
	\$ 82,145,000	\$ 3,824,253	\$ 37,267,907	\$ 3,597,207	\$126,834,367

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
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13. DERIVATIVE INSTRUMENTS (continued)

Series 2010D

Period Ending	Bond Principal	Bond Interest Expense		Swap Receipt	
		Projected at SIFMA (0.41%)	Swap Payment Fixed at 5.49%	Projected at SIFMA minus 0.75%(1.16%)	Total
7/7/2011	0	93,449	1,201,645	257,060	1,552,154
7/7/2012	50,000	180,789	2,420,816	511,502	3,163,107
7/7/2013	80,000	180,523	2,417,247	510,748	3,188,518
7/7/2014	75,000	180,205	2,412,992	509,849	3,178,046
7/7/2015	1,220,000	177,551	2,377,445	502,338	4,277,334
7/7/2016	1,295,000	172,395	2,308,408	487,751	4,263,554
7/7/2017	1,400,000	166,870	2,234,430	472,120	4,273,420
7/7/2018	1,470,000	160,987	2,155,646	455,474	4,242,107
7/7/2019	1,555,000	154,785	2,072,612	437,929	4,220,326
7/7/2020	1,640,000	148,236	1,984,910	419,398	4,192,544
7/7/2021	1,705,000	141,378	1,893,089	399,997	4,139,464
7/7/2022	1,825,000	134,142	1,796,191	379,523	4,134,856
7/7/2023	1,925,000	126,454	1,693,253	357,773	4,102,480
7/7/2024	1,875,000	118,664	1,588,943	335,733	3,918,340
7/7/2025	13,665,000	86,807	1,162,370	245,601	15,159,778
7/7/2026	14,340,000	29,397	393,633	83,172	14,846,202
	44,120,000	2,252,632	30,113,630	6,365,968	82,852,230

Credit Risk. The District is exposed to credit risk on hedging derivative instruments that are in asset positions. To minimize its exposure to loss related to credit risk, it is the District's policy to require counterparty collateral posting provisions on all swap agreements. These terms require full collateralization of the fair value of the derivative instruments in asset positions (net of the effect of applicable netting arrangements) should the counterparty's credit rating fall below AA as issued by Standard & Poor's or Aa as issued by Moody's Investors Services. Collateral posted is to be in the form of U.S. Treasury securities held by a third-party custodian. The District has never failed to access collateral when required. There were no derivatives in asset positions.

It is the District's policy to enter into netting arrangements whenever it has entered into more than one derivative instrument transaction with a counterparty. Under the terms of these arrangements, should one party become insolvent or otherwise default on its obligations, close-out netting provisions permit the nondefaulting party to accelerate and terminate all outstanding transactions and net the transactions' fair values so that a single sum will be owed by, or owed to, the nondefaulting party.

Interest Rate Risk. The District is exposed to interest rate risk on its pay-fixed interest rate swaps. On its pay-fixed, receive-variable interest rate swaps, as LIBOR or the SIFMA swap index decreases, the District's net payment on the swap increases which is offset by the variable rate paid on the hedged debt.

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

13. DERIVATIVE INSTRUMENTS (continued)

Termination Risk. The District or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract including if either parties credit rating fall below designated levels. In addition, the District is exposed to termination risk on its 2003 and 2008 interest rate swaps should a termination event occur and the counterparty elects to terminate the swap. If at the time of termination, a hedging derivative instrument is in a liability position, the District would be liable to the counterparty for a payment equal to the liability, subject to netting arrangements.

14. FUND BALANCE REPORTING

The District has adopted GASB 54 as part of its 2010-11 fiscal year reporting. Implementation of GASB 54 is required for fiscal years beginning after June 15, 2010. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the District's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, principal (corpus) of an endowment fund. The District has inventories and prepaid items that are considered nonspendable. The District does not have any nonspendable funds related to endowments.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- **Restricted** – fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- **Committed** – fund balances that contain self imposed constraints of the government from its highest level of decision making authority.
- **Assigned** – fund balances that contain self imposed constraints of the government to be used for a particular purpose. Assignment may be made only by the governing body or official.
- **Unassigned** – fund balance of the general fund that is not constrained for any particular purpose.

The District has classified its fund balances with the following hierarchy:

Nonspendable

The District has inventories and prepaid items totaling \$8,997,117 that are classified as nonspendable.

Spendable

The District has classified the spendable fund balances as *Restricted*, *Assigned*, and *Unassigned* and considered each to have been spent when expenditures are incurred. When an expenditure is incurred for purposes for which restricted, committed, assigned, and unassigned resources are available, the District's policy is that expenditures should be applied against restricted resources first, then committed, assigned, and unassigned, respectively. The District currently has no funds classified as *Committed*.

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
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14. FUND BALANCE REPORTING (continued)

- **Restricted for State Categorical Programs, Federal and State Grants, Food Service, Debt Service, and Capital Projects**

Federal Laws, Florida Statutes and local ordinances require that certain revenues be specifically designed for the purposes of state categoricals, federal and state grants, food service, debt service, and capital projects. The funds have been included in the restricted category of fund balance. The restricted fund balances total \$191,544,772 and represent \$6,073,696 in State categoricals, \$2,303,764 in Federal and State grants, \$7,922,367 in food service, \$4,520,032 in debt service, and \$170,724,910 in capital projects.

- **Assigned for School Operations and Capital Projects**

The District has set aside certain spendable fund balance for school operations and capital projects. At year-end, the assigned fund balance is \$10,449,055 for school operations. The assigned fund balance for school operations includes \$16,223 for outstanding encumbrances, \$1,853,245 for school carryover and \$8,000,000 for appropriation of existing unassigned fund balance at year-end to eliminate a deficit in the next year budget.

- **Unassigned**

The unassigned fund balance for the General Fund is \$53,048,894.

Description	Major						Total Governmental Funds
	General Fund	Other Federal Projects	ARRA Debt Service	Capital Improvement Sec. 1011.71(2) F.S.	Other Capital Projects	Other Governmental Funds	
Fund Balances:							
Nonspendable:							
Inventories							
General Fund	\$ 5,708,295	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,708,295
Food Service	-	-	-	-	-	1,263,185	1,263,185
Prepaid Amounts:							
General Fund	1,956,114	-	-	-	-	-	1,956,114
Special Revenues	-	69,523	-	-	-	-	69,523
Restricted:							
Categorical Programs	6,073,696	-	-	-	-	-	6,073,696
Special Revenues	-	140,274	-	-	-	-	140,274
Food Service	-	-	-	-	-	7,922,367	7,922,367
Other	2,163,490	-	-	-	-	-	2,163,490
Debt Service	-	-	1,608,821	-	-	2,911,211	4,520,032
Capital Projects	-	-	-	50,252,766	109,174,849	11,297,298	170,724,913
Assigned:							
School Operations:							
Encumbrances	16,223	-	-	-	-	-	16,223
School Carryover	1,853,245	-	-	-	-	-	1,853,245
Other Grants	579,587	-	-	-	-	-	579,587
Budget Shortfall	8,000,000	-	-	-	-	-	8,000,000
Unassigned	53,048,894	-	-	-	-	-	53,048,894
Total Fund Balance	\$ 79,399,544	\$ 209,797	\$ 1,608,821	\$ 50,252,766	\$ 109,174,849	\$ 23,394,061	\$ 264,039,838

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

14. FUND BALANCE REPORTING (CONTINUED)

The District has not established a contingency reserve or "Rainy Day Fund". Instead the Board has established a policy (1.003 VII C) to maintain a "contingency fund/unreserved/undesignated fund balance in the annual general fund adopted budget of not less than five percent (5%) of the District's general fund revenues. The fund balance shall be maintained in accordance with DOE guidelines and include appropriate notice. Fund balance shall not be appropriated without Board approval. It shall provide for temporary funding of unforeseen needs of a non-recurring nature (including, but not limited to revenue shortfalls and student enrollment under projections)." At the end of the fiscal year, the unassigned general fund balance was \$53,048,894 or 8.3 percent of general fund revenues.

15. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The following is a summary of Interfund receivables and payables reported in the fund financial statements:

Fund	Interfund	
	Receivables	Payables
Major:		
General Fund	\$ 19,507,258	\$ -
Other Capital Projects	-	8,840,558
Other Federal Programs	-	10,666,700
Total	<u>\$ 19,507,258</u>	<u>\$ 19,507,258</u>

The Interfund amounts represent temporary loans to cover expenditures incurred prior to reimbursement from outside sources.

The following is a summary of Interfund transfers reported in the fund financial statements:

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 32,432,004	\$ 263,112
Capital Projects:		
Local Capital Improvement	-	42,409,793
Other Capital Projects	7,660	28,271,349
ARRA Debt Service	2,496,969	7,660
Nonmajor Governmental	42,199,567	4,562,545
Internal Service	156,000	1,777,741
Total	<u>\$ 77,292,200</u>	<u>\$ 77,292,200</u>

The transfers out of the capital projects funds were primarily to provide debt service principal and interest payments, to fund property casualty premiums and assist in funding repairs and maintenance. The remaining transfers between funds were operational in nature.

16. RESERVE FOR ENCUMBRANCES

Appropriations in governmental funds are encumbered upon issuance of purchase orders for goods and services. Even though appropriations lapse at the end of the fiscal year, unfilled purchase orders of the current year are carried forward and the next year's appropriations are likewise encumbered.

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

16. RESERVE FOR ENCUMBRANCES (CONTINUED)

The Florida Department of Education requires that fund balances be reserved at fiscal year-end to report an amount likely to be expended from the 2011 -12 fiscal year budget as a result of purchase orders outstanding at June 30, 2011.

17. PROPERTY TAXES

The following is a summary of millages and taxes levied on the 2010 tax roll for fiscal year 2010-2011:

	<u>MILLAGES</u>		<u>TAXES</u>	
	Maximum Authorized	Levied	Levied (100%)	Collected
<u>GENERAL FUND</u>				
Nonvoted School Tax:				
Required Local Effort	5.294	5.294	\$150,506,319	\$145,276,713
Discretionary Local Effort	.748	.748	21,265,343	20,526,442
Supplemental Discretionary Local Effort (Critical Needs Operating Millage)	.250	.250	7,107,401	6,860,442
Prior Years				1,297,095
<u>CAPITAL PROJECTS FUNDS</u>				
Nonvoted Tax:				
Local Capital Improvements	1.50	1.50	42,644,405	40,938,629
Prior Years				169,493
Total	<u>7.792</u>	<u>7.792</u>	<u>\$221,523,468</u>	<u>\$215,068,814</u>

Actual current-year property taxes collected totaled 96.42 percent of taxes levied. The Polk County Tax Collector is not required by law to make an accounting to the Board of the differences between taxes levied and taxes collected. However, because discounts are allowed for early payment of taxes and because of other reasons for non-collection, the Board budget estimates a 5 percent shortfall between taxes levied and taxes collected.

18. STATE RETIREMENT PROGRAMS

Plan Description. All regular employees of the District are covered by the Florida Retirement System, a State administered cost-sharing multiple-employer defined benefit retirement plan (Plan). Plan provisions are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code, wherein Plan eligibility, contributions, and benefits are defined and described in detail. Essentially all regular employees of participating employers are eligible and must enroll as members of the Plan. Benefits vest at specified numbers of years of service depending upon the employee's classification. The Plan also includes an early retirement provision, but imposes a penalty for each year a member retires before the specified retirement age. The Plan provides retirement, disability, and death benefits and annual cost-of-living adjustments, as well as supplements for certain employees, to cover social security benefits lost by virtue of retirement system membership. The Plan's financial statements and other supplemental information are included in the comprehensive annual financial report of the State of Florida, which may be obtained by contacting the Florida State Comptroller's Office in Tallahassee, Florida. Also, an annual report on the Plan which includes its financial statements, required supplemental information, actuarial report, and other relevant information may be obtained from the Department of Management Services, Division of Retirement, P.O. Box 9000, Tallahassee, Florida 32315-9000.

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

18. STATE RETIREMENT PROGRAMS (continued)

Funding Policy. The contribution rates for Plan members are established, and may be amended, by the State of Florida. During the 2010-11 fiscal year, employer contribution rates were as follows:

<u>Class or Plan</u>	<u>Percent of Gross Salary</u>
Florida Retirement System, Regular	10.77
Florida Retirement System, County Elected Officers	18.64
Senior Management, Superintendent	14.57
Florida Retirement System, Reemployed Retiree	10.77
DROP from Florida Retirement System	12.25
DROP from State and County Officers Retirement System Plan B	12.25
DROP from Teachers Retirement System All Plans	12.25

Notes: Employer rates include the post-employment health insurance supplement (HIS), of 1.11 percent.

The District's liability for participation in the Plan is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District's contributions to the Plan (including employee contributions) for the fiscal years ending June 30, 2009, June 30, 2010, and June 30, 2011, totaled \$42,804,746, 42,893,747 and \$47,041,407, respectively, which were equal to the annual required contributions for each fiscal year.

19. DEFERRED COMPENSATION PLAN

The Board offers its employees a deferred compensation plan created in accordance with Internal Revenue code, Section 457. Effective January 1997, Internal Revenue Code, Section 457, was amended to (1) provide that assets in such plans be held for the exclusive benefit of the plan participants and (2) eliminate provisions that the plan assets were property of the District (employer). Under the amended provisions of the Internal Revenue Code, Section 457, the assets of the District's deferred compensation plan are not held in a fiduciary capacity by the District and, accordingly, are not reported in the District's basic financial statements.

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

20. CONSTRUCTION CONTRACT COMMITMENTS

<u>Description</u>	<u>Contract Amount</u>	<u>Completed Amount</u>	<u>Committed Amount</u>
Auburndale Senior High	\$ 15,542,476	\$ 9,543,229	\$ 5,999,247
Bartow Senior High	492,643	488,768	3,875
Boone Middle	14,730,446	12,386,904	2,343,542
Caldwell Elementary	1,901,776	450,327	1,451,449
Crystal Lake Middle	1,752,134	1,144,898	607,236
Davenport SOTA Rebuild 0401	19,822,418	18,336,526	1,485,892
Denison Middle	72,500	65,250	7,250
Elementary "L"	365,650	256,135	109,515
Ft. Meade Middle-Senior	43,050	30,135	12,915
Harrison School of Arts	193,862	174,476	19,386
Inwood Elementary	163,900	103,257	60,643
Jewett School of Arts	3,179,642	2,375,654	803,988
Kathleen Senior High	18,809,724	15,679,304	3,130,420
Mulberry Middle	11,908,938	4,205,896	7,703,042
Support Services-Lake Wales	477,300	257,499	219,801
West Area Adult	98,601	86,467	12,134
Winter Haven Senior High	18,952,665	15,061,073	3,891,592
	<u>\$ 108,507,725</u>	<u>\$ 80,645,798</u>	<u>\$ 27,861,927</u>

21. SCHEDULE OF STATE REVENUE SOURCES

The District's principal source of revenues is the State, which provided approximately 50 percent of Revenues in the 2010-11 fiscal year. The following is a schedule of State revenue sources and amounts:

<u>Sources</u>	<u>Amount</u>
Florida Education Finance Program	\$438,439,201
Workforce Development	9,833,748
Gross Tax Receipts (PECO)	7,854,662
Charter School Capital Outlay	1,655,192
Capital Outlay & Debt Service	41,430
State Miscellaneous - HRS Inspection	7,180
Florida State License Tax	900,544
Food Service Supplement	733,698
Health Care Services	229,904
Fuel Tax Paving	263,471
E-Grant	141,964
Miscellaneous	213,038
TOTAL STATE REVENUE SOURCES	<u><u>\$ 460,314,032</u></u>

Accounting policies relating to certain State revenue sources are described in Note 1.

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

22. NON-FEDERAL SHARE FOR HEAD START PROGRAM

Non-Federal Share is a statutory requirement of the Head Start Act (Head Start Act Section 640(b)). As stated in the Act, the grantee agency must provide 20 percent of the total costs, or 25% of the total federal expenditures of the Head Start program, using non-federal funds and donated goods and services, unless a waiver has been granted. No waiver was requested for the 2010 or 2011 grant years.

Local funds expended were for facilities, custodial, student accident insurance, software licenses and utilities. VPK funds along with donated goods and services provided by the community were used for the benefit of the program.

The required amount of non-federal share for Head Start grant number 04CH4623/03 during the period July 1, 2010 through December 31, 2010, is \$770,456. This amount includes \$50,981 from our delegate agency, The Agricultural and Labor Program, Inc. The required amount of non-federal share for Head Start grant number 04CH4623/04 during the period January 1, 2011 through June 30, 2011 is \$1,114,528. This amount includes \$52,095 from our delegate agency, The Agricultural and Labor Program, Inc.

23. ALTERNATIVE RETIREMENT PLAN

Effective August 1, 1995, the District established an Alternative to Social Security Plan for all part-time temporary employees. This plan is authorized under Internal Revenue Code Section 3121(b)(7)(c) as an alternative plan to Social Security for all employees not eligible for state retirement coverage under this plan, which is administered under IRC Section 403(a). Neither the School Board nor the employees contribute the 6.2% FICA Tax to Social Security. Instead, the employees contribute 7.5%, on a pre-tax basis, into the alternative plan, where it is available to the employees at retirement or termination, in accordance with the provisions of IRC Section 403(a). The plan is marketed and coordinated by Mid-America Governmental Group, Inc. and is administered by William M. Mercer, Inc., with the funds invested through Life Insurance Company of the Southwest. Employee contributions to the plan during the 2010-2011 fiscal year totaled \$659,105, and the related 6.2% FICA tax savings to the Board was \$544,860.

24. OPERATING LEASES

Expenditures for operating leases during 2010-2011 totaled \$5,100,650. These leases are generally for a one-year period, but for the most part are automatically renewable unless notice is given to the contrary. The leases cover copy machines, computer software, land, data-processing equipment, facility rentals, and other miscellaneous items. While the approximate cost of operating leases for 2011-2012 is \$6,000,000 the amount for later years is indeterminate because of plans to replace rental portables with permanent facilities.

25. POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description. The Postemployment Healthcare Benefits Plan (PHBP) is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the District, and eligible dependents, may continue to participate in the District's self-insured health and hospitalization plan for medical/prescription coverage. The District subsidizes these premium rates paid by retirees by allowing them to participate in the PHBP at the blended group (implicitly subsidized) premium rates for both active and retired employees. Retirees and their dependents, which are Medicare-eligible, are not required to enroll for Parts A and B under Medicare; however, the PHBP pays as secondary for claims otherwise covered under Parts A and B for those who are eligible regardless of their status. The PHBP does not issue a stand-alone report and is not included in the report of a Public Employee Retirement System or another entity.

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

25. POSTEMPLOYMENT HEALTHCARE BENEFITS (continued)

Funding Policy. For the PHBP, contribution requirements of the plan members and the District are established and may be amended by the Board. Effective January 1, 2011, the District offered three plans for retirees and dependents under the age of 65, and four plans for retirees and dependents eligible of Medicare. PHBP members receiving benefits contribute the following per month:

	<u>3160/3161 Plan</u>	<u>3566 Plan</u>	<u>704 Plan</u>	
Retirees Only Under 65	\$440	\$480	\$541	
Retirees + Spouse Under 65	\$808	\$888	\$1,005	
	<u>3160/3161 Plan</u>	<u>3566 Plan</u>	<u>704 Plan</u>	<u>Blue Medicare PPO</u>
Retirees Only Over 65	\$440	\$480	\$541	\$310
Retirees + Spouse Over 65	\$880	\$960	\$1,082	\$620

Regarding the District's annual Other Post Employment Benefit (OPEB) costs and the net OPEB obligation, the District has not advanced funded or established a funding methodology for these items. For fiscal year ended June 30, 2011, 2,183 retirees received postemployment healthcare benefits. The District provided required contributions of \$2,507,593 toward the annual OPEB cost, comprised of \$12,940,488 in incurred claims and other costs paid by the District for coverage of retirees and their dependents, net of retiree contributions totaling \$10,432,895.

Annual OPEB Cost and Net OPEB Obligation. The District's annual OPEB cost (expense) is calculated based on the annual required contribution, an amount actuarially determined in accordance with parameters of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The following table shows the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation for postemployment healthcare benefits:

<u>Description</u>	<u>Amount</u>
Normal Cost (service cost for one year)	\$ 5,443,280
Amortization of Unfunded Actuarial Accrued Liability	3,804,304
Interest on Normal Cost and Amortization	137,689
Annual Required Contribution	9,385,273
Interest on Net OPEB Obligation	508,317
Adjustment to Annual Required Contribution	(771,696)
Annual OPEB Cost (Expense)	9,121,894
Contribution Toward the OPEB Cost	(2,507,593)
Increase in Net OPEB Obligation	6,614,301
Net OPEB Obligation, Beginning of Year	16,943,887
Net OPEB Obligation, End of Year	<u>\$ 23,558,188</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2009	\$8,739,757	38.8%	\$10,620,584
June 30, 2010	\$8,714,833	27.4%	\$16,943,887
June 30, 2011	\$9,121,894	27.5%	\$23,558,188

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

25. POSTEMPLOYMENT HEALTHCARE BENEFITS (continued)

Funding Status and Funding Progress. The funded status of the plan as of January 1, 2009, the most recent actuarial valuation date, was as follows:

Actuarial Accrued Liability (AAL)	\$79,138,933
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	\$79,138,933
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0.00%
Covered Payroll (Active Plan Members)	\$409,866,356
UAAL as a Percentage of Covered Payroll	19.3%

Actuarial valuations of an ongoing plan involve 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 and terminations, mortality, and healthcare cost trends. 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 is presented as required supplementary information following the notes to the financial statements and is intended to provide multiyear trend information about whether the actuarial value of the plan assets is increasing over time relative to the AAL.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating 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 short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2009, initial OPEB actuarial valuation, the results of which were applicable for the fiscal year ended June 30, 2011, the entry age normal actuarial cost method was used to estimate the unfunded actuarial accrued liability and the annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3 percent rate of return on invested assets, which is the District's long-term expectation of investment returns under its investment policy. The actuarial assumptions also included projected salary increases of 4.5% - 9% and a payroll growth rate of 4 percent per year and an annual healthcare cost trend rate of 9 percent for calendar year 2011, reduced by 0.5 percent per year, to an ultimate rate of 5 percent after eight years. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls over a 20-year period. The remaining amortization period at June 30, 2011, was 19 years.

26. RISK MANAGEMENT PROGRAMS

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board has established an individual self-insurance program for various traditional liability coverage and group medical coverage. The Board established self-insurance programs for workers' compensation, comprehensive general liability, fleet liability, professional (errors and omissions) liability, boiler and machinery liability and group health insurance coverage. The District has entered into agreements with various insurance companies to provide specific excess coverage of claim amounts above the stated amount on an individual claim basis for both Workers' Compensation and Group Health Insurance. The District has contracted with insurance administrators to administer the self-insurance programs, including the processing, investigating, and payment of claims. Settled claims resulting from the risks described above have not exceeded commercial insurance coverage for the past three years.

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

26. RISK MANAGEMENT PROGRAMS (continued)

Premiums for the various coverage are calculated based on estimates of the amounts needed to pay prior and current-year claims and to establish a reserve for catastrophic losses. The total liabilities and net assets at June 30, 2011 were \$73,932,128, made up of net assets of \$34,559,716 and the estimated liability for unpaid claims. This estimated liability for unpaid claims (not covered by excess insurance) in the amount of \$33,577,823 at June 30, 2011 is based on estimates provided by qualified loss reserve specialists.

The following schedule represents the changes in claims liability for the District's self-insurance program:

	Beginning-of- Fiscal-Year Claims Liability	Current-Year Claims and Changes in Estimates	Claim Payments	End-of-Fiscal- Year Claims Liability
2009-2010	\$ 33,951,696	\$ 99,042,150	\$ (100,018,611)	\$ 32,975,235
2010-2011	\$ 32,975,235	\$ 96,425,913	\$ (95,823,325)	\$ 33,577,823

Additionally, the Board purchases \$20,000 of term life insurance for each employee and makes available supplemental life insurance on a non-contributory basis. As required by state statute, the Board purchased commercial insurance for building and contents coverage.

27. SUBSEQUENT EVENTS

UNFAIR LABOR PRACTICE:

The District was involved in a lawsuit with the Polk Education Association (PEA) and the American Federation of State, County and Municipal Employees (AFSCME) regarding the District's health care plan. A hearing was held before the state Public Employee Relations Commission who agreed with a hearing officer's ruling that found the Polk County School District violated state law by refusing to bargain with PEA and AFSCME when it changed its health care plan. Impasse hearings were held on August 3, 2011 and October 25, 2011, respectively, to discuss this issue. The School Board was able to reach settlement with PEA, however, they were unable to reach a settlement with AFSCME. The School Board complied with the ruling and imposed monthly premiums for AFSCME employees.

28. CONTINGENT LIABILITIES

GRANTS:

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the School Board expects such amounts, if any, to be immaterial.

SELF-INSURANCE: WORKERS' COMPENSATION:

The Workers' Compensation program renewal for the 2010-2011 fiscal year required that a letter of credit be issued in the amount of \$2,330,000. The School Board authorized SunTrust Bank to extend this letter of credit for the benefit of United States Fidelity and Guaranty Company c/o Discovery Managers, Ltd. on behalf of the School Board. The letter of credit shall be automatically renewable until it is either replaced or no longer needed by the Workers' Compensation program. The letter of credit obligation will only be used if the School Board cannot fund its claims responsibility for the Workers' Compensation program, which is and has been funded from premiums. The letter of credit is not expected to be used or to impact the district's financial position.

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

28. CONTINGENT LIABILITIES (continued)

LAWSUITS:

The School Board is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the School Board's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the School Board.

THE SCHOOL BOARD OF POLK COUNTY, FLORIDA
 POST EMPLOYMENT HEALTH CARE BENEFITS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 June 30, 2011
 (UNAUDITED)

Schedule of Funding Progress:

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability Entry Age (1)	Unfunded Actuarial Accrued Liability (3)	Funded Ratio (2)	Covered Payroll	Unfunded Actuarial Liability as a Percentage of Covered Payroll
10/1/2006	-	\$97,100,525	\$97,100,525	0%	\$337,031,939	28.81%
1/1/2009	-	\$79,138,933	\$79,138,933	0%	\$409,866,356	19.31%

- Notes:
- (1) The Entry Age Actuarial Cost Method is used to determine the Plan's funding requirements.
 - (2) The percentage funded is derived by dividing the actuarial value of plan assets by the actuarial accrued liability.
 - (3) The unfunded actuarial accrued liability is the actuarial accrued liability minus the actuarial value of plan assets.

Unaudited – see accompanying independent auditors' report.

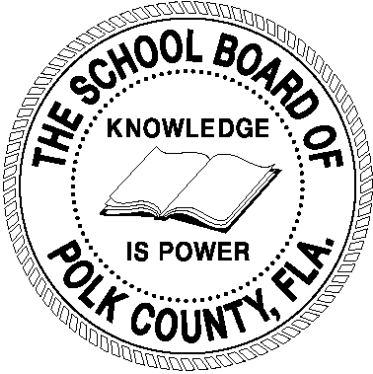
THE SCHOOL BOARD OF POLK COUNTY, FLORIDA
POST EMPLOYMENT HEALTH CARE BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
June 30, 2011
(UNAUDITED)

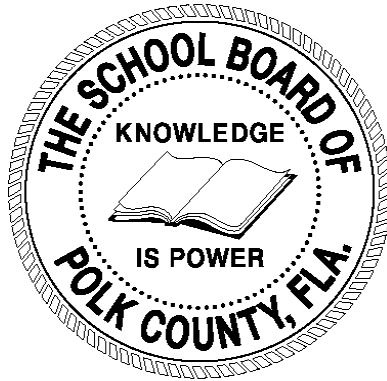
Schedule of Employer Contributions:

Fiscal Year Ended June 30	Annual OPEB Cost	Percentage Contributed
2009	8,779,757	38.83%
2010	8,714,833	27.44%
2011	9,121,894	27.49%

Unaudited – see accompanying independent auditors' report.

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**





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Nonmajor Governmental Funds

Special Revenue Funds

- **Food Services Fund** – Accounts for and reports on activities of the food service program.

Debt Service Funds

The Debt Service Funds account for the payment of interest and principal of the current portion of long-term debt, primarily from tax proceeds and earnings on temporary investments

- **State Board of Education Bond Funds** – Accounts for and reports on payments of principal, interest and related costs on various bond issues serviced by the State.
- **Other Debt Service** - accounts for and reports on other miscellaneous funds from various sources used for debt service.

Capital Projects Funds

The Capital Projects Funds account for the financing and acquisition or construction of major capital facilities, such as new school buildings and additions to existing buildings, or for major renovation projects

- **Capital Outlay Bond Issue Funds** – Accounts for and reports on bond issue proceeds received from the State Board of Education and issued at the request of the District.
- **Public Education Capital Outlay Funds (PECO)** - Accounts for and reports on funds received from the State for the construction and maintenance of schools.
- **Capital Outlay & Debt Service Funds** - Accounts for and reports on funds received from the State Board of Education Capital Outlay Bonds.

THE SCHOOL DISTRICT OF POLK COUNTY

**COMBINING BALANCE SHEET
NON MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011**

	Special Revenue		Debt Service		
	Food Services	Total	State Board of Education Bond Funds	Other Debt Service	Total
ASSETS					
Cash	\$ 6,687,127	\$ 6,687,127	\$ -	\$ (994,271)	\$ (994,271)
Investments	461,751	461,751	497,637	4,833,712	5,331,349
Accounts receivable	76,425	76,425	-	7,092	7,092
Due from other governmental agencies	1,406,022	1,406,022	-	-	-
Inventories	1,263,185	1,263,185	-	-	-
Total assets	<u>\$ 9,894,510</u>	<u>\$ 9,894,510</u>	<u>\$ 497,637</u>	<u>\$ 3,846,533</u>	<u>\$ 4,344,170</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 7,981	7,981	\$ -	\$ -	-
Payroll deductions and withholdings	70,615	70,615	-	-	-
Sales Tax Payable	530	530	-	-	-
Due to other agencies	350,074	350,074	-	-	-
Deposits payable	-	-	-	-	-
Deferred revenue	279,758	279,758	-	-	-
Matured interest payable	-	-	-	1,432,959	1,432,959
Total liabilities	<u>708,958</u>	<u>708,958</u>	<u>-</u>	<u>1,432,959</u>	<u>1,432,959</u>
Fund balances					
Nonspendable:					
Inventories	1,263,185	1,263,185	-	-	-
Restricted:					
Food Service	7,922,367	7,922,367	-	-	-
Debt Service	-	-	497,637	2,413,574	2,911,211
Capital Proejcts	-	-	-	-	-
Total fund balances	<u>9,185,552</u>	<u>9,185,552</u>	<u>497,637</u>	<u>2,413,574</u>	<u>2,911,211</u>
Total liabilities and fund balances	<u>\$ 9,894,510</u>	<u>\$ 9,894,510</u>	<u>\$ 497,637</u>	<u>\$ 3,846,533</u>	<u>\$ 4,344,170</u>

See accompanying independent auditors' report.

Capital Outlay				
Capital Outlay Bond Issue Funds	Public Education Capital Outlay Funds	Capital Outlay and Debt Service Funds	Total	Total Nonmajor Governmental Funds
\$ 1,968,220	\$ 2,199,057	\$ 2,447,207	\$ 6,614,484	\$ 12,307,340
7,798	183	777,868	785,849	6,578,949
-	-	-	-	83,517
-	4,615,852	-	4,615,852	6,021,874
-	-	-	-	1,263,185
<u>\$ 1,976,018</u>	<u>\$ 6,815,092</u>	<u>\$ 3,225,075</u>	<u>\$ 12,016,185</u>	<u>\$ 26,254,865</u>
\$ -	\$ 718,887	\$ -	\$ 718,887	726,868
-	-	-	-	70,615
-	-	-	-	530
-	-	-	-	350,074
-	-	-	-	-
-	-	-	-	279,758
-	-	-	-	1,432,959
<u>-</u>	<u>718,887</u>	<u>-</u>	<u>718,887</u>	<u>2,860,804</u>
-	-	-	-	1,263,185
-	-	-	-	7,922,367
-	-	-	-	2,911,211
<u>1,976,018</u>	<u>6,096,205</u>	<u>3,225,075</u>	<u>11,297,298</u>	<u>11,297,298</u>
<u>1,976,018</u>	<u>6,096,205</u>	<u>3,225,075</u>	<u>11,297,298</u>	<u>23,394,061</u>
<u>\$ 1,976,018</u>	<u>\$ 6,815,092</u>	<u>\$ 3,225,075</u>	<u>\$ 12,016,185</u>	<u>\$ 26,254,865</u>

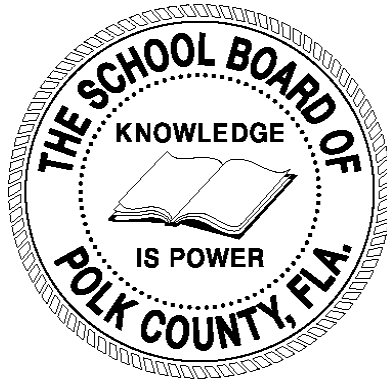
THE SCHOOL DISTRICT OF POLK COUNTY

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Special Revenue		Debt Service		
	Food Services	Total	State Board of Education Bond Funds	Other Debt Service Funds	Total
REVENUES					
Local sources:					
Food services	\$ 8,648,505	8,648,505	\$ -	\$ -	\$ -
Other	46,244	46,244	-	94,602	94,602
Total local sources	8,694,749	8,694,749	-	94,602	94,602
State sources:					
Public education capital outlay	-	-	-	-	-
Food services	733,698	733,698	-	-	-
Other	7,180	7,180	2,859,694	-	2,859,694
Total state sources	740,878	740,878	2,859,694	-	2,859,694
Federal sources:					
Food services	35,128,045	35,128,045	-	-	-
Total federal sources	35,128,045	35,128,045	-	-	-
Total revenues	44,563,672	44,563,672	2,859,694	94,602	2,954,296
EXPENDITURES					
Current:					
Facilities acquisition and construction	-	-	-	-	-
Food services	43,009,129	43,009,129	-	-	-
Principal retirement	-	-	1,965,000	24,782,444	26,747,444
Interest	-	-	937,350	18,431,027	19,368,377
Dues, fees and other	-	-	5,354	1,203,458	1,208,812
Capital outlay					
Facilities acquisition and construction	20,790	20,790	-	-	-
Other capital outlay	129,906	129,906	-	-	-
Total expenditures	43,159,825	43,159,825	2,907,704	44,416,929	47,324,633
Excess (deficiency) of revenues over (under) expenditures	1,403,847	1,403,847	(48,010)	(44,322,327)	(44,370,337)
OTHER FINANCING SOURCES (USES):					
Long term bonds issued	-	-	-	-	-
Premium on sale of bonds	-	-	54,848	-	54,848
Refunding bonds issued	-	-	365,000	44,120,000	44,485,000
Payments to refunded bond escrow agent	-	-	(421,330)	(43,215,000)	(43,636,330)
Transfers in	107,112	107,112	-	42,589,963	42,589,963
Transfers out	-	-	-	-	-
Total other financing sources and uses	107,112	107,112	(1,482)	43,494,963	43,493,481
Net change in fund balances	1,510,959	1,510,959	(49,492)	(827,364)	(876,856)
Fund balances - beginning	7,674,593	7,674,593	547,129	3,240,938	3,788,067
Fund balances - ending	\$ 9,185,552	\$ 9,185,552	\$ 497,637	\$ 2,413,574	\$ 2,911,211

See accompanying independent auditors' report.

Capital Outlay				
Capital Outlay Bond Issue Funds	Public Education Capital Outlay Funds	Capital Outlay and Debt Service Funds	Total	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 8,648,505
10,241	4,364	11,907	26,512	167,358
<u>10,241</u>	<u>4,364</u>	<u>11,907</u>	<u>26,512</u>	<u>8,815,863</u>
-	7,854,662	-	7,854,662	7,854,662
-	-	-	-	733,698
-	-	447,842	447,842	3,314,716
-	<u>7,854,662</u>	<u>447,842</u>	<u>8,302,504</u>	<u>11,903,076</u>
-	-	-	-	35,128,045
-	-	-	-	<u>35,128,045</u>
<u>10,241</u>	<u>7,859,026</u>	<u>459,749</u>	<u>8,329,016</u>	<u>55,846,984</u>
27,327	-	-	27,327	27,327
-	-	-	-	43,009,129
-	-	-	-	26,747,444
-	-	-	-	19,368,377
-	-	1,881	1,881	1,210,693
463,834	10,547,684	121,283	11,132,801	11,153,591
-	-	-	-	129,906
<u>491,161</u>	<u>10,547,684</u>	<u>123,164</u>	<u>11,162,009</u>	<u>101,646,467</u>
(480,920)	(2,688,658)	336,585	(2,832,993)	(45,799,483)
-	-	-	-	-
-	-	-	-	54,848
-	-	-	-	44,485,000
-	-	-	-	(43,636,330)
-	-	-	-	42,697,075
-	(4,562,545)	-	(4,562,545)	(4,562,545)
-	<u>(4,562,545)</u>	<u>-</u>	<u>(4,562,545)</u>	<u>39,038,048</u>
(480,920)	(7,251,203)	336,585	(7,395,538)	(6,761,435)
<u>2,456,938</u>	<u>13,347,408</u>	<u>2,888,490</u>	<u>18,692,836</u>	<u>30,155,496</u>
<u>\$ 1,976,018</u>	<u>\$ 6,096,205</u>	<u>\$ 3,225,075</u>	<u>\$ 11,297,298</u>	<u>\$ 23,394,061</u>



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THE SCHOOL DISTRICT OF POLK COUNTY

**NON MAJOR SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Food Services Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES:				
Local sources:				
Food services	\$ 9,302,600	\$ 9,302,600	\$ 8,648,505	\$ (654,095)
Other	20,000	20,000	46,244	26,244
Total local sources	<u>9,322,600</u>	<u>9,322,600</u>	<u>8,694,749</u>	<u>(627,851)</u>
State sources:				
Food services	700,000	700,000	733,698	33,698
Other	5,000	5,000	7,180	2,180
Total state sources	<u>705,000</u>	<u>705,000</u>	<u>740,878</u>	<u>35,878</u>
Federal sources:				
Food services	<u>33,635,880</u>	<u>33,635,880</u>	<u>35,128,045</u>	<u>1,492,165</u>
Total federal sources	<u>33,635,880</u>	<u>33,635,880</u>	<u>35,128,045</u>	<u>1,492,165</u>
Total revenues	<u>43,663,480</u>	<u>43,663,480</u>	<u>44,563,672</u>	<u>900,192</u>
EXPENDITURES:				
Current:				
Facilities acquisition and construction	20,000	20,000	20,790	(790)
Food services	45,055,312	45,055,312	43,009,129	2,046,183
Capital outlay	<u>140,000</u>	<u>140,000</u>	<u>129,906</u>	<u>10,094</u>
Total expenditures	<u>45,215,312</u>	<u>45,215,312</u>	<u>43,159,825</u>	<u>2,055,487</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,551,832)</u>	<u>(1,551,832)</u>	<u>1,403,847</u>	<u>2,955,679</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	<u>107,112</u>	<u>107,112</u>	<u>107,112</u>	<u>-</u>
Total other financing sources and uses	<u>107,112</u>	<u>107,112</u>	<u>107,112</u>	<u>-</u>
Net change in fund balance	(1,444,720)	(1,444,720)	1,510,959	2,955,679
Fund balance - beginning	<u>8,516,053</u>	<u>8,516,053</u>	<u>7,674,593</u>	<u>(841,460)</u>
Fund balance - ending	<u>\$ 7,071,333</u>	<u>\$ 7,071,333</u>	<u>\$ 9,185,552</u>	<u>\$ 2,114,219</u>

See accompanying independent auditors' report.

THE SCHOOL DISTRICT OF POLK COUNTY

**DEBT SERVICE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	State Board of Education Bond Funds			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES:				
Local sources:				
Other	-	-	-	-
Total local sources	-	-	-	-
State sources:				
Capital Outlay and debt service withheld for SBE/COBI bonds	2,910,656	2,859,280	2,859,280	-
SBE/COBI bond interest	-	414	414	-
Total state sources	2,910,656	2,859,694	2,859,694	-
Federal Sources:				
Federal grants direct	-	-	-	-
Total federal sources	-	-	-	-
Total revenues	2,910,656	2,859,694	2,859,694	-
EXPENDITURES:				
Principal retirement	1,965,000	1,965,000	1,965,000	-
Interest	945,656	937,350	937,350	-
Dues, fees and other	-	5,354	5,354	-
Total expenditures	2,910,656	2,907,704	2,907,704	-
Excess (deficiency) of revenues over (under) expenditures	-	(48,010)	(48,010)	-
OTHER FINANCING SOURCES (USES):				
Long term bonds issued	-	-	-	-
Premium on sale of bonds	-	54,848	54,848	-
Refunding bonds issued	-	365,000	365,000	-
Payments to refunded bond escrow agent	-	(421,330)	(421,330)	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources and uses	-	(1,482)	(1,482)	-
Net change in fund balances	-	(49,492)	(49,492)	-
Fund balances - beginning	547,129	547,129	547,129	-
Fund balances - ending	<u>\$ 547,129</u>	<u>\$ 497,637</u>	<u>\$ 497,637</u>	<u>\$ -</u>

See accompanying independent auditors' report.

ARRA Debt Service Funds			
Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
Original	Final		
-	6	6	-
-	6	6	-
-	-	-	-
-	-	-	-
-	-	504,294	504,294
-	-	504,294	504,294
-	6	504,300	504,294
388,263	892,557	892,557	-
3,000	106,483	105,760	723
-	-	-	-
391,263	999,040	998,317	723
(391,263)	(999,034)	(494,017)	505,017
-	111,037	111,037	-
-	-	-	-
-	-	-	-
-	-	-	-
1,495,789	2,000,183	1,999,461	(722)
-	(7,660)	(7,660)	-
1,495,789	2,103,560	2,102,838	(722)
1,104,526	1,104,526	1,608,821	504,295
-	-	-	-
<u>\$ 1,104,526</u>	<u>\$ 1,104,526</u>	<u>\$ 1,608,821</u>	<u>\$ 504,295</u>

(Continued)

THE SCHOOL DISTRICT OF POLK COUNTY

**DEBT SERVICE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Other Debt Service Funds			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES:				
Local sources:				
Other	-	46,133	94,602	48,469
Total local sources	-	46,133	94,602	48,469
State sources:				
Capital Outlay and debt service withheld for SBE/COBI bonds	-	-	-	-
SBE/COBI bond interest	-	-	-	-
Total state sources	-	-	-	-
Federal Sources:				
Federal grants direct	-	-	-	-
Total federal sources	-	-	-	-
Total revenues	-	46,133	94,602	48,469
EXPENDITURES:				
Principal retirement	25,286,737	24,640,544	24,782,444	(141,900)
Interest	17,736,988	18,825,750	18,431,027	394,723
Dues, fees and other	1,208,487	1,479,056	1,203,458	275,598
Total expenditures	44,232,212	44,945,350	44,416,929	528,421
Excess (deficiency) of revenues over (under) expenditures	(44,232,212)	(44,899,217)	(44,322,327)	576,890
OTHER FINANCING SOURCES (USES):				
Long term bonds issued	-	-	-	-
Premium on sale of bonds	-	-	-	-
Refunding bonds issued	-	44,120,000	44,120,000	-
Payments to refunded bond escrow agent	-	(43,215,000)	(43,215,000)	-
Transfers in	45,728,002	43,924,830	42,589,963	(1,334,867)
Transfers out	-	-	-	-
Total other financing sources and uses	45,728,002	44,829,830	43,494,963	(1,334,867)
Net change in fund balances	1,495,790	(69,387)	(827,364)	(757,977)
Fund balances - beginning	3,240,938	3,240,938	3,240,938	-
Fund balances - ending	<u>\$ 4,736,728</u>	<u>\$ 3,171,551</u>	<u>\$ 2,413,574</u>	<u>\$ (757,977)</u>

See accompanying independent auditors' report.

Totals			
Budgeted Amounts			Variance with Final Budget - Positive (Negative)
Original	Final	Actual	
-	46,139	94,608	48,469
-	46,139	94,608	48,469
2,910,656	2,859,280	2,859,280	-
-	414	414	-
<u>2,910,656</u>	<u>2,859,694</u>	<u>2,859,694</u>	<u>-</u>
-	-	504,294	504,294
-	-	504,294	504,294
<u>2,910,656</u>	<u>2,905,833</u>	<u>3,458,596</u>	<u>552,763</u>
27,640,000	27,498,101	27,640,001	(141,900)
18,685,644	19,869,583	19,474,137	395,446
<u>1,208,487</u>	<u>1,484,410</u>	<u>1,208,812</u>	<u>275,598</u>
<u>47,534,131</u>	<u>48,852,094</u>	<u>48,322,950</u>	<u>529,144</u>
<u>(44,623,475)</u>	<u>(45,946,261)</u>	<u>(44,864,354)</u>	<u>1,081,907</u>
-	111,037	111,037	-
-	54,848	54,848	-
-	44,485,000	44,485,000	-
-	(43,636,330)	(43,636,330)	-
47,223,791	45,925,013	44,589,424	(1,335,589)
-	(7,660)	(7,660)	-
<u>47,223,791</u>	<u>46,931,908</u>	<u>45,596,319</u>	<u>(1,335,589)</u>
2,600,316	985,647	731,965	(253,682)
<u>3,788,067</u>	<u>3,788,067</u>	<u>3,788,067</u>	<u>-</u>
<u>\$ 6,388,383</u>	<u>\$ 4,773,714</u>	<u>\$ 4,520,032</u>	<u>\$ (253,682)</u>

THE SCHOOL DISTRICT OF POLK COUNTY

CAPITAL PROJECTS FUNDS

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Capital Outlay Bond Issue Funds			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES:				
Federal Sources:				
Federal Direct	\$ -	\$ -	\$ -	\$ -
Total federal sources	-	-	-	-
Local sources:				
Ad valorem taxes	-	-	-	-
Local sales tax	-	-	-	-
Interest income	-	10,241	10,241	-
Other	-	-	-	-
Total local sources	-	10,241	10,241	-
State sources:				
Public education capital outlay	-	-	-	-
Capital outlay distributed to district	-	-	-	-
Interest on undistributed CO & DS	-	-	-	-
Charter School Capital Outlay Funding	-	-	-	-
Other	-	-	-	-
Total state sources	-	-	-	-
Total revenues	-	10,241	10,241	-
EXPENDITURES:				
Facilities acquisition and construction	-	27,327	27,327	-
Debt Service				
Dues, fees and other	-	-	-	-
Capital outlay				
Facilities acquisition and construction	2,455,314	463,834	463,834	-
Other capital outlay	-	-	-	-
Total expenditures	2,455,314	491,161	491,161	-
Excess (deficiency) of revenues over (under) expenditures	(2,455,314)	(480,920)	(480,920)	-
OTHER FINANCING SOURCES (USES):				
Long term bonds issued	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources and uses	-	-	-	-
Net change in fund balances	(2,455,314)	(480,920)	(480,920)	-
Fund balances - beginning	2,456,938	2,456,938	2,456,938	-
Fund balances - ending	\$ 1,624	\$ 1,976,018	\$ 1,976,018	\$ -

See accompanying independent auditors' report.

Public Education Capital Outlay Funds			
Budgeted Amounts			Variance with Final Budget - Positive (Negative)
Original	Final	Actual	(Negative)
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	4,364	4,364	-
-	-	-	-
-	4,364	4,364	-
7,844,425	7,854,662	7,854,662	-
-	-	-	-
-	-	-	-
-	-	-	-
7,844,425	7,854,662	7,854,662	-
7,844,425	7,859,026	7,859,026	-
-	-	-	-
-	-	-	-
14,364,885	14,369,249	10,547,684	3,821,565
-	-	-	-
14,364,885	14,369,249	10,547,684	3,821,565
(6,520,460)	(6,510,223)	(2,688,658)	3,821,565
-	-	-	-
-	-	-	-
(6,826,946)	(6,837,183)	(4,562,544)	2,274,639
(6,826,946)	(6,837,183)	(4,562,544)	2,274,639
(13,347,406)	(13,347,406)	(7,251,202)	6,096,204
13,347,407	13,347,407	13,347,407	-
\$ 1	\$ 1	\$ 6,096,205	\$ 6,096,204

(Continued)

THE SCHOOL DISTRICT OF POLK COUNTY

**CAPITAL PROJECTS FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Capital Outlay & Debt Service Funds			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES:				
Federal Sources:				
Federal Direct	\$ -	\$ -	\$ -	\$ -
Total federal sources	-	-	-	-
Local sources:				
Ad valorem taxes	-	-	-	-
Local sales tax	-	-	-	-
Interest income	-	-	-	-
Other	-	11,907	11,907	-
Total local sources	-	11,907	11,907	-
State sources:				
Public education capital outlay	-	-	-	-
Capital outlay distributed to district	410,000	410,000	406,411	(3,589)
Interest on undistributed CO & DS	30,000	30,000	41,431	11,431
Charter School Capital Outlay Funding	-	-	-	-
Other	-	-	-	-
Total state sources	440,000	440,000	447,842	7,842
Total revenues	440,000	451,907	459,749	7,842
EXPENDITURES:				
Facilities acquisition and construction	-	-	-	-
Debt Service				
Dues, fees and other	-	1,881	1,881	-
Capital outlay				
Facilities acquisition and construction	2,888,490	3,000,000	121,283	2,878,717
Other capital outlay	-	-	-	-
Total expenditures	2,888,490	3,001,881	123,164	2,878,717
Excess (deficiency) of revenues over (under) expenditures	(2,448,490)	(2,549,974)	336,585	2,886,559
OTHER FINANCING SOURCES (USES):				
Long term bonds issued	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources and uses	-	-	-	-
Net change in fund balances	(2,448,490)	(2,549,974)	336,585	2,886,559
Fund balances - beginning	2,888,490	2,888,490	2,888,490	-
Fund balances - ending	\$ 440,000	\$ 338,516	\$ 3,225,075	\$ 2,886,559

See accompanying independent auditors' report.

Local Capital Improvement Funds			
Budgeted Amounts			Variance with Final Budget - Positive (Negative)
Original	Final	Actual	
\$ -	\$ -	\$ -	\$ -
-	-	-	-
40,938,629	41,108,122	41,306,172	198,050
-	-	-	-
-	-	-	-
-	361,793	475,058	113,265
<u>40,938,629</u>	<u>41,469,915</u>	<u>41,781,230</u>	<u>311,315</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>40,938,629</u>	<u>41,469,915</u>	<u>41,781,230</u>	<u>311,315</u>
-	-	-	-
-	-	-	-
2,876,277	47,939	47,939	-
-	-	-	-
<u>2,876,277</u>	<u>47,939</u>	<u>47,939</u>	<u>-</u>
<u>38,062,352</u>	<u>41,421,976</u>	<u>41,733,291</u>	<u>311,315</u>
-	-	-	-
-	-	-	-
<u>(51,492,127)</u>	<u>(58,370,637)</u>	<u>(42,409,793)</u>	<u>15,960,844</u>
<u>(51,492,127)</u>	<u>(58,370,637)</u>	<u>(42,409,793)</u>	<u>15,960,844</u>
(13,429,775)	(16,948,661)	(676,502)	16,272,159
<u>50,929,268</u>	<u>50,929,268</u>	<u>50,929,268</u>	<u>-</u>
<u>\$ 37,499,493</u>	<u>\$ 33,980,607</u>	<u>\$ 50,252,766</u>	<u>\$ 16,272,159</u>

(Continued)

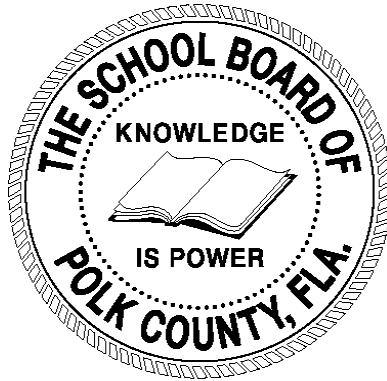
THE SCHOOL DISTRICT OF POLK COUNTY

**CAPITAL PROJECTS FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Other Capital Projects Funds			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES:				
Federal Sources:				
Federal Direct	\$ -	\$ -	\$ -	\$ -
Total federal sources	-	-	-	-
Local sources:				
Ad valorem taxes	-	-	-	-
Local sales tax	28,500,000	28,500,000	30,458,775	1,958,775
Interest income	-	-	-	-
Other	3,000,000	3,289,965	3,346,865	56,900
Total local sources	31,500,000	31,789,965	33,805,640	2,015,675
State sources:				
Public education capital outlay	-	-	-	-
Capital outlay distributed to district	-	-	-	-
Interest on undistributed CO & DS	-	-	-	-
Charter School Capital Outlay Funding	1,789,502	1,789,502	1,655,192	(134,310)
Other	-	-	-	-
Total state sources	1,789,502	1,789,502	1,655,192	(134,310)
Total revenues	33,289,502	33,579,467	35,460,832	1,881,365
EXPENDITURES:				
Facilities acquisition and construction	-	3,016,701	2,707,062	309,639
Debt Service				
Dues, fees and other	-	-	-	-
Capital outlay				
Facilities acquisition and construction	119,441,465	141,914,349	78,261,973	63,652,376
Other capital outlay	113,341	15,592,290	3,971,142	11,621,148
Total expenditures	119,554,806	160,523,340	84,940,177	75,583,163
Excess (deficiency) of revenues over (under) expenditures	(86,265,304)	(126,943,873)	(49,479,345)	77,464,528
OTHER FINANCING SOURCES (USES):				
Long term bonds issued	-	21,111,963	21,111,963	-
Transfers in	-	7,660	7,660	-
Transfers out	(31,943,590)	(28,461,868)	(28,271,349)	190,519
Total other financing sources and uses	(31,943,590)	(7,342,245)	(7,151,726)	190,519
Net change in fund balances	(118,208,894)	(134,286,118)	(56,631,071)	77,655,047
Fund balances - beginning	165,805,920	165,805,920	165,805,920	-
Fund balances - ending	\$ 47,597,026	\$ 31,519,802	\$ 109,174,849	\$ 77,655,047

See accompanying independent auditors' report.

Budgeted Amounts		Totals	
Original	Final	Actual	Variance with Final Budget - Positive (Negative)
\$ -	\$ -	\$ -	\$ -
40,938,629	41,108,122	41,306,172	198,050
28,500,000	28,500,000	30,458,775	1,958,775
-	14,605	14,605	-
3,000,000	3,663,665	3,833,830	170,165
<u>72,438,629</u>	<u>73,286,392</u>	<u>75,613,382</u>	<u>2,326,990</u>
7,844,425	7,854,662	7,854,662	-
410,000	410,000	406,411	(3,589)
30,000	30,000	41,431	11,431
<u>1,789,502</u>	<u>1,789,502</u>	<u>1,655,192</u>	<u>(134,310)</u>
-	-	-	-
<u>10,073,927</u>	<u>10,084,164</u>	<u>9,957,696</u>	<u>(126,468)</u>
<u>82,512,556</u>	<u>83,370,556</u>	<u>85,571,078</u>	<u>2,200,522</u>
-	3,044,028	2,734,389	309,639
-	1,881	1,881	-
142,026,431	159,795,371	89,442,713	70,352,658
<u>113,341</u>	<u>15,592,290</u>	<u>3,971,142</u>	<u>11,621,148</u>
<u>142,139,772</u>	<u>178,433,570</u>	<u>96,150,125</u>	<u>82,283,445</u>
<u>(59,627,216)</u>	<u>(95,063,014)</u>	<u>(10,579,047)</u>	<u>84,483,967</u>
-	21,111,963	21,111,963	-
-	7,660	7,660	-
<u>(90,262,663)</u>	<u>(93,669,688)</u>	<u>(75,243,686)</u>	<u>18,426,002</u>
<u>(90,262,663)</u>	<u>(72,550,065)</u>	<u>(54,124,063)</u>	<u>18,426,002</u>
(149,889,879)	(167,613,079)	(64,703,110)	102,909,969
<u>235,428,023</u>	<u>235,428,023</u>	<u>235,428,023</u>	<u>-</u>
<u>\$ 85,538,144</u>	<u>\$ 67,814,944</u>	<u>\$ 170,724,913</u>	<u>\$ 102,909,969</u>



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Internal Service Funds

The Internal Service Funds account for the cost of the District's Insurance Funds

- **Workers Compensation Fund** - Accounts for and reports on the workers' compensation program.
- **General Liability / Fleet Liability Funds** - Accounts for and reports on the automobile and general liability programs.
- **Errors & Omissions / Boiler & Machinery Funds** – Accounts for and reports on the errors and omissions and boiler and machinery liability programs.
- **Group Insurance Fund** – Accounts for and reports on the health insurance program.

THE SCHOOL DISTRICT OF POLK COUNTY

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2011**

	<u>Workers' Compensation</u>	<u>General Liability/ Fleet Liability</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 12,514,254	\$ 1,857,135
Investments	26,162,134	4,056,897
Accounts receivable	154,279	-
Total assets	<u>\$ 38,830,667</u>	<u>\$ 5,914,032</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ -	\$ -
Estimated liability for claims	9,616,570	1,326,479
Total current liabilities	<u>9,616,570</u>	<u>1,326,479</u>
Noncurrent liabilities:		
Estimated liability for claims	14,555,051	2,007,723
Total noncurrent liabilities	<u>14,555,051</u>	<u>2,007,723</u>
Total liabilities	<u>24,171,621</u>	<u>3,334,202</u>
NET ASSETS		
Unrestricted	14,659,046	2,579,830
Total net assets	<u>14,659,046</u>	<u>2,579,830</u>
Total net assets and liabilities	<u>\$ 38,830,667</u>	<u>\$ 5,914,032</u>

See accompanying independent auditors' report.

Errors & Omissions/ Boiler & Machinery	Group Insurance	Total Internal Service Funds
\$ 552,366	\$ 8,494,665	\$ 23,418,420
1,395,323	18,669,931	50,284,285
-	75,144	229,423
<u>\$ 1,947,689</u>	<u>\$ 27,239,740</u>	<u>\$ 73,932,128</u>
\$ -	\$ 5,794,588	\$ 5,794,588
-	2,415,684	13,358,733
<u>-</u>	<u>8,210,272</u>	<u>19,153,321</u>
-	3,656,316	20,219,090
-	3,656,316	20,219,090
<u>-</u>	<u>11,866,588</u>	<u>39,372,411</u>
1,947,689	15,373,152	34,559,717
1,947,689	15,373,152	34,559,717
<u>\$ 1,947,689</u>	<u>\$ 27,239,740</u>	<u>\$ 73,932,128</u>

THE SCHOOL DISTRICT OF POLK COUNTY

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Workers' Compensation</u>	<u>General Liability/ Fleet Liability</u>
OPERATING REVENUES:		
Premium revenue from other funds	\$ 7,964,404	\$ 1,847,083
Other revenue	1,261,151	12,335
Total operating revenues	<u>9,225,555</u>	<u>1,859,418</u>
OPERATING EXPENSES:		
Purchased services	1,620,563	247,501
Claims, premiums and other	7,528,102	408,452
Total operating expenses	<u>9,148,665</u>	<u>655,953</u>
Operating income	<u>76,890</u>	<u>1,203,465</u>
NON-OPERATING REVENUE:		
Interest	523,028	39,241
Total non-operating revenue	<u>523,028</u>	<u>39,241</u>
Income before transfers	599,918	1,242,706
TRANSFERS IN	-	-
TRANSFERS OUT	<u>(20,928)</u>	<u>(226,633)</u>
Change in net assets	578,990	1,016,073
Total net assets - beginning	<u>14,080,056</u>	<u>1,563,757</u>
Total net assets - ending	<u>\$ 14,659,046</u>	<u>\$ 2,579,830</u>

See accompanying independent auditors' report.

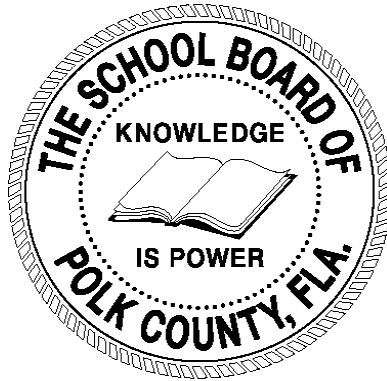
Errors & Omissions/ Boiler & Machinery	Group Insurance	Total Internal Service Funds
\$ -	\$ 82,620,738	\$ 92,432,225
-	4,186,473	5,459,959
-	86,807,211	97,892,184
-	6,166,034	8,034,098
-	80,455,261	88,391,815
-	86,621,295	96,425,913
-	185,916	1,466,271
10,584	367,584	940,437
10,584	367,584	940,437
10,584	553,500	2,406,708
-	156,000	156,000
-	(1,530,180)	(1,777,741)
10,584	(820,680)	784,967
1,937,105	16,193,832	33,774,750
\$ 1,947,689	\$ 15,373,152	\$ 34,559,717

THE SCHOOL DISTRICT OF POLK COUNTY**INTERNAL SERVICE FUNDS****COMBINING STATEMENT OF CASH FLOWS****FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Workers' Compensation	General Liability/ Fleet Liability
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from interfund services provided	\$ 7,810,124	\$ 1,842,083
Payment to suppliers	(1,673,234)	(248,277)
Payment to employees	-	-
Payment for interfund services used	(5,418,965)	(1,194,399)
Other receipts	1,261,151	12,335
Net cash provided by operating activities	<u>1,979,076</u>	<u>411,742</u>
CASH FLOWS FROM NON CAPITAL AND RELATED FINANCING ACTIVITIES:		
Transfers from other funds		
Transfers to other funds	<u>(20,928)</u>	<u>(226,633)</u>
Net cash used in noncapital and related financing activities	<u>(20,928)</u>	<u>(226,633)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	9,977,203	1,551,628
Purchase of investments	(314,724)	-
Interest and dividends earned on investments	<u>523,028</u>	<u>39,242</u>
Net cash provided by investing activities	<u>10,185,507</u>	<u>1,590,870</u>
Net increase in cash and cash equivalents	12,143,655	1,775,979
Cash and cash equivalents - Beginning of year	<u>370,599</u>	<u>81,156</u>
Cash and cash equivalents - End of year	<u>\$ 12,514,254</u>	<u>\$ 1,857,135</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 76,890	\$ 1,203,465
Adjustments to reconcile operating income to net cash provided by operating activities:		
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(154,279)	-
(Increase) decrease in due from other governmental agencies	-	(5,000)
Increase (decrease) in accounts payable	(52,671)	(175)
Increase (decrease) in estimated liability for long-term claims	2,109,136	(786,548)
Total adjustments	<u>1,902,186</u>	<u>(791,723)</u>
Net cash provided by operating activities	<u>\$ 1,979,076</u>	<u>\$ 411,742</u>

See accompanying independent auditors' report.

Errors & Omissions/ Boiler & Machinery	Group Insurance	Total Internal Service Funds
\$ -	\$ 84,670,604	\$ 94,322,811
-	(7,055,414)	(8,976,925)
-	-	-
-	(81,175,261)	(87,788,625)
-	4,187,048	5,460,534
-	626,977	3,017,795
-	156,000	156,000
-	(1,530,180)	(1,777,741)
-	(1,374,180)	(1,621,741)
541,783	1,590,698	13,661,312
-	(276,242)	(590,966)
10,583	367,584	940,437
552,366	1,682,040	14,010,783
552,366	934,837	15,406,837
-	7,559,828	8,011,583
\$ 552,366	\$ 8,494,665	\$ 23,418,420
\$ -	\$ 185,916	\$ 1,466,271
-	2,049,865	1,895,586
-	-	(5,000)
-	(888,804)	(941,650)
-	(720,000)	602,588
-	441,061	1,551,524
\$ -	\$ 626,977	\$ 3,017,795

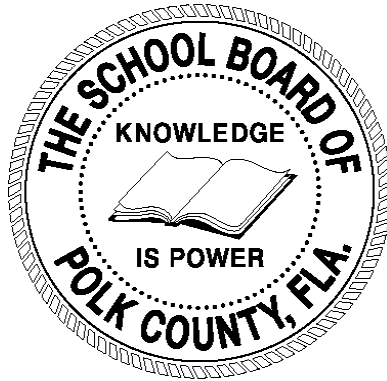


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Agency Funds

The Agency Funds account for resources held by the District as custodian for others

- **School Activity Fund** - Accounts for and reports on the school's activity funds.



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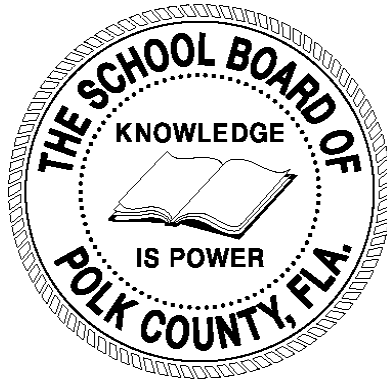
THE SCHOOL DISTRICT OF POLK COUNTY

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

AGENCY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	School Activity Fund			
	Balances			Balances
	July 1, 2010	Additions	Deductions	June 30, 2011
ASSETS				
Cash	\$ 5,946,979	\$ 78,807,573	\$ 78,458,717	\$ 6,295,835
Investments	2,526,718	142,701	179,020	2,490,399
Accounts receivable and due from other funds	297,088	4,725,593	4,896,810	125,871
Inventory	453,859	1,305,129	1,315,096	443,892
Total assets	<u>\$ 9,224,644</u>	<u>\$ 84,980,996</u>	<u>\$ 84,849,643</u>	<u>\$ 9,355,997</u>
LIABILITIES				
Accounts payable	\$ 7,063	\$ 13,923,890	\$ 13,919,696	\$ 11,257
Due to student organizations	9,209,370	24,641,712	24,506,939	9,344,143
Salaries, Benefits and payroll taxes payable	7,166	404,351	411,517	-
Payroll deductions	1,045	224,975	225,423	597
Total liabilities	<u>\$ 9,224,644</u>	<u>\$ 39,194,928</u>	<u>\$ 39,063,575</u>	<u>\$ 9,355,997</u>



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Component Units

- **Discretely Presented Component Units** - Accounts for and reports on the Polk Education Foundation and the various Charter Schools

THE SCHOOL DISTRICT OF POLK COUNTY

**STATEMENT OF NET ASSETS
DISCRETELY PRESENTED COMPONENT UNITS
June 30, 2011**

	Babson Park Elementary	Berkley Accelerated Middle	Berkley Elementary	BOK Academy
ASSETS				
Cash	\$ -	\$ 1,143,104	\$ 840,277	\$ -
Investments	-	-	458,425	-
Accounts receivable, net	706,507	3,000	108,152	455,333
Due from other governmental agencies	-	38,482	162,975	-
Prepaid items	-	16,535	-	-
Other Assets	-	-	61,747	-
Capital Assets (Net of accumulated depreciation):				
Land	-	215,000	-	-
Land improvements	-	-	-	-
Improvements other than buildings	-	-	-	-
Buildings and systems	-	3,105,551	154,616	-
Furniture, fixtures and equipment	48,453	55,663	116,454	158,975
Motor vehicles	-	-	398,282	1,616
Property under capital leases	-	-	-	-
Audio visual materials	-	-	-	-
Computer software	-	-	22,400	-
Total assets	<u>\$ 754,960</u>	<u>\$ 4,577,335</u>	<u>\$ 2,323,328</u>	<u>\$ 615,924</u>
LIABILITIES				
Accounts payable	\$ -	\$ 83,057	\$ 226,286	\$ 274,927
Salaries and wages payable	-	223,922	-	-
Compensated absences payable	85,672	-	57,306	58,897
Deferred revenue	3,842	-	-	-
Noncurrent liabilities:				
Due within one year	-	139,297	47,113	-
Due in more than one year	-	3,079,174	115,760	-
Total liabilities	<u>89,514</u>	<u>3,525,450</u>	<u>446,465</u>	<u>333,824</u>
NET ASSETS				
Invested in capital assets, net of related debt	48,453	157,743	528,879	160,591
Restricted for:				
Debt service	-	36,199	-	-
Capital outlay	-	-	-	-
Endowment - nonexpendable	-	-	-	-
Other purposes	-	-	-	-
Unrestricted	616,993	857,943	1,347,984	121,509
Total net assets	<u>665,446</u>	<u>1,051,885</u>	<u>1,876,863</u>	<u>282,100</u>
Total liabilities and net assets	<u>\$ 754,960</u>	<u>\$ 4,577,335</u>	<u>\$ 2,323,328</u>	<u>\$ 615,924</u>

See accompanying independent auditors' report.

<u>Compass Middle Charter</u>	<u>Discovery Academy of Lake Alfred</u>	<u>Hartridge Academy</u>	<u>Hillcrest Elementary</u>	<u>Jane Howard Wilson Elementary</u>	<u>Lake Wales High School</u>	<u>Lakeland Montessori Schoolhouse</u>
\$ 1,021,865	\$ 2,439,392	\$ 466,154	\$ -	\$ -	\$ -	\$ 1,028,831
-	1,333,747	-	-	-	-	-
9,332	139,910	54,628	1,133,838	814,068	1,422,167	3,760
-	-	-	-	-	-	-
-	-	69,952	-	-	4,452	-
-	2,455	-	-	-	-	1,513
-	-	-	-	-	-	245,000
-	-	-	-	-	-	-
-	-	96,608	-	-	-	-
-	-	-	-	-	-	667,331
38,455	79,481	43,448	218,436	86,310	187,128	13,088
33,592	1,212,058	3,256	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	116	-	-	-	-
<u>\$ 1,103,244</u>	<u>\$ 5,207,043</u>	<u>\$ 734,162</u>	<u>\$ 1,352,274</u>	<u>\$ 900,378</u>	<u>\$ 1,613,747</u>	<u>\$ 1,959,523</u>
\$ 131,371	\$ 347,788	\$ 71,662	\$ -	\$ -	\$ -	\$ 48,816
-	-	-	-	-	-	201,969
-	229,112	-	116,868	91,882	159,358	-
-	-	-	1,524	-	5,993	39,758
-	144,927	-	-	-	-	14,440
-	567,961	-	-	-	-	789,366
<u>131,371</u>	<u>1,289,788</u>	<u>71,662</u>	<u>118,392</u>	<u>91,882</u>	<u>165,351</u>	<u>1,094,349</u>
72,047	578,651	143,428	218,436	86,310	187,128	146,052
-	-	-	-	-	-	-
-	46,105	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
899,826	3,292,499	519,072	1,015,446	722,186	1,261,268	719,122
971,873	3,917,255	662,500	1,233,882	808,496	1,448,396	865,174
<u>\$ 1,103,244</u>	<u>\$ 5,207,043</u>	<u>\$ 734,162</u>	<u>\$ 1,352,274</u>	<u>\$ 900,378</u>	<u>\$ 1,613,747</u>	<u>\$ 1,959,523</u>

(Continued)

THE SCHOOL DISTRICT OF POLK COUNTY**STATEMENT OF NET ASSETS
DISCRETELY PRESENTED COMPONENT UNITS
June 30, 2011**

	<u>Lakeland Montessori Middle</u>	<u>Life Skills Center - Polk East</u>	<u>McKeel Academy</u>	<u>McKeel Elementary</u>
ASSETS				
Cash	\$ 76,873	\$ 76,408	\$ 986,629	\$ 641,161
Investments	-	-	854,467	509,779
Accounts receivable, net	5,915	37,673	231,219	5,674
Due from other governmental agencies	-	-	-	-
Prepaid items	-	11,128	-	-
Other Assets	-	-	5,969	34,392
Capital Assets (Net of accumulated depreciation):				
Land	-	-	333,569	450,000
Land improvements	-	-	-	19,750
Improvements other than buildings	-	-	-	-
Buildings and systems	-	-	952,123	1,397,480
Furniture, fixtures and equipment	23,812	55,063	103,855	44,954
Motor vehicles	-	-	415,684	15,371
Property under capital leases	-	-	-	-
Audio visual materials	-	-	-	-
Computer software	-	-	-	-
Total assets	<u>\$ 106,600</u>	<u>\$ 180,272</u>	<u>\$ 3,883,515</u>	<u>\$ 3,118,561</u>
LIABILITIES				
Accounts payable	\$ 4,727	\$ 97,258	\$ 148,520	\$ 74,546
Salaries and wages payable	8,176	-	-	-
Compensated absences payable	-	-	108,781	23,096
Deferred revenue	53,823	-	-	-
Noncurrent liabilities:				
Due within one year	-	-	23,137	31,857
Due in more than one year	1,670	-	10,195	1,399,362
Total liabilities	<u>68,396</u>	<u>97,258</u>	<u>290,633</u>	<u>1,528,861</u>
NET ASSETS				
Invested in capital assets, net of related debt	23,812	55,063	1,805,231	496,336
Restricted for:				
Debt service	-	-	-	-
Capital outlay	-	-	-	-
Endowment - nonexpendable	-	-	-	-
Other purposes	-	-	-	-
Unrestricted (deficit)	14,392	27,951	1,787,651	1,093,364
Total net assets	<u>38,204</u>	<u>83,014</u>	<u>3,592,882</u>	<u>1,589,700</u>
Total liabilities and net assets	<u>\$ 106,600</u>	<u>\$ 180,272</u>	<u>\$ 3,883,515</u>	<u>\$ 3,118,561</u>

See accompanying independent auditors' report.

<u>Our Children's Academy</u>	<u>Polk Avenue Elementary</u>	<u>Ridgeview Global Studies Academy</u>	<u>South McKeel Academy</u>	<u>Education Foundation</u>	<u>TOTALS Component Units</u>
\$ 1,392,658	\$ -	\$ 813,792	\$ 1,326,018	\$ 1,692,403	\$ 13,945,565
-	-	1,243,748	305,868	2,148,495	6,854,529
20,689	625,638	-	35,839	252,776	6,066,118
-	-	-	-	-	201,457
9,284	-	-	-	1,360,605	1,471,956
-	-	15,023	90,655	-	211,754
-	-	-	-	-	1,243,569
-	-	-	-	-	19,750
-	-	-	339,608	-	436,216
120,482	-	-	-	-	6,397,583
210,732	26,656	142,688	219,538	-	1,873,189
13,397	-	228,522	-	-	2,321,778
-	-	-	-	-	-
-	-	-	-	-	-
-	-	2,686	-	-	25,202
<u>\$ 1,767,242</u>	<u>\$ 652,294</u>	<u>\$ 2,446,459</u>	<u>\$ 2,317,526</u>	<u>\$ 5,454,279</u>	<u>\$ 41,068,666</u>
\$ 146,969	\$ 1,995	\$ 91,947	\$ 80,983	\$ 1,196	\$ 1,832,048
-	-	-	-	-	434,067
-	70,232	176,734	64,527	-	1,242,465
-	1,750	-	19,305	-	125,995
-	-	33,685	30,000	-	464,456
-	-	53,804	180,000	-	6,197,292
<u>146,969</u>	<u>73,977</u>	<u>356,170</u>	<u>374,815</u>	<u>1,196</u>	<u>10,296,323</u>
344,611	36,773	286,407	559,146	-	5,935,097
-	-	-	-	-	36,199
-	-	-	-	-	46,105
-	-	-	-	1,580,743	1,580,743
-	-	-	-	444,239	444,239
<u>1,275,662</u>	<u>541,544</u>	<u>1,803,882</u>	<u>1,383,565</u>	<u>3,428,101</u>	<u>22,729,960</u>
<u>1,620,273</u>	<u>578,317</u>	<u>2,090,289</u>	<u>1,942,711</u>	<u>5,453,083</u>	<u>30,772,343</u>
<u>\$ 1,767,242</u>	<u>\$ 652,294</u>	<u>\$ 2,446,459</u>	<u>\$ 2,317,526</u>	<u>\$ 5,454,279</u>	<u>\$ 41,068,666</u>

THE SCHOOL DISTRICT OF POLK COUNTY**STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Babson Park Elementary	Berkley Accelerated Middle	Berkley Elementary	BOK Academy
EXPENSES				
Instructional services	\$ 2,092,228	\$ 1,868,775	\$ 3,422,459	\$ 2,152,419
Instructional support services	142,610	104,857	417,140	108,149
Board	13,080	22,097	10,444	12,888
General administration	18,341	-	81,303	21,977
School administration	504,743	402,656	400,138	477,453
Facilities acquisition and construction	-	20,035	26,818	419,043
Fiscal Services	271	59,543	67,762	273
Food services	-	1,210	-	-
Central Services	-	28,685	9,420	-
Pupil transportation services	87,722	122,368	259,669	352,675
Operation and maintenance of plant	152,347	174,942	401,550	346,705
Community services and other	44,995	-	41,273	-
Interest on long term debt	-	221,474	9,324	-
Unallocated depreciation/amortization expense	-	-	-	-
Total expenses	<u>\$ 3,056,337</u>	<u>\$ 3,026,642</u>	<u>\$ 5,147,300</u>	<u>\$ 3,891,582</u>
PROGRAM REVENUES				
Charges for services	\$ -	\$ -	\$ 41,571	\$ -
Operating grants and contributions	66,007	237,029	429,758	28,722
Capital grants and contributions	-	188,403	-	-
Net program expenses	<u>(2,990,330)</u>	<u>(2,601,210)</u>	<u>(4,675,971)</u>	<u>(3,862,860)</u>
GENERAL REVENUES				
Federal	237,950	-	-	291,468
State Local Sources	2,885,983	2,312,275	4,452,244	3,448,950
Grants and contributions not restricted to specific programs	264,668	125,400	492,315	149,157
Investment earnings	-	-	-	-
Miscellaneous	-	158,252	-	-
Total general revenues	<u>3,388,601</u>	<u>2,595,927</u>	<u>4,944,559</u>	<u>3,889,575</u>
Change in net assets	398,271	(5,283)	268,588	26,715
Net assets - beginning	267,175	1,057,168	1,608,275	255,385
Net assets - ending	<u>\$ 665,446</u>	<u>\$ 1,051,885</u>	<u>\$ 1,876,863</u>	<u>\$ 282,100</u>

See accompanying independent auditors' report.

Compass Middle Charter	Discovery Academy of Lake Alfred	Hartridge Academy	Hillcrest Elementary	Jane Howard Wilson Elementary	Lake Wales High School
\$ 699,568	\$ 3,362,852	\$ 665,549	\$ 3,356,226	\$ 2,507,953	\$ 5,550,313
52,710	933,991	4,897	460,791	295,687	444,145
21,840	68,273	8,419	16,560	16,560	20,880
-	76,016	-	26,379	20,679	50,523
276,839	821,285	137,457	588,125	525,675	1,477,069
-	-	84,972	-	-	-
24,266	50,373	-	273	-	1,771
-	561,165	-	-	-	-
3,547	13,795	54,797	-	-	-
86,953	766,903	34,520	77,238	113,308	234,351
24,461	413,278	92,618	252,934	239,068	839,205
-	-	-	-	-	364,132
-	18,782	-	-	-	-
-	-	-	-	-	-
<u>\$ 1,190,184</u>	<u>\$ 7,086,713</u>	<u>\$ 1,083,229</u>	<u>\$ 4,778,526</u>	<u>\$ 3,718,930</u>	<u>\$ 8,982,389</u>
\$ -	\$ 165,941	\$ -	\$ -	\$ -	\$ -
241,234	1,389,296	237,111	449,063	382,661	630,815
-	-	-	-	-	-
<u>(948,950)</u>	<u>(5,531,476)</u>	<u>(846,118)</u>	<u>(4,329,463)</u>	<u>(3,336,269)</u>	<u>(8,351,574)</u>
-	15,993	-	342,237	269,414	632,586
973,923	5,824,524	969,127	4,083,208	3,137,020	7,145,080
43,490	228,987	1,322	255,262	151,145	465,448
-	-	-	-	-	-
-	-	14,144	-	-	-
<u>1,017,413</u>	<u>6,069,504</u>	<u>984,593</u>	<u>4,680,707</u>	<u>3,557,579</u>	<u>8,243,114</u>
68,463	538,028	138,475	351,244	221,310	(108,460)
903,410	3,379,227	524,025	882,638	587,186	1,556,856
<u>\$ 971,873</u>	<u>\$ 3,917,255</u>	<u>\$ 662,500</u>	<u>\$ 1,233,882</u>	<u>\$ 808,496</u>	<u>\$ 1,448,396</u>

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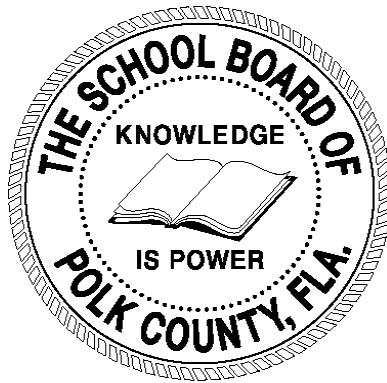
THE SCHOOL DISTRICT OF POLK COUNTY

**STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Lakeland Montessori Schoolhouse	Lakeland Montessori Middle	Life Skills Center - Polk East	McKeel Academy
EXPENSES				
Instructional services	\$ 337,581	\$ 173,304	\$ 721,801	\$ 4,380,780
Instructional support services	7,948	38,916	256,605	521,336
Board	2,068	4,517	67,192	57,393
General administration	-	-	143,481	45,668
School administration	177,613	78,571	356,334	962,807
Facilities acquisition and construction	-	47,423	395,224	-
Fiscal Services	-	1,725	-	373,527
Food services	-	-	-	1,262
Central Services	37,680	12,016	-	154,801
Pupil transportation services	3,750	3,526	53,163	968,151
Operation and maintenance of plant	78,396	8,342	139,875	546,565
Community services and other	184,197	9,782	-	21,693
Interest on long term debt	58,136	-	-	3,426
Unallocated depreciation/amortization expense	-	-	-	-
Total expenses	<u>\$ 887,369</u>	<u>\$ 378,122</u>	<u>\$ 2,133,675</u>	<u>\$ 8,037,409</u>
PROGRAM REVENUES				
Charges for services	\$ 212,045	\$ -	\$ -	\$ 979,389
Operating grants and contributions	-	-	88,297	612,004
Capital grants and contributions	30,491	29,125	-	-
Net program expenses	<u>(644,833)</u>	<u>(348,997)</u>	<u>(2,045,378)</u>	<u>(6,446,016)</u>
GENERAL REVENUES				
Federal	-	137,358	60,826	-
State Local Sources	587,202	240,713	1,282,632	6,196,368
Grants and contributions not restricted to specific programs	-	-	231	596,402
Investment earnings	3,534	21	-	-
Miscellaneous	22,626	7,055	638,828	-
Total general revenues	<u>613,362</u>	<u>385,147</u>	<u>1,982,517</u>	<u>6,792,770</u>
Change in net assets	(31,471)	36,150	(62,861)	346,754
Net assets (deficit) - beginning	896,645	2,054	145,875	3,246,128
Net assets (deficit) - ending	<u>\$ 865,174</u>	<u>\$ 38,204</u>	<u>\$ 83,014</u>	<u>\$ 3,592,882</u>

See accompanying independent auditors' report.

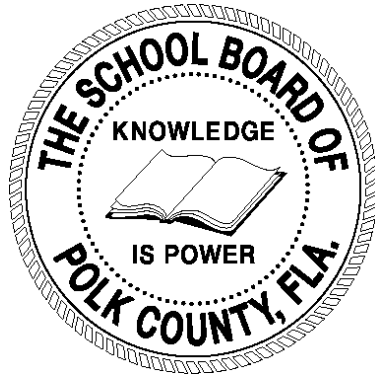
McKeel Elementary	Our Children's Academy	Polk Avenue Elementary	Ridgeview Global Studies Academy	South McKeel Academy	Education Foundation	TOTALS Component Units
\$ 1,608,776	\$ 2,272,977	\$ 2,548,455	\$ 4,106,773	\$ 4,697,067	\$ 1,415,842	\$ 47,941,698
63,749	29,572	276,561	347,497	175,638	-	4,682,799
28,878	33,506	16,080	12,226	70,680	-	503,581
70,610	252,489	19,865	86,106	43,113	132,724	1,089,274
395,532	273,892	570,944	417,101	1,051,322	-	9,895,556
-	63,703	-	-	1,097,963	-	2,155,181
-	55,617	273	49,339	-	-	685,013
-	2,241	-	607,003	72	-	1,172,953
-	2,869	-	-	50,960	-	368,570
105,128	58,673	44,762	298,714	381,995	-	4,053,569
213,761	84,941	191,388	362,182	517,765	-	5,080,323
-	9,500	-	97,414	4,000	-	776,986
90,245	-	-	6,724	9,601	-	417,712
-	-	-	-	-	-	-
<u>\$ 2,576,679</u>	<u>\$ 3,139,980</u>	<u>\$ 3,668,328</u>	<u>\$ 6,391,079</u>	<u>\$ 8,100,176</u>	<u>\$ 1,548,566</u>	<u>\$ 78,823,215</u>
\$ -	\$ 583,319	\$ -	\$ 195,290	\$ -	\$ -	\$ 2,177,555
210,551	101,662	367,948	1,044,524	648,643	2,518,856	9,684,181
-	-	-	-	468,865	-	716,884
<u>(2,366,128)</u>	<u>(2,454,999)</u>	<u>(3,300,380)</u>	<u>(5,151,265)</u>	<u>(6,982,668)</u>	<u>970,290</u>	<u>(66,244,595)</u>
-	183,221	263,453	-	-	-	2,434,506
2,339,059	2,586,029	3,092,319	5,444,835	7,046,168	-	64,047,659
165,758	50,159	203,725	119,093	629,849	-	3,942,411
-	-	-	-	-	42,303	45,858
-	-	-	-	-	344,714	1,185,619
<u>2,504,817</u>	<u>2,819,409</u>	<u>3,559,497</u>	<u>5,563,928</u>	<u>7,676,017</u>	<u>387,017</u>	<u>71,656,053</u>
138,689	364,410	259,117	412,663	693,349	1,357,307	5,411,458
1,451,011	1,255,863	319,200	1,677,626	1,249,362	4,095,776	25,360,885
<u>\$ 1,589,700</u>	<u>\$ 1,620,273</u>	<u>\$ 578,317</u>	<u>\$ 2,090,289</u>	<u>\$ 1,942,711</u>	<u>\$ 5,453,083</u>	<u>\$ 30,772,343</u>

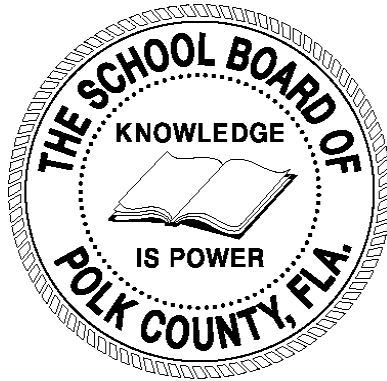


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Statistical Section

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District Statistics

This part of the School District of Polk County, Florida's comprehensive annual financial report presents detail information as a context for understanding what the information in the financial statements, notes disclosures and required supplementary information says about the District's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the District's most significant local revenues sources, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.

Operating Information

These schedules contain service data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.

SCHOOL DISTRICT OF POLK COUNTY
NET ASSETS BY COMPONENT - GOVERNMENT-WIDE
LAST TEN FISCAL YEARS
(accrual basis of accounting)
(amounts in thousands)

	2011	2010	2009	2008	Fiscal 2007
Government activities:					
Invested in capital assets, net of related debt	\$ 781,310	\$ 741,501	\$ 589,452	\$ 484,019	\$ 517,184
Restricted	116,197	136,135	271,820	342,777	106,704
Unrestricted	31,676	23,514	17,242	32,202	68,715
Total governmental activities net assets	<u>\$ 929,183</u>	<u>\$ 901,150</u>	<u>\$ 878,514</u>	<u>\$ 858,998</u>	<u>\$ 692,603</u>

Note: The District has no business-type activities.

Source: District Records

Year				
2006	2005	2004	2003	2002
\$ 413,427	\$ 333,000	\$ 310,296	\$ 303,037	\$ 288,649
103,186	44,745	56,918	61,194	56,406
31,385	91,652	4,956	(15,487)	(10,086)
<u>\$ 547,998</u>	<u>\$ 469,397</u>	<u>\$ 372,170</u>	<u>\$ 348,744</u>	<u>\$ 334,969</u>

SCHOOL DISTRICT OF POLK COUNTY
CHANGES IN NET ASSETS - GOVERNMENT WIDE
LAST TEN FISCAL YEARS
(accrual basis of accounting)
(amounts in thousands)

	2011	2010	2009
EXPENSES			
Instructional services	\$ 538,107	\$ 523,680	\$ 517,548
Instructional support services	91,279	85,524	75,282
Pupil transportation services	36,143	34,430	34,329
Operation and maintenance of plant	73,481	76,631	75,762
Non capitalizable facilities acquisition and construction	5,276	7,218	4,413
School administration	43,096	42,785	42,743
General administration	34,456	36,651	36,250
Food services	45,588	45,300	43,818
Community services and other	3,327	3,045	1,511
Interest on long term debt	19,776	22,488	27,460
Unallocated depreciation/amortization expense	189	533	1,284
Total primary government expenses	<u>\$ 890,718</u>	<u>\$ 878,285</u>	<u>\$ 860,400</u>
PROGRAM REVENUES			
Charges for services:			
Adult course and childcare fees	\$ 1,888	\$ 1,908	\$ 1,376
Transportation	505	463	482
Food Services	8,649	9,599	10,488
Operating grants and contributions	35,862	33,547	53,178
Capital grants and contributions	11,212	12,107	29,196
Total primary government program revenues	<u>58,116</u>	<u>57,624</u>	<u>94,720</u>
Total primary government net (expenses) revenues	<u>(832,602)</u>	<u>(820,661)</u>	<u>(765,680)</u>
GENERAL REVENUES			
Property taxes			
Levied for general purposes	\$ 173,763	\$ 195,839	\$ 210,238
Levied for debt services	-	-	-
Levied for capital projects	41,306	48,373	62,631
Sales taxes	30,459	29,510	31,071
Unrestricted grants and contributions	600,709	551,962	476,204
Investment earnings	2,904	4,207	2,590
Miscellaneous	11,494	13,406	8,305
Total primary government general revenues	<u>\$ 860,635</u>	<u>\$ 843,297</u>	<u>\$ 791,039</u>
CHANGE IN NET ASSETS			
Total primary government	<u>\$ 28,033</u>	<u>\$ 22,636</u>	<u>\$ 25,359</u>

Note: The District has no business-type activities.

Source: District Records

Fiscal Year

	2008	2007	2006	2005	2004	2003	2002
\$	526,183	\$ 485,034	\$ 423,950	\$ 381,656	\$ 334,407	\$ 319,726	\$ 294,915
	77,000	72,944	66,077	56,843	52,765	48,897	44,229
	34,030	31,224	28,520	26,234	18,479	22,146	22,058
	79,806	74,787	68,968	67,899	60,696	54,125	46,766
	9,403	7,454	19,363	4,774	12,388	255	19,491
	43,573	40,007	36,739	34,466	32,817	32,998	29,111
	33,970	32,143	29,581	27,962	34,379	23,915	21,994
	41,184	36,892	34,468	33,912	35,178	32,318	30,949
	961	850	895	857	969	939	832
	20,128	18,245	14,262	14,100	15,495	11,980	12,691
	329	389	418	910	196	2,417	149
\$	<u>866,567</u>	<u>\$ 799,969</u>	<u>\$ 723,241</u>	<u>\$ 649,613</u>	<u>\$ 597,769</u>	<u>\$ 549,716</u>	<u>\$ 523,185</u>
\$	1,173	\$ 1,420	\$ 5,059	\$ 1,430	\$ 1,315	\$ 1,416	\$ 1,212
	490	450	403	379	370	314	340
	10,656	10,862	11,734	10,028	10,764	10,595	10,433
	52,533	50,178	98,151	125,431	41,070	40,279	37,636
	36,580	24,422	12,538	47,540	3,958	13,854	13,420
	<u>101,432</u>	<u>87,332</u>	<u>127,885</u>	<u>184,808</u>	<u>57,477</u>	<u>66,458</u>	<u>63,041</u>
	<u>(765,135)</u>	<u>(712,637)</u>	<u>(595,356)</u>	<u>(464,805)</u>	<u>(540,292)</u>	<u>(483,258)</u>	<u>(460,144)</u>
\$	189,956	\$ 169,885	\$ 140,449	\$ 124,808	\$ 117,551	\$ 115,089	\$ 109,445
	-	-	-	-	-	-	-
	68,866	58,864	46,146	40,196	37,177	34,971	32,509
	33,370	36,393	36,773	34,413	15,258	-	-
	608,245	546,668	398,310	325,239	370,631	340,206	315,966
	13,922	18,073	13,804	6,035	2,132	1,600	3,599
	17,171	27,359	41,954	31,341	20,969	5,167	3,538
\$	<u>931,530</u>	<u>\$ 857,242</u>	<u>\$ 677,436</u>	<u>\$ 562,032</u>	<u>\$ 563,718</u>	<u>\$ 497,033</u>	<u>\$ 465,057</u>
\$	<u>166,395</u>	<u>\$ 144,605</u>	<u>\$ 82,080</u>	<u>\$ 97,227</u>	<u>\$ 23,426</u>	<u>\$ 13,775</u>	<u>\$ 4,913</u>

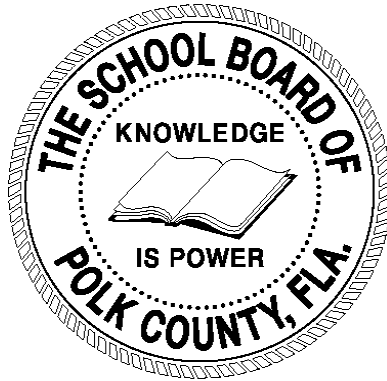
SCHOOL DISTRICT OF POLK COUNTY
PLEDGED-REVENUE COVERAGE
LAST TEN FISCAL YEARS
 (accrual basis of accounting)
 (amounts in thousands)

Fiscal Year Ending June 30,	State Board of Education Bonds				Coverage
	Motor Vehicle	Debt Service			
	License Tax	Principal	Interest		
2011	\$ 3,315	\$ 1,965	\$ 937	87.5%	
2010	3,315	1,880	930	84.8%	
2009	3,337	1,690	942	78.9%	
2008	3,345	1,650	1,020	79.8%	
2007	3,275	1,620	1,075	82.3%	
2006	3,199	1,540	515	64.2%	
2005	3,108	1,420	1,193	84.1%	
2004	2,973	1,345	1,243	87.1%	
2003	2,900	1,260	1,302	88.3%	
2002	2,892	1,190	1,340	87.5%	

Source: District Records

Sales Tax Revenue Bonds

Sales Tax		Debt Service		Coverage
		Principal	Interest	
\$	30,459	\$ 17,765	\$ 8,728	87.0%
	29,510	17,115	9,380	89.8%
	31,071	16,535	9,959	85.3%
	33,370	8,480	6,919	46.1%
	36,393	8,245	5,417	37.5%
	36,773	9,185	4,472	37.1%
	34,413	3,145	1,809	14.4%
	15,258	-	-	0.0%
	-	-	-	-
	-	-	-	-



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SCHOOL DISTRICT OF POLK COUNTY
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
 (accrual basis of accounting)
 (amounts in thousands)

Fiscal Year Ending June 30,	Property Tax		Sales Tax	Total
	General Purposes	Capital Projects		
2011	\$ 173,763	\$ 41,306	\$ 30,459	\$ 245,528
2010	195,839	48,373	29,510	273,722
2009	210,238	62,631	31,071	303,940
2008	189,956	68,866	33,370	292,192
2007	169,885	58,864	36,393	265,142
2006	140,449	46,146	36,773	223,368
2005	124,808	40,196	34,413	199,417
2004	117,551	37,177	15,258	169,986
2003	115,089	34,971	-	150,060
2002	109,445	32,509	-	141,954

Source: District Records

SCHOOL DISTRICT OF POLK COUNTY
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
(amounts in thousands)

	Fiscal				
	2011	2010	2009	2008	2007
General Fund					
Nonspendable	\$ 7,664	\$ -	\$ -	\$ -	\$ -
Restricted	8,237	-	-	-	-
Assigned	10,449	-	-	-	-
Unassigned	53,049	-	-	-	-
Reserved	-	11,857	15,991	16,122	24,415
Unreserved	-	56,961	46,071	41,620	37,696
Total general fund	<u>\$ 79,399</u>	<u>\$ 68,818</u>	<u>\$ 62,062</u>	<u>\$ 57,742</u>	<u>\$ 62,111</u>
All Other Governmental Funds					
Nonspendable, reported in:					
Special revenue funds	\$ 1,332	\$ -	\$ -	\$ -	\$ -
Restricted, reported in:					
Special revenue funds	8,063	-	-	-	-
Capital projects funds	170,725	-	-	-	-
Debt service funds	4,520	-	-	-	-
Reserved	-	84,283	33,136	69,551	80,711
Unreserved, reported in:					
Special revenue funds	-	7,279	5,996	5,696	5,040
Capital projects funds	-	156,370	226,743	262,524	92,970
Total all other governmental funds	<u>\$ 184,640</u>	<u>\$ 247,932</u>	<u>\$ 265,875</u>	<u>\$ 337,771</u>	<u>\$ 178,721</u>

Note: GASB Statement 54 Fund Balance Reporting and Governmental Fund Type Definitions was implemented for fiscal year 2011.

Source: District Records

Year				
2006	2005	2004	2003	2002
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
20,111	15,733	17,927	19,701	16,831
27,129	31,609	28,918	17,930	13,673
<u>\$ 47,240</u>	<u>\$ 47,342</u>	<u>\$ 46,845</u>	<u>\$ 37,631</u>	<u>\$ 30,504</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
82,457	40,931	46,770	16,523	11,329
2,879	247	(1,236)	157	1,942
117,261	123,149	107,659	33,766	47,833
<u>\$ 202,597</u>	<u>\$ 164,327</u>	<u>\$ 153,193</u>	<u>\$ 50,446</u>	<u>\$ 61,104</u>

SCHOOL DISTRICT OF POLK COUNTY
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN YEARS
(modified accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal				
	2011	2010	2009	2008	2007
REVENUES					
Local sources:					
Ad valorem taxes	\$ 215,069	\$ 244,212	\$ 272,869	\$ 258,822	\$ 228,748
Local sales tax	30,459	29,510	31,070	33,370	36,393
Impact Fees	2,738	4,284	6,437	10,308	21,140
Food services	8,649	9,600	10,488	10,657	10,861
Interest income	1,796	2,998	5,986	11,434	13,475
Other	12,357	11,605	6,455	7,727	10,841
Total local sources	<u>271,068</u>	<u>302,209</u>	<u>333,305</u>	<u>332,318</u>	<u>321,458</u>
State sources:					
Florida education finance program	324,017	414,238	277,874	322,935	327,391
Public education capital outlay	7,855	8,750	19,385	33,133	21,046
Food services	734	736	733	692	726
Grants and other	127,709	13,591	156,113	255,051	187,445
Total state sources	<u>460,315</u>	<u>437,315</u>	<u>454,105</u>	<u>611,811</u>	<u>536,608</u>
Federal sources:					
Food services	35,128	32,819	30,222	27,980	26,254
Federal grants direct	15,014	10,370	8,194	1,411	1,221
Federal grants through state	136,834	116,671	59,096	55,614	56,894
Total federal sources	<u>186,976</u>	<u>159,860</u>	<u>97,512</u>	<u>85,005</u>	<u>84,369</u>
Total revenues	<u>918,359</u>	<u>899,384</u>	<u>884,922</u>	<u>1,029,134</u>	<u>942,435</u>
EXPENDITURES					
Current:					
Instructional services:	508,593	494,238	488,565	499,244	463,201
Instructional support services:					
Pupil personnel services	34,874	33,814	30,713	30,133	28,490
Instructional media services	11,347	11,731	11,126	11,943	11,223
Instruction and curriculum development services	16,351	14,634	12,501	13,893	18,223
Instructional staff training services	18,582	14,424	12,765	13,754	8,734
Instructional related technology	5,202	6,157	4,054	3,871	3,831
Total instructional support services	<u>86,356</u>	<u>80,760</u>	<u>71,159</u>	<u>73,594</u>	<u>70,501</u>
Pupil transportation services	<u>34,683</u>	<u>33,736</u>	<u>32,509</u>	<u>33,041</u>	<u>30,226</u>
Operation and maintenance of plant:					
Operation of plant	48,873	49,965	47,770	50,201	47,462
Maintenance of plant	20,844	22,604	24,323	27,086	24,955
Total operation and maintenance of plant	<u>69,717</u>	<u>72,569</u>	<u>72,093</u>	<u>77,287</u>	<u>72,417</u>
School administration	<u>40,648</u>	<u>40,253</u>	<u>40,310</u>	<u>41,645</u>	<u>38,626</u>
General administration:					
Central services	15,771	12,209	14,482	14,647	13,493
Board of education	2,398	2,469	2,450	2,087	2,222
General administration	6,689	7,140	5,119	6,134	4,526
Fiscal services	3,267	2,945	2,714	2,865	2,630
Administrative technology services	4,833	4,778	4,931	4,798	4,629
Total general administration	<u>32,958</u>	<u>29,541</u>	<u>29,696</u>	<u>30,531</u>	<u>27,500</u>

Year		2005		2004		2003		2002	
2006		2005		2004		2003		2002	
\$	186,595	\$	165,004	\$	154,727	\$	150,061	\$	141,954
	36,773		34,413		15,258		-		-
	29,788		13,110		6,609		-		-
	11,734		10,027		10,760		10,595		10,431
	11,867		4,387		1,834		1,354		3,256
	18,691		7,810		13,043		11,356		5,094
	<u>295,448</u>		<u>234,751</u>		<u>202,231</u>		<u>173,366</u>		<u>160,735</u>
	298,629		277,639		265,401		253,071		231,065
	9,277		17,604		950		9,260		10,449
	718		844		733		754		738
	<u>113,249</u>		<u>114,148</u>		<u>73,029</u>		<u>57,658</u>		<u>63,650</u>
	<u>421,873</u>		<u>410,235</u>		<u>340,113</u>		<u>320,743</u>		<u>305,902</u>
	24,358		33,222		21,379		20,295		24,255
	1,195		1,114		1,250		1,626		948
	<u>58,501</u>		<u>53,657</u>		<u>51,845</u>		<u>47,141</u>		<u>35,917</u>
	<u>84,054</u>		<u>87,993</u>		<u>74,474</u>		<u>69,062</u>		<u>61,120</u>
	<u>801,375</u>		<u>732,979</u>		<u>616,818</u>		<u>563,171</u>		<u>527,757</u>
	413,748		370,168		329,194		303,267		285,819
	24,858		22,762		22,053		22,531		20,737
	10,679		9,777		9,918		10,004		8,967
	17,649		15,547		13,814		11,028		10,733
	8,143		7,064		6,186		3,587		3,477
	<u>3,244</u>		<u>-</u>		<u>-</u>		<u>-</u>		<u>-</u>
	<u>64,573</u>		<u>55,150</u>		<u>51,971</u>		<u>47,150</u>		<u>43,914</u>
	<u>28,108</u>		<u>25,436</u>		<u>22,604</u>		<u>20,870</u>		<u>18,944</u>
	41,008		36,700		35,431		33,513		32,098
	<u>26,172</u>		<u>28,924</u>		<u>19,183</u>		<u>17,570</u>		<u>14,584</u>
	<u>67,180</u>		<u>65,624</u>		<u>54,614</u>		<u>51,083</u>		<u>46,682</u>
	<u>35,885</u>		<u>33,470</u>		<u>32,127</u>		<u>31,114</u>		<u>29,053</u>
	11,504		14,681		14,750		14,143		12,377
	2,169		1,616		1,536		1,614		1,311
	5,840		5,520		4,827		5,271		4,837
	2,504		2,172		2,096		1,966		1,860
	<u>4,099</u>		<u>-</u>		<u>-</u>		<u>-</u>		<u>-</u>
	<u>26,116</u>		<u>23,989</u>		<u>23,209</u>		<u>22,994</u>		<u>20,385</u>

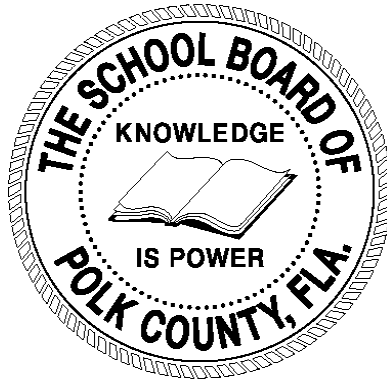
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SCHOOL DISTRICT OF POLK COUNTY
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN YEARS
(modified accrual basis of accounting)
(amounts expressed in thousands)

	2011	2010	2009	2008	Fiscal 2007
Non-capitalizable facilities acquisition and construction	8,183	7,505	9,019	7,091	5,329
Food services	43,121	42,764	41,357	39,504	35,701
Community services and other	3,147	2,609	1,441	924	821
Debt Service:					
Principal retirement	28,749	27,340	26,232	17,739	17,750
Interest and fiscal charges	20,953	24,916	28,101	20,166	17,483
Capital outlay					
Facilities acquisitions & construction	92,108	66,320	93,864	145,912	166,793
Other capital outlay	18,089	16,736	19,554	4,048	5,574
Total expenditures	987,305	939,287	953,900	990,726	951,922
Excess (deficiency) of revenues over (under) expenditures	(68,946)	(39,903)	(68,978)	38,408	(9,487)
OTHER FINANCING SOURCES (USES):					
Long term bonds issued	21,223	24,763	-	109,445	-
Premium on sale of bonds	55	177	-	5,757	-
Discount on sale of bonds	-	(71)	-	-	-
Refunding bonds issued	44,485	141,550	36,690	-	-
Premium on sale of refunding bonds	-	-	114	-	-
Certificates of participation issued	-	-	-	-	-
Premium on sale of certificates of participation	-	-	-	-	-
Discount on sale of certificates of participation	-	-	-	-	-
Loans incurred	-	-	8,500	-	-
Refunded loan payments	-	-	(8,328)	-	-
Proceeds from sale of capital assets	-	-	-	-	-
Refunding certificates of participation	-	-	-	-	-
Payments to refunded bond escrow agent	(43,636)	(139,130)	(36,388)	-	-
Proceeds from capital leases	-	-	-	-	-
Sale of capital assets	-	-	-	-	444
Insurance loss recoveries	11	13	18	271	37
Transfers in	77,136	80,792	82,677	62,729	58,123
Transfers out	(75,514)	(79,378)	(81,881)	(61,929)	(58,123)
Total other financing sources and uses	23,760	28,716	1,402	116,273	481
Net change in fund balances	\$ (45,186)	\$ (11,187)	\$ (67,576)	\$ 154,681	\$ (9,006)
Debt service as a percentage of non-capital expenditures	5.67%	6.10%	6.46%	4.51%	4.52%

Source: District Records

Year					
2006	2005	2004	2003	2002	
9,188	4,533	3,798	4,878	3,645	
33,998	33,030	34,959	32,599	31,470	
861	825	969	939	832	
17,686	12,553	12,951	9,325	8,051	
18,381	13,620	14,719	11,695	12,691	
138,534	86,375	32,094	23,011	63,084	
6,540	5,781	4,382	8,583	5,576	
860,798	730,554	617,591	567,508	570,146	
(59,423)	2,425	(773)	(4,337)	(42,389)	
93,280	1,645	109,084	-	4,725	
4,203	-	1,796	-	-	
(5)	-	-	-	-	
2,595	-	19,700	30,270	-	
-	-	-	-	-	
-	-	-	-	-	
-	-	-	-	-	
-	-	-	-	-	
-	-	-	-	-	
-	-	-	-	-	
(2,838)	-	(19,337)	(29,934)	-	
-	-	-	-	-	
226	271	1,342	415	42	
132	7,290	148	55	11	
57,849	44,856	42,615	29,537	29,907	
(57,849)	(44,856)	(42,615)	(29,537)	(29,907)	
97,593	9,206	112,733	806	4,778	
\$ 38,170	\$ 11,631	\$ 111,960	\$ (3,531)	\$ (37,611)	
5.04%	4.10%	4.76%	3.92%	4.14%	



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SCHOOL DISTRICT OF POLK COUNTY
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
(amounts in thousands)

Fiscal Year Ending June 30,	Property Tax			Sales Tax	Total
	General Purposes	Debt Service	Capital Projects		
2011	\$ 173,763	\$ -	\$ 41,306	\$ 30,459	\$ 245,528
2010	195,839	-	48,373	29,510	273,722
2009	210,238	-	62,631	31,071	303,940
2008	189,956	-	68,866	33,370	292,192
2007	169,885	-	58,864	36,393	265,142
2006	140,449	-	46,146	36,773	223,368
2005	124,808	-	40,196	34,413	199,417
2004	117,551	-	37,177	15,258	169,986
2003	115,089	-	34,971	-	150,060
2002	109,445	-	32,509	-	141,954

Source: District Records

**SCHOOL DISTRICT OF POLK COUNTY
 ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS
 (amounts in thousands)**

Fiscal Year Ended June 30,	Net Taxable Value for the School District						
	Residential Property	Commercial Property	Industrial Property	Agricultural Property	Other (1) Property	Tangible Property	Less: Exemptions
2010	\$ 21,309,497	\$ 4,053,497	\$ 1,603,475	\$ 2,015,876	\$ 3,117,828	\$ 5,739,919	\$ 9,322,236
2009	26,723,862	4,739,161	1,923,016	2,455,444	3,309,839	5,753,893	11,949,037
2008	32,643,481	4,895,855	2,076,460	2,684,281	3,390,127	5,994,089	14,857,836
2007	32,964,168	4,632,919	1,911,166	2,596,122	3,410,106	5,910,289	15,612,607
2006	26,839,524	3,978,139	1,452,539	2,028,686	3,643,665	6,259,478	13,961,128
2005	19,178,178	3,074,254	1,253,569	1,515,646	2,979,732	5,972,575	10,209,541
2004	15,666,996	2,796,970	1,138,782	1,404,082	2,209,431	5,557,191	8,149,170
2003	13,879,280	2,654,781	994,214	1,313,229	2,394,148	5,399,277	7,658,326
2002	12,673,040	2,594,117	968,649	1,305,120	2,754,084	5,096,236	7,477,869
2001	11,186,776	2,377,996	870,073	1,291,814	2,697,704	5,141,856	6,763,549

(1) Category includes institutional, government, non-ag, and miscellaneous.

Note: Net Taxable Values are net Assessed Values after deducting allowable statutory exemptions.
 Tax revenues for 2011 fiscal year are based on 2010 net taxable values.

Source: Polk County Property Appraiser

	<u>Total</u>	<u>Total Direct Tax Rate</u>	<u>Net Assessed Value</u>	<u>Net Taxable Value as a Percentage of of Net Assessed Value</u>
\$	28,429,603	7.7920	\$ 37,751,839	75.31%
	32,956,178	7.5860	44,905,215	73.39%
	36,826,457	7.6340	51,684,293	71.25%
	35,812,163	7.5120	51,424,769	69.64%
	30,240,903	7.7700	44,202,031	68.42%
	23,764,413	8.0780	33,973,955	69.95%
	20,624,282	8.2060	28,773,451	71.68%
	18,976,603	8.3170	26,634,929	71.25%
	17,913,377	8.5780	25,391,246	70.55%
	16,802,670	8.7720	23,566,220	71.30%

**SCHOOL DISTRICT OF POLK COUNTY
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
RATES PER \$1,000 ASSESSED VALUATION**

	Fiscal Year						
	2011	2010	2009	2008	2007	2006	2005
District School Board:							
Local Required Effort	5.2940	5.0880	5.1360	4.7520	5.0100	5.3180	5.4770
Discretionary Local	0.7480	0.7480	0.4980	0.5100	0.5100	0.5100	0.5100
Supplemental Discretionary	0.2500	0.2500	0.2500	0.2500	0.2500	0.2500	0.2190
Debt Service	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Capital Improvement	1.5000	1.5000	1.7500	2.0000	2.0000	2.0000	2.0000
Total District School Board	7.7920	7.5860	7.6340	7.5120	7.7700	8.0780	8.2060
Other County-Wide:							
Board of County Commissioners	6.8065	6.8665	6.8665	6.8665	8.3330	8.7270	7.7270
Total County-Wide	14.5985	14.4525	14.5005	14.3785	16.1030	16.8050	15.9330
Non-County Wide:							
Board of County Commissioners							
Public Library Service (1)	0.2109	0.2109	0.2109	0.2109	0.2500	0.2500	0.0000
Parks & Recreation (unincorporated)	0.4219	0.4219	0.4219	0.4219	0.5000	0.5000	0.0000
Municipalities:							
Auburndale	3.8393	3.8393	3.3317	3.3317	4.4100	4.5160	4.5160
Bartow	3.9962	3.9962	3.9962	3.1161	4.5000	4.5000	4.5000
Davenport	6.0000	5.9792	4.5695	4.6911	6.5000	6.5000	6.5000
Eagle Lake	7.6516	7.6516	7.4225	6.7614	8.5000	8.5000	8.5000
Fort Meade	3.3509	3.3509	3.0435	2.7959	3.5000	3.5000	1.0000
Frostproof	7.8209	7.8209	7.8209	7.1395	8.5000	7.0000	7.0000
Haines City	6.9900	6.9900	6.9900	6.8185	6.8900	6.9900	6.9900
Lake Alfred	6.5800	6.5800	6.5800	6.5800	7.0580	7.0580	7.0580
Lake Wales	7.3277	7.3277	7.3277	7.3521	8.4400	8.9400	9.4400
Lakeland	4.1644	3.6538	3.4031	3.2296	3.5450	3.5450	3.5450
Mulberry	8.9000	8.0500	8.0573	7.8358	8.5000	8.5000	8.5000
Polk City	8.6547	7.8000	6.7425	6.6707	6.7425	6.7425	6.7425
Winter Haven	5.7900	5.7900	5.7900	5.8644	6.9000	6.9500	6.9900

Note: In addition to the non-voted operating levies, the School District may, based on State statutory law, levy additional millage for school operational purposes, which is subject to the approval by a majority of voters. The total combined operating levies (non-voted and voted) cannot exceed 10.000 mills.

Source: Polk County Tax Collector

2004	2003	2002
5.5780	5.8300	5.9620
0.5100	0.5100	0.5100
0.2290	0.2380	0.2500
0.0000	0.0000	0.0000
2.0000	2.0000	2.0000
8.3170	8.5780	8.7220
7.7270	7.7270	7.7270
16.0440	16.3050	16.4490
0.0000	0.0000	0.0000
0.0000	0.0000	0.0000
4.5160	4.5160	4.5160
3.5000	3.5000	3.0000
6.5000	6.0000	6.0000
7.0000	7.0000	7.0000
1.0000	1.0000	1.0000
7.0000	7.0000	7.0000
6.9990	6.9900	6.9900
7.0580	7.0580	7.0580
9.4400	8.9400	8.1900
3.5450	2.9950	2.9950
8.5000	8.5000	8.5000
6.6880	5.5000	5.5000
6.9990	6.7500	6.7500

SCHOOL DISTRICT OF POLK COUNTY
 PRINCIPAL PROPERTY TAX PAYERS
 CURRENT AND NINE YEARS AGO
 (amounts in thousands)

Taxpayer	Fiscal Year					
	2011			2002		
	Rank	Taxable Value	Percentage of Total Assessed Value	Rank	Taxable Value	Percentage of Total Assessed Value
Progress Energy	1	\$ 1,018,695	2.88%		\$ -	
Tampa Electric	2	477,880	1.35%	1	361,134	2.02%
Mosaic	3	446,871	1.27%			
Publix Super Markets	4	270,725	0.77%	6	219,419	1.22%
Verizon Florida	5	238,625	0.68%	2	309,788	1.73%
Coca-Cola	6	182,294	0.52%			
Calpine Construction Finance	7	166,233	0.47%			
Gulfstream Natural Gas	8	163,937	0.46%			
Walmart	9	109,367	0.31%			
Brighthouse	10	99,203	0.28%			
I M C Agrico Co.				4	293,056	1.64%
Cargill				3	301,195	1.68%
Florida Power Corporation				5	284,640	1.59%
Tiger Bay Cogeneration				7	100,719	0.56%
U S Agri Chemicals Corp.				9	80,791	0.45%
Auburndale Power Partners				10	76,096	0.42%
Citrosuco North America, Inc.				8	82,660	0.46%
Total		\$ 3,173,830	8.99%		\$ 2,026,838	3.03%

Source: Polk County Property Appraiser

**SCHOOL DISTRICT OF POLK COUNTY
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

Fiscal Year	Total Tax Levy	Collected to End of Tax Year			Collected in Fiscal Year		
		Current Tax Collections (1)	Percent of Levy	Delinquent Collections (1)	Total Collections (1)	Percent of Levy	
2011	\$ 221,523,468	\$ 213,602,226	96.42%	\$ 1,466,588	\$ 215,068,814	97.09%	
2010	250,005,565	241,633,684	96.65%	N/A	241,633,684	96.65%	
2009	281,133,172	270,582,754	96.25%	802,528	271,385,282	96.53%	
2008	269,020,967	258,055,353	95.92%	1,981,735	260,037,088	96.66%	
2007	234,971,814	228,250,919	97.14%	2,294,021	230,544,940	98.12%	
2006	191,968,936	186,270,185	97.03%	1,540,273	187,810,458	97.83%	
2005	169,242,854	163,699,316	96.72%	1,021,501	164,720,817	97.33%	
2004	157,828,404	152,295,364	96.49%	1,261,082	153,556,445	97.29%	
2003	153,660,946	147,571,134	96.04%	1,873,726	149,444,860	97.26%	
2002	147,393,025	140,074,178	95.03%	2,468,173	142,542,351	96.71%	

Note: Property Taxes become due and payable on November 1st of each year. A four percent (4%) discount is allowed if taxes are paid in November, with the discounts declining by one percent (1%) each month thereafter. Accordingly, taxes collected will never be 100% of the tax levy. Taxes become delinquent on April 1st of each year and tax certificates for the full amount of any unpaid taxes and assessments must be sold not later than June 1st of each year. Accordingly, the majority of taxes are collected in the fiscal year levied.

(1) Net of allowable discounts

Source: Polk County Tax Collector and District Records

**SCHOOL DISTRICT OF POLK COUNTY
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

(amounts in thousands, except per capita)

Fiscal Year	Governmental Activities (A)						Total Primary Government	Percentage of Personal Income (B)	Per Capita (B)
	Sales Tax Revenue Bonds	State Board of Education Bonds	Capital Leases	Certificates Of Participation	Notes Payable				
2011	\$ 175,460	\$ 17,930	-	\$ 247,862	\$ 5,413	446,665	N/A	\$ N/A	
2010	193,225	19,935	-	231,521	6,522	451,203	N/A	779	
2009	216,875	18,214	-	215,480	7,563	458,132	2.42%	782	
2008	234,063	19,982	-	221,961	8,328	484,334	2.70%	834	
2007	129,297	21,712	-	228,526	9,148	388,683	2.25%	688	
2006	139,609	23,484	-	236,934	9,903	409,930	2.62%	757	
2005	51,095	24,125	-	244,520	10,524	330,264	2.36%	625	
2004	54,240	23,945	-	250,630	12,402	341,217	2.62%	667	
2003	-	24,795	-	201,135	17,404	243,334	1.95%	484	
2002	-	26,065	90	205,051	20,016	251,222	2.06%	506	

(A) The primary government does not have any business type activities.

(B) Total Primary Government Debt divided by Personal Income and Population from the Demographics and Economics schedule.

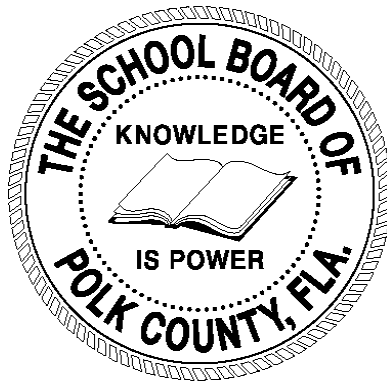
Source District Records

**SCHOOL DISTRICT OF POLK COUNTY
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
JUNE 30, 2011**

<u>Jurisdiction</u>	<u>General Obligation Bonded Debt Outstanding</u>	<u>Direct Debt</u>		<u>Direct and Overlapping Debt</u>	
		<u>Percentage Applicable to This Governmental Unit</u>	<u>Amount Applicable to This Governmental Unit</u>	<u>Percentage Applicable to Polk County</u>	<u>Amount Applicable to Polk County</u>
Polk County Board of County Commissioners	\$ 215,244,524	100%	\$ 215,244,524	100%	\$ 215,244,524
School District of Polk County	-	100%	-	100%	-
Totals	<u>\$ 215,244,524</u>		<u>\$ 215,244,524</u>		<u>\$ 215,244,524</u>

Notes: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the district. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the district. This process recognizes that, when considering the district's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

Source: District Records
Polk County Clerk of the Circuit Court



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**SCHOOL DISTRICT OF POLK COUNTY
 ANTICIPATED CAPITAL OUTLAY MILLAGE LEVY
 REQUIRED TO COVER CERTIFICATES OF PARTICIPATION PAYMENTS
 LAST TEN FISCAL YEARS**

Fiscal Year	Taxable Assessed Value (A)	Annual Lease Payment	Millage Levy to Provide 1.00x Coverage (B)
2011	\$ 27,545,340	\$ 17,718,778	0.6433
2010	28,249,603	18,486,759	0.6544
2009	32,956,178	18,172,213	0.5514
2008	36,826,457	16,971,019	0.4608
2007	35,812,163	17,025,912	0.4754
2006	30,240,903	17,176,586	0.5680
2005	23,764,413	16,248,727	0.6837
2004	20,624,282	16,929,692	0.8209
2003	18,976,603	14,463,040	0.7622
2002	17,913,377	14,700,094	0.8206

(A) Assessed Value is in Thousands.

(B) Millage rate calculated using 95% of the taxable assessed valuation.

Note: Capital lease arrangements financed by Certificates of Participation are not considered general obligation debt as no specific property tax levy has been pledged.

Source: District Records

**SCHOOL DISTRICT OF POLK COUNTY
 CALCULATION OF LEGAL DEBT MARGIN
 LAST TEN FISCAL YEARS
 (amounts in thousands)**

	Fiscal Year					
	2011	2010	2009	2008	2007	2006
Debt Limit - 10% of Assessed Value	\$ 31,089	\$ 36,110	\$ 46,954	\$ 51,963	\$ 44,218	\$ 34,802
Total Debt Applicable to the Debt Limit	16,922	4,975	18,001	17,545	17,571	17,542
Legal Debt Margin	\$ 14,167	\$ 31,135	\$ 28,953	\$ 34,418	\$ 26,647	\$ 17,260
Total Debt Applicable to the Debt Limit as a Percentage of Debt Limit	54.43%	13.78%	38.34%	33.76%	39.74%	50.41%

Note: Pursuant to State statutes, up to three-fourths of the proceeds from the local capital improvements millage levied can be used to fund principal and interest payments for educational facilities and sites due under a lease-purchase agreement, such as certificates of participation; for fiscal year ended 2010, pursuant to State Statutes, the three-fourths limit is waived for lease-purchase agreements entered into before June 30, 2009.

Source: District Records

<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ 30,154	\$ 27,882	\$ 26,235	\$ 24,457
17,352	16,604	15,534	14,402
\$ 12,802	\$ 11,278	\$ 10,701	\$ 10,055
57.54%	59.55%	59.21%	58.89%

**SCHOOL DISTRICT OF POLK COUNTY
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 LAST TEN YEARS**

Fiscal Year	Population (A)	Personal Income (1) (B)	Per Capita Personal Income	Unemployment Rate (C)
2010	602,095	\$ N/A	\$ N/A	12.5%
2009	584,343	18,865,160	32,284	11.4%
2008	585,733	18,900,995	32,269	6.7%
2007	581,058	17,950,730	30,893	4.5%
2006	565,049	17,308,624	30,632	3.5%
2005	541,840	15,659,093	28,900	4.0%
2004	528,389	13,997,280	26,490	4.9%
2003	511,929	13,030,851	25,454	5.6%
2002	502,385	12,462,296	24,806	5.8%
2001	496,112	12,211,632	24,615	5.0%

(1) Personal Income in thousands.

Sources:

- (A) University of Florida's Bureau of Economic and Business Research for 2001 - 2006; Central Florida Development Council for 2007 - 2008 based on University of Florida's Bureau of Economic and Business Research; U.S. Census Bureau for 2009-2010.
- (B) University of Florida's Bureau of Economic and Business Research for 2001 - 2004; U.S. Department of Commerce, Bureau of Economic Analysis for 2005 - 2009.
- (C) Florida Agency for Workforce Innovation per Central Florida Development Council

Note: 2011 data was not available at time of print.

**PRINCIPAL EMPLOYERS
POLK COUNTY EMPLOYMENT
CURRENT YEAR AND NINE YEARS AGO**

Employer	Calendar Year					
	2010			2001		
	Employees	Rank	Percentage of County Employment	Employees	Rank	Percentage of County Employment
Polk County School Board	13,670	1	4.96%	10,394	1	4.40%
Publix Super Markets	9,500	2	3.45%	8,300	2	3.51%
Wal-Mart	5,100	3	1.85%	3,500	4	1.48%
Polk County Government	4,700	4	1.71%	3,500	4	1.48%
Lakeland Regional Medical Center	4,600	5	1.67%	3,317	6	1.40%
State of Florida	4,300	6	1.56%	4,500	3	1.91%
Winter Haven Hospital	2,500	7	0.91%	2,500	7	1.06%
City of Lakeland	2,500	8	0.91%	2,450	8	1.04%
GEICO Insurance	2,000	9	0.73%	-	-	-
State Farm Insurance	2,000	9	0.73%	2,200	9	0.93%
IMC Agrico	-	-	-	2,100	10	0.89%
	<u>50,870</u>		<u>18.47%</u>	<u>42,761</u>		<u>18.11%</u>

Note: 2011 data was not available at time of publishing.

Sources: Florida Agency for Workforce Innovation
Central Florida Development Council

**SCHOOL DISTRICT OF POLK COUNTY
SCHOOL BUILDING INFORMATION & FULL-TIME EQUIVALENT ENROLLMENT DATA
LAST TEN FISCAL YEARS**

	Fiscal				
	2011	2010	2009	2008	2007
<u>Schools</u>					
Elementary					
Locations	67	67	66	66	62
Square feet	6,311,927	6,307,785	6,248,097	6,127,789	5,457,527
Capacity	51,853	53,259	51,863	50,765	45,305
Enrollment	40,337	40,159	39,531	39,909	39,610
Middle					
Locations	19	19	19	19	19
Square feet	2,639,634	2,581,660	2,499,317	2,502,485	2,460,937
Capacity	21,071	20,510	20,107	23,459	22,900
Enrollment	15,338	15,113	15,276	15,542	15,851
Senior High					
Locations	16	16	16	15	15
Square feet	4,394,670	4,319,245	4,110,653	3,536,315	3,440,230
Capacity	34,863	32,088	28,009	28,505	29,850
Enrollment	22,117	22,301	21,960	21,823	21,308
Other (A)					
Locations	10	10	10	10	10
Square feet	771,564	778,035	779,735	810,047	793,371
Capacity	5,575	4,936	5,121	4,547	5,252
Enrollment	3,980	4,151	4,147	4,082	4,100
Conversion Charter (B)					
Locations	9	9	9	9	9
Square feet	1,167,797	1,160,449	1,144,887	1,122,148	1,093,278
Capacity	8,184	8,237	8,020	8,078	8,014
Enrollment	6,758	6,653	6,685	6,654	6,659
<u>Administrative / Support Services</u>					
Locations	17	17	14	14	14
Square feet	570,691	569,721	545,873	542,311	541,780

(A) Includes ESE, alternative education, and elementary-middle fine arts.

(B) District public schools that converted to charter school status.

Source: District Records

Years				
2006	2005	2004	2003	2002
61	60	64	65	63
5,361,039	5,029,125	5,100,232	5,144,871	4,904,385
43,804	N/A	39,064	48,896	47,171
38,290	35,173	36,304	36,657	36,650
19	19	19	19	19
2,460,937	2,452,297	2,429,507	2,415,813	2,415,813
222,169	N/A	20,112	23,113	22,450
15,847	16,041	15,577	15,401	15,553
15	14	15	15	15
3,440,230	3,164,310	3,325,121	3,274,117	3,273,877
27,993	N/A	25,639	27,847	28,171
20,432	19,313	20,086	19,620	20,161
10	10	10	10	10
793,371	774,245	739,385	739,385	694,679
5,112	N/A	4,211	4,710	4,572
4,031	4,690	3,285	3,618	3,304
9	9	4	3	3
1,078,723	1,071,895	555,717	444,037	428,276
7,982	N/A	3,164	3,219	3,219
6,699	6,610	2,938	2,200	2,315
13	12	12	12	11
541,780	455,420	455,420	455,420	448,280

**SCHOOL DISTRICT OF POLK COUNTY
NUMBER OF PERSONNEL
LAST TEN FISCAL YEARS**

Fiscal Year	(A) Instructional	(B) Administrative	(C) Support Services	Total	Ratio of Students to Instructional Personnel	Ratio of Students to Administrative Personnel	Ratio of Instructional Personnel to Administrators
2011	9,632	388	3,650	13,670	9.69	240.52	24.82
2010	9,403	384	3,678	13,465	9.92	243.02	24.49
2009	9,288	428	3,545	13,261	10.03	217.56	21.70
2008	9,271	419	3,479	13,169	10.03	221.84	22.13
2007	8,919	399	3,460	12,778	10.32	230.62	22.35
2006	8,461	389	3,406	12,256	10.48	227.88	21.75
2005	7,927	360	3,388	11,675	10.81	237.97	22.02
2004	7,390	337	3,339	11,066	11.26	246.86	21.93
2003	6,958	315	3,304	10,577	11.68	258.07	22.09
2002	7,018	305	3,316	10,639	11.40	262.38	23.01

Note: Full Time Employees Only

- (A) Classroom Teachers, Guidance Counselors/Psychologists, Exceptional Education Teachers, Media Specialists
Other Professional Instructional Staff, Visiting Teachers, Social Workers, and Aides
- (B) Principals, Assistant Principals, Superintendent, Deans/Curriculum Coordinators; District-level Officials, Administrators,
Managers, and Instructional Consultants / Supervisors
- (C) Noninstructional Professional Staff, Clerical/Secretarial, Service Workers, Skilled Crafts Workers, and Unskilled Laborers

Source: District Records

**SCHOOL DISTRICT OF POLK COUNTY
TEACHER BASE SALARIES
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Minimum Salary</u>	<u>Maximum Salary</u>	<u>Average Salary</u>
2011	\$ 35,000	\$ 55,175	\$ 41,850
2010	35,000	55,175	42,838
2009	35,000	54,675	42,416
2008	35,000	54,675	42,777
2007	33,283	52,327	41,505
2006	32,000	50,300	39,875
2005	30,582	47,374	38,407
2004	29,631	45,900	37,217
2003	29,050	45,000	36,571
2002	28,000	43,500	34,947

10 Month Teachers

Source: District Records

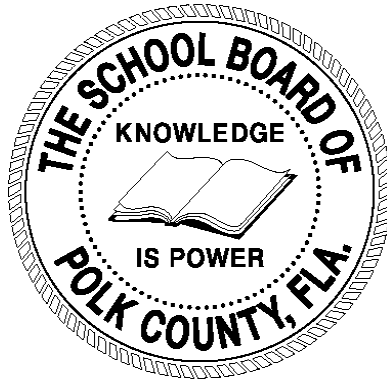
**SCHOOL DISTRICT OF POLK COUNTY
FOOD SERVICE OPERATING DATA
LAST TEN YEARS**

	Fiscal				
	2011	2010	2009	2008	2007
Days Meals Served:	180	180	225	225	225
Student Lunches Served:					
Paid Lunches (regular)	2,113,892	2,279,097	2,586,630	2,754,874	2,825,352
Reduced Lunches (regular)	817,978	1,110,348	1,275,683	1,249,385	1,233,332
Free Lunches (regular)	7,953,136	7,554,767	6,951,128	6,715,156	6,435,021
Total Student Lunches Served	10,885,006	10,944,212	10,813,441	10,719,415	10,493,705
Daily Average Student Lunches Served	60,472	60,801	48,060	47,642	46,639
Student Breakfasts Served:					
Paid Breakfasts (regular)	314,675	311,451	327,027	332,676	364,802
Reduced Breakfasts (regular)	229,219	299,563	325,711	322,790	321,761
Free Breakfasts (regular)	3,751,738	3,361,212	2,958,679	2,751,235	2,679,360
Total Student Breakfasts Served	4,295,632	3,972,226	3,611,417	3,406,701	3,365,923
Daily Average Student Breakfasts Served	23,865	22,068	16,051	15,141	14,960
LUNCH PRICES:					
Elementary	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
Secondary	\$2.00	\$2.00	\$1.90	\$1.90	\$1.90
BREAKFAST PRICES:					
Elementary	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
Secondary	\$1.70	\$1.70	\$1.65	\$1.65	\$1.65
Free and Reduced Percentages:					
Paid	16.0%	17.4%	20.2%	21.8%	23.0%
Reduced	6.9%	9.5%	11.1%	11.1%	11.2%
Free	77.2%	73.3%	68.8%	67.0%	65.8%

(a) Data unavailable before fiscal year 2002

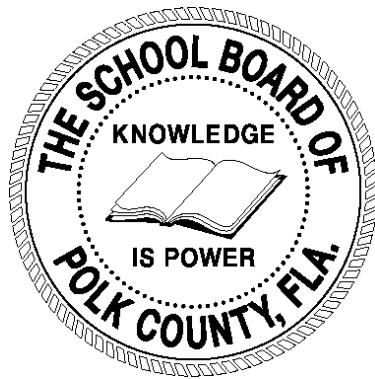
Source: District Records

Year				
2006	2005	2004	2003	2002
218	217	225	224	224
2,749,311	2,280,830	2,591,292	2,553,718	2,586,082
1,086,899	956,428	1,070,617	1,006,805	1,032,009
6,128,941	6,318,011	5,748,498	5,499,806	5,271,291
9,965,151	9,555,269	9,410,407	9,060,329	8,889,382
45,712	44,033	41,824	40,448	39,685
393,004	351,760	375,664	365,532	366,928
322,211	300,416	328,177	311,287	319,268
2,720,959	2,704,746	2,771,581	2,689,000	2,596,916
3,436,174	3,356,922	3,475,422	3,365,819	3,283,112
15,762	15,470	15,446	15,026	14,657
\$1.00	\$1.00	\$0.85	\$0.85	\$0.80
\$1.90	\$1.90	\$1.75	\$1.75	\$1.65
\$1.00	\$1.00	\$0.85	\$0.85	\$0.80
\$1.65	\$1.65	\$1.50	\$1.50	\$1.40
23.4%	20.4%	23.0%	23.5%	24.3%
10.5%	9.7%	10.9%	10.6%	11.1%
66.0%	69.9%	66.1%	65.9%	64.6%



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Single Audit Section



SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June, 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass- Through Grantor Number	Total Actual 2011 Amount of Expenditures	Sub-Recipients
United States Department of Agriculture				
Direct:				
Secondary and Two-Year Post-secondary Agriculture Challenge Grants	10.226	N/A	\$ 12,630	
Indirect:				
Florida Department of Agriculture and Consumer Services Food Donation	10.550	None	\$ 2,937,456	
Florida Department of Education Child Nutrition Cluster:				
School Breakfast Program	10.553	321	\$ 6,986,325	
National School Lunch Program	10.555	300	24,508,616	
Summer Food Service Program for Children	10.559	323,324,325	695,648	
Total Child Nutrition Cluster			\$ 32,190,589	
Total United States Department of Agriculture			\$ 35,140,675	
United States Department of Labor				
Indirect:				
Florida Department of Education WIA Cluster				
ARRA: FACTE-Title I-WIA -Dislocated Workers Program -Adult	17.258	322	\$ 3,976	
ARRA: FACTE-Title I-WIA -Dislocated Workers Program -Youth	17.259	322	7,494	
ARRA: FACTE-Title I-WIA -Dislocated Workers Program -Dislocated Workers	17.260	322	3,824	
Total WIA Cluster			\$ 15,294	
National Farmworker Jobs Program	17.264	406	\$ 294,597	
Total United States Department of Labor			\$ 309,891	
United States Department of Education				
Direct:				
Federal Pell Grant Program	84.063	N/A	\$ 2,649,565	
Indirect:				
Florida Department of Education Title I, Part A Cluster				
Title I Grants to Local Educational Agencies	84.010	212	\$ 29,773,569	\$ 1,011,839
ARRA: Title I Grants to Local Educational Agencies	84.389(A)	432	10,576,406	417,106
Total Florida Department of Education Title I, Part A Cluster			\$ 40,349,975	\$ 1,428,945
Special Education Cluster				
Special Education - Grants to States	84.027	261,262,263	\$ 21,577,598	\$ 1,196,814
Special Education - Preschool Grants	84.173	264,266,267	329,929	44,388
ARRA: Special Education - Grants to States, IDEA, Part B	84.391(A)	432	6,759,468	425,848
ARRA: Special Education - Preschool Grants, IDEA Preschool	84.392	432	588,388	
Total Florida Department of Education Special Education Cluster			\$ 29,255,383	\$ 1,667,050
Educational Technology State Grants Cluster				
Education Technology State Grants	84.318(X)	121,122	\$ 188,790	\$ 518
ARRA: Education Technology State Grants	84.386	432	102,030	
Total Florida Department of Education Educational Technology State Grants Cluster			\$ 290,820	\$ 518
State Fiscal Stabilization Fund Cluster				
ARRA: State Fiscal Stabilization Fund -Government Services	84.394	431	\$ 30,180,206	\$ 3,308,464
ARRA: State Fiscal Stabilization Fund -Education State Grants	84.397	431	681,854	66,054
Total State Fiscal Stabilization Fund Cluster			\$ 30,862,060	\$ 3,374,518
ARRA: State Fiscal Stabilization Fund -Education State Grants, Education Jobs Fund	84.410	435	\$ 19,233,534	\$ 2,172,460
Education of Homeless Children and Youth Cluster				
Education for Homeless Children and Youth	84.196A	127	\$ 107,802	
ARRA: Education for Homeless Children and Youth	84.387A	432	34,414	
Total Florida Department of Education Education of Homeless Children and Youth Cluster			\$ 142,216	
State Recovery Act				
ARRA: Child Nutrition Program: Equipment	10.579	433	\$ 3,204	
School Improvement Grants, Recovery Act				
ARRA: School Improvement Grants	84.388	432	\$ 488,124	
State Fiscal Stabilization Fund -Race to the Top				
ARRA: State Fiscal Stabilization Fund -Race to the Top Incentive Grants	84.395(A)	434	\$ 613,657	

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June, 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass- Through Grantor Number	Total Actual 2011 Amount of Expenditures	Sub-Recipients
Other				
Adult Education Act - State Grant Program	84.002	191,192,193,194	\$ 821,502	
Transition Program-Adult Learners-Postsecondary-Title V Incentive	17.267	0	61,609	
Magnet Schools Assistance Program, Title V	84.165(A)		2,114,434	
Migrant Education - Basic State Grant Program	84.011	217,218	1,197,761	
Vocational Education - Basic Grants to State	84.048	151,152,153	1,439,629	\$ 12,716
Safe and Drug-Free Schools & Communities - National Program	84.184(C)(D)(E)	107	446,160	4,712
Safe and Drug-Free Schools & Communities - State Grant	84.186A	103	98,044	
Funds for the Improvement of Education	84.215(X)(L)	143	562,942	215
Charter Schools, Title V, Part B, Subpart 1, NCLB	84.282(A)	298	204,476	204,476
Advanced Placement Incentive Program	84.330	160	1,282,461	
Voluntary Public School Choice Program-Title V, Part B, Subpart 3, NCLB	84.361	299	509,433	
English Language Acquisition Enhancement & Achievement	84.365A	102	1,433,085	
Improving Teacher Quality State Grants	84.367A	224,225	4,848,446	107,077
Total Florida Department of Education Other			\$ 15,019,982	\$ 329,196
Total United States Department of Education			\$ 138,908,520	\$ 8,972,687
United States Department of Health & Human Services:				
Direct:				
Head Start Program	93.600		\$ 7,705,611	\$ 434,203
ARRA- Head Start	93.708	433	286,550	
			<u>\$ 7,992,161</u>	<u>\$ 434,203</u>
Indirect:				
Florida Department of Health				
CDC Assistance Programs for Disease Prevention and Control	93.283	FAH60	\$ 75,000	
Total United States Department of Health & Human Services			\$ 8,067,161	\$ 434,203
Corporation for National and Community Service				
Indirect:				
Learn and Serve America- School and Community Based Programs	94.004	233,234	\$ 57,056	
Total Corporation for National and Community Service			\$ 57,056	
United States Department of Defense				
Direct:				
Army Junior Reserve Officers Training Corps	None		\$ 782,480	\$ 54,878
Marine Corps Junior Reserve Officers Training Corps	None		58,919	
Air Force Junior Reserve Officers Training Corps	None		53,258	
Navy Junior Reserve Officers Training Corps	None		59,356	
Total United States Department of Defense			\$ 954,013	\$ 54,878
United States Department of Homeland Security				
Indirect:				
Florida Department of Community Affairs				
Homeland Security Grant Program	97.067		\$ 161,404	
Total United States Department of Homeland Security			\$ 161,404	
Total Expenditures of Federal Awards			\$ 183,598,720	\$ 9,461,768

NOTES TO SUPPLEMENTARY SCHEDULE OF FEDERAL
AWARDS PROGRAM EXPENDITURES
For the Fiscal Year Ended June, 30, 2011

1. Summary of Significant Accounting Policies

General

The schedule of expenditures of federal awards has been prepared using the modified accrual basis of accounting. See Note 1C in the Notes to the Financial Statements.

2. Program Clusters

OMB Circular A-133 defines a cluster of programs as a grouping of closely related programs that share common compliance requirements. The School Breakfast Program, National School Lunch Program, After School Snack Program and Summer Food Service Program for Children comprise the Child Nutrition Cluster, for example.

3. Contingency

The grant revenue amounts received are subject to audit and adjustment. If any expenditures are disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement to the grantor agencies would become a liability of the District.

4. Noncash Assistance

The Food Donation expenditure amount represents the amount of donated food commodities used during 2010-2011. Commodities are valued at fair value at the time of donation.



**Independent Auditors' 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***

The Honorable Members of the
Polk County District School Board
Bartow, Florida

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the School District of Polk County, Florida (the "District") as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 30, 2011. Our report includes reference to other auditors. 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. Other auditors audited the financial statements of the aggregate discretely presented component units, as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of significant deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 the District'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 herein under *Government Auditing Standards*.

We noted certain matters that we reported to management of the District in a separate letter dated November 30, 2011.

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

Cherry, Beckett & Holland, L.L.P.

Orlando, Florida
November 30, 2011



**Independent Auditors' Report on Compliance with Requirements
That Could Have a Direct and Material Effect on Each Major
Program and on Internal Control Over Compliance
in Accordance With OMB Circular A-133**

The Honorable Members of the
Polk County District School Board
Bartow, Florida

Compliance

We have audited Polk County District School Board's (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of audit 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 the District's management. Our responsibility is to express an opinion on the District'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 Non-Profit 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 the District'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 of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control over Compliance

Management of the District 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 the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of the District's School Board, applicable management, applicable federal and state agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Orlando, Florida
November 30, 2011

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
Schedule of Findings and Questioned Costs
Federal Award Programs
Year Ended June 30, 2011

Part I - Summary of Auditors' Results

Financial Statement Section

Type of auditors' report issued: _____ Unqualified _____

Internal control over financial reporting:

Material weakness(es) identified? _____ yes x no

Significant deficiency(ies) identified? _____ yes x none reported

Noncompliance material to financial statements noted? _____ yes x no

Federal Awards Section

Internal control over major programs:

Material weakness(es) identified? _____ yes x no

Significant deficiency(ies) identified? _____ yes x none reported

Type of auditors' report on compliance for major federal programs: _____ Unqualified _____

Any audit findings disclosed that are required to be reported in accordance with Circular A-133 _____ yes x no

Identification of major federal programs:

Name of Program or Cluster	CFDA Numbers
Title I, Part A Cluster	84.010, 84.389
Special Education Cluster (IDEA)	84.027, 84.173, 84.391, 84.392
State Fiscal Stabilization Fund Cluster	84.394, 84.397
State Fiscal Stabilization Fund- Race to the Top	84.395
Education Jobs Fund	84.410

Dollar threshold used to determine Type A programs:
 Federal _____ \$ 3,000,000 _____

Auditee qualified as low-risk auditee for federal purposes? _____ yes x no

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
Schedule of Findings and Questioned Costs
Federal Award Programs
Year Ended June 30, 2011

Part II - Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

There were no financial statement findings required to be reported in accordance with *Government Auditing Standards*.

Part III - Federal Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and material instances of noncompliance, including questioned costs, as well as any material abuse findings, related to the audit of major federal programs, as required to be reported by Section 510(a) of OMB Circular A-133.

There were no findings required to be reported by Section 510(a) of OMB Circular A-133.

SCHOOL DISTRICT OF OF POLK COUNTY, FLORIDA
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2011

Audit Report No. and Statement of Condition No.	Program/Area	Brief Description	Status	Comments
June 30, 2010 Statement of Condition 2010-A	Financial Reporting	The District's financial statements were not in accordance with general accepted accounting principles (GAAP) prior to revisions made as a result of the audit.	Complete	The District performed a thorough review of GAAP requirements for the fiscal year 2011 annual financial report and comprehensive annual financial report.
June 30, 2010 Statement of Condition 2010-B	Improving Teacher Quality State Grants	Salary for an employee not devoting time and effort to the grant was charged to the grant.	Complete	The District paid back the grant for the charges and has improved procedures in this area.



Independent Auditors' Management Letter

The Honorable Members of the
Polk County District School Board
Bartow, Florida

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Polk County District School Board (the "District") as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 30, 2011. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units; those financial statements were audited by other auditors.

We conducted our audit 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 Non-Profit Organizations*. We have issued our Independent Auditors' 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*, Independent Auditors' Report on Compliance with Requirements that could have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133, and the Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated November 30, 2011, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.800, Rules of the Auditor General, which governs the conduct of district school board audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditors' reports or schedule.

Section 10.804(1)(f)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. We have reviewed the corrective actions taken to address the findings and recommendations made in the preceding annual financial audit. Corrective actions have been taken to address findings and recommendations except as noted in the attached schedule labeled Appendix A – Management Letter Comments.

Section 10.804(1)(f)3., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, nothing came to our attention that would cause us to believe that the District was in noncompliance with Section 218.415 regarding the investment of public funds, except as described in Attachment A, Observation 2011-01.

Section 10.804(1)(f)4., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. Our recommendations for 2011 are in the attached schedule labeled Appendix A – Management Letter Comments. We did not audit the District’s responses to these matters, which are also provided in Appendix A, and, accordingly, we express no opinion on them.

Section 10.804(1)(f)5., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any findings.

Section 10.804(1)(f)6., Rules of the Auditor General provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. Our recommendations for 2011 are in the attached schedule labeled Appendix A – Management Letter Comments. We did not audit the District’s responses to these matters, which are also provided in Appendix A, and, accordingly, we express no opinion on them.

Section 10.804(1)(f)2., Rules of the Auditor General, requires a statement be included as to whether or not the District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit of the financial statements of the District, the results of our tests did not indicate that the District met any of the conditions of a financial emergency contained in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.804(1)(f)7.a. and 10.805(6), Rules of the Auditor General, we applied financial condition assessment procedures. It is management’s responsibility to monitor the District’s financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Section 10.804(1)(f)8., Rules of the Auditor General, requires the auditor to state whether or not the district school board complied with transparency requirements. Section 2, Specific Appropriation 115A of Chapter 2010-152, Laws of Florida, provides that district school boards include a link of their Web Sites to the Transparency Florida Web Site. In connection with our audit, we viewed the District’s website for the Transparency Florida Web Site link.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of the District School Board, applicable management, applicable federal and state agencies, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Cherry, Bekant & Holland, L.L.P.

Orlando, Florida
November 30, 2011

POLK COUNTY DISTRICT SCHOOL BOARD
Appendix A - Management Letter Comments
Year Ended June 30, 2011

NOTE: Observation 2011-01 is a repeated comment from the prior year. Observations 2011-02 through 2011-04 are new comments for fiscal year 2011.

Investment Policy

Observation 2011-01: School Board Policy 6Gx53-5.003, *Cash and Investment Management*, provides that the School Board shall be responsible for establishing and maintaining internal controls to ensure that the assets of the District are protected from loss, theft, or misuse. The District does not have written documentation of internal control procedures for the investment function handled by the Finance department. In addition, we noted an instance where the District did not update one of the authorized signors on an account with a financial institution.

Recommendation: We recommend the District establish a written policy of internal controls over the investment functions. In addition, we recommend the District ensure accounts are updated regularly in regards to authorized signors, in order to protect against loss, theft, or misuse.

Management Response: The District has updated all authorized signers on all banking and investment accounts in conjunction with the reorganization of the Board occurring on November 22, 2011. In addition, the District will begin documenting internal control policies and procedures regarding investment and banking functions with completion anticipated before March 1, 2012.

Capital Assets

Observation 2011-02: The District records multiple phases of a construction project under one project number in the accounting system. The construction in progress is not reclassified to completed capital assets until all phases of a project are complete. Often times one phase of a project could be in use, while another phase is still under construction. For example, one wing of a school under a remodel could be in use, while the other phase of the project (or wing of the school) could be still under construction. Waiting until the project is complete to move the construction in progress to completed assets may result in a portion not being properly capitalized. In addition, some costs for furniture and equipment acquired in advance for new school buildings are not always accounted for in construction in progress while the project is progressing. In order to capture all costs that will eventually be capitalized all of these costs should be included in construction in progress.

Recommendation: We recommend the District segregate major phases or projects in the accounting system, in order to ensure construction projects are properly capitalized upon completion. In addition we suggest the District monitor all cost associated with new schools to ensure the total cost is captured in construction in progress.

Management Response: The District's Finance Department will work with the District's Facilities Department to ensure projects are set up to allow completed phases to be capitalized upon completion of the phase instead of completion of the overall project. The Finance Department will review procedures for establishing construction in progress so that it includes all applicable furniture, fixture and equipment.

POLK COUNTY DISTRICT SCHOOL BOARD
Appendix A - Management Letter Comments
Year Ended June 30, 2011

Information Technology

Observation 2011-03: During our review of the District's information technology, we noted the following in relation to the District's information technology entity level, backup and recovery, access and security, and network controls:

- The District has not performed a formal risk assessment of the information technology (IT). However, it should be noted that Management is aware of the issue and will remediate the recommendation as soon as funds become available.
- The District does not currently have a formal comprehensive back-up policy.
- The District has not performed a formal backup restoration test since June 2010.
- The District does not meet the industry best practices for password settings at both the Network and SAP application levels. Current settings include the following:
 - Network:
 - Password Complexity: Disabled
 - SAP Application:
 - Minimum Password Length: 5
- The District has not had a penetration and vulnerability test performed on the network. This increases the risk that weaknesses and vulnerabilities in the network could be exploited. During the lifetime of any network, changes can occur which may create situations that perpetuate imperfect security, and these situations can compound over time. The test will mitigate the risk that gaps in security can be overlooked.

Recommendation: We recommend the following steps be taken by the District:

- The District should complete a formal IT risk assessment, ideally by an independent outside entity, at least once every three years. Results of the assessment should be shared with upper management and incorporated into the District's IT Strategic Plan and/or Audit Plan as appropriate. A risk assessment is an assessment of the risk faced by information technologies at the District. This document should identify and classify potential risks to the central IT infrastructure and resources, document obstacles precluding elimination of these identified risks and then recognize the District's acceptance of those risks. The risk assessment should be updated with the results of audits, inspections, and identified incidents. The scope should include risks related to the confidentiality, availability, and integrity of critical data and resources. As a main deliverable of this risk assessment, documented policies and procedures related to IT Security should be developed and implemented. Once approved the policies and procedures should be updated annually and approved by the executive level. Additionally, all employees should sign-off on these policies stating they agree to adhere to set policies and procedures.
- The District should document a formal comprehensive backup and recovery policy, which defines backup and recovery procedures, including schedules, responsibilities, and procedures for off-site rotation and periodic restores of data for the District.
- The District should perform scheduled periodic restores of back up data on at least an annual basis to ensure that files can be adequately restored in a timely basis. In addition, test plans and results of these restorations should be documented and shared with upper level management as appropriate.

POLK COUNTY DISTRICT SCHOOL BOARD
Appendix A - Management Letter Comments
Year Ended June 30, 2011

Information Technology (continued)

- The recommended password settings should be set to the following to reflect best practices for security:
 - Password Complexity: Enabled
 - Minimum Password Length: 8
- A penetration and vulnerability test should be performed by a third party at least once every three years to help identify any internal and external threats facing the District.

Management Response: The District has purchased a network security bundle that will allow the District to periodically perform necessary security scans of both Internet facing and internal systems. The District has established a Backup Policy/Schedule as follows:

- Production Systems DB are backed-up Monday – Sunday (FULL)
- OS level backup is Full Weekly and incremental Daily
- Backups are reviewed every workday morning by Operations Staff and checked weekly by Technical Staff
- Production Database is periodically restored to our disaster recovery site
- Backup tapes are secured at an offsite location.

Backup restorations to sandbox systems were performed November 2010, January 2011, March 2011 and May 2011. Complex password requirements have been implemented for the network; recommended SAP application password settings will be implemented during the current audit cycle.