

Challenges



Endurance



Unity



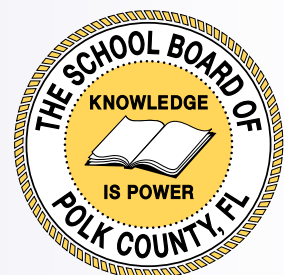
Comprehensive Annual Financial Report

Fiscal Year Ending June 30, 2012

School Board of Polk County, Florida

Dr. John A. Stewart, Ed.D.
Superintendent

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



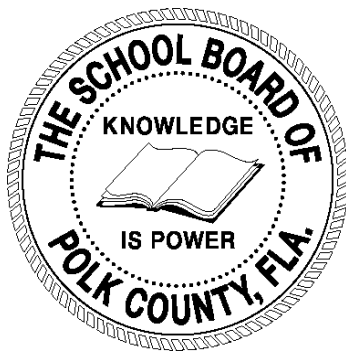
COMPREHENSIVE ANNUAL FINANCIAL REPORT

of

The School District of
Polk County, Florida

For the

Fiscal Year Ended June 30, 2012



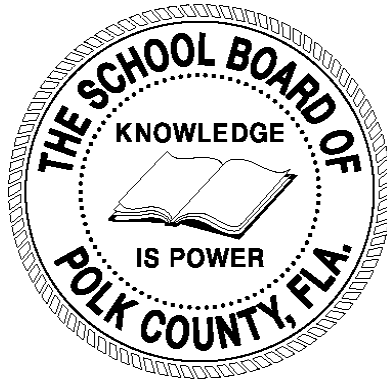
Issued by:

John A. Stewart, Ed.D
Interim 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, 2012**

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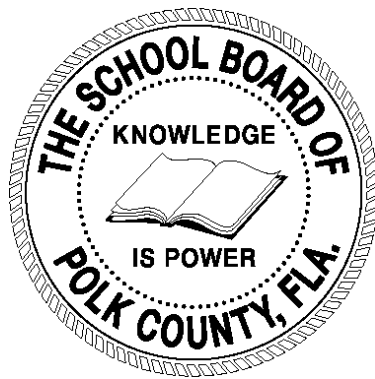
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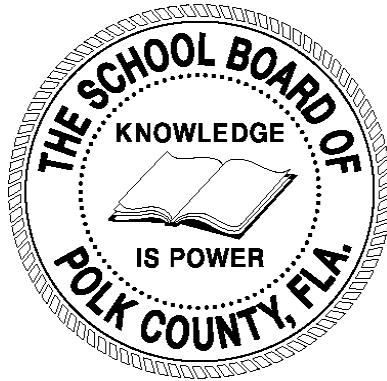
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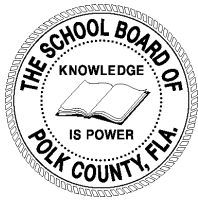
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Introductory Section





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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

December 21, 2012

Board Members

BOARD CHAIR
HAZEL SELLERS
DISTRICT 3

HUNT BERRYMAN
DISTRICT 1

LORI CUNNINGHAM
DISTRICT 2

DICK MULLENAX
DISTRICT 4

KAY FIELDS
DISTRICT 5

DEBRA S. WRIGHT
DISTRICT 6

TIM HARRIS
DISTRICT 7

C. WESLEY BRIDGES, II
General Counsel

Administration

JOHN A. STEWART, Ed.D.
Superintendent

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, 2012 is hereby submitted. These financial statements are presented in conformity with generally accepted accounting principles (GAAP) and are audited by the Florida Auditor General, or other independent certified public accountants, 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.

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 the Florida Auditor General. The objective of the independent audit is to provide reasonable assurance that the financial statements of the District for fiscal year ended June 30, 2012, 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 audit 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, 2012, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP require 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 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 2010-11 fiscal year, 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-four 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 four 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 94,000 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 approximately 274,500 for 2011, as reported by the Central Florida Development Council (CFDC).

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 5.8 percent (2002) to 11.1 percent (2011). Polk's unemployment rate finally declined back into single digits, to 9.5 percent, in April 2012. This is the first time it has been below 10 percent, or double-digits, since 2008, when it stood at 6.7 percent. Further concerns over employment are reflected by an annual decline in job growth. For the 12 month period ending March 2012, Polk County lost a net of 1,800 jobs, and the labor force shrank by approximately 3,500 during the same time period, as reported by the CFDC.

For the past few years, consumers have been burdened by high unemployment rates, high energy and fuel costs, and low home values. Reflecting these conditions, the Florida Consumer Confidence Index, which measures consumer perceptions about current economic conditions, remains low and only increased slightly from 68 to 75 from April 2011 to April 2012, as reported by The University of Florida Bureau of Economic and Business Research (BEER). Inflation is also a concern as the year saw a 2.8 percent increase in consumer prices following the 3.5 percent increase for each of the previous two years, as reported by the Bureau of Labor Statistics.

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. Local revenue for school support is derived almost entirely from ad-valorem property taxes, which are directly affected by property values. Regarding residential home values, the Florida Association of Realtors reported that the median sales price for single family homes finally saw an increase from \$94,250 in April 2011, to \$104,200 in April 2012. This is a 10.6 percent increase, the first since 2007. The Polk County tax roll has been dropping steadily from a peak of \$45.5 billion in 2007. The 2011 tax roll is \$29.4 billion, a decrease of 35.4 percent since 2007, and a decrease of 8.4 percent from last year's value of \$32.1 billion, as reported by the 2012-13 Florida Education Finance Program (FEFP) Second Calculation.

Long-term financial planning

The assigned/unassigned ending fund balance in the general fund as of June 30, 2012, is 8.2 percent. This is within the policy guidelines set by the Board for budgetary and planning purposes, which states the contingency fund/assigned/unassigned fund balance in the general should not be less than 5.0 percent of total general fund revenues.

The population within the District's boundaries for calendar year ending 2011 was estimated by the BEER to be at 605,000, a growth rate of just 0.4 percent over the previous year. Over the past ten years, this population grew by approximately 21 percent. During this same period, student enrollment grew by 16.6 percent, excluding enrollment at the adult schools and technical centers. By the end of fiscal year 2012, student enrollment was 94,921. For the upcoming fiscal year, this enrollment is projected to increase by approximately 524 students, or 0.6 percent, and remain flat or grow by 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 the 2010-11 fiscal year, 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 the 2008-09 fiscal year, class size was calculated using one of the following benchmarks---either at the district level or the school level. Beginning with the 2008-09 fiscal year, 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 the 2009-10 fiscal year. It is anticipated that the District will continue to meet the constitutional maximums for the three grade groupings through staff allocation and facilities' planning.

The District has continued to rely on relocatable buildings to provide additional classroom space at most school campuses throughout the county. In addition to meeting class-size reduction requirements, individual relocatable 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 852 relocatable classrooms and 14 modulars in the District, which provide 15,742 stations for students. Repairs and renovations to portables are subject to approval by the Facilities Division, which has set an informal threshold of \$10,000 to help identify when a relocatable must be reviewed for possible replacement versus renovation.

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 District's 2011-12 fiscal year Five-Year Facilities Work Program Plan, costs related to new construction and remodeling are estimated at \$63.5 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.

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):

NEW SCHOOLS SCHEDULE			
SCHOOL	OPEN/AVAIL	CONST START	PROP ACQ
Elementary C (SW Lakeland)	TBD	TBD	Completed
Elementary D (NE Lakeland)	TBD	TBD	Completed
Elementary E (NE Winter Haven)	TBD	TBD	Completed
Elementary H (NE Auburndale)	TBD	TBD	TBD
Mulberry Middle (Mulberry)	Aug-12	July-10	Completed
Elementary L (Mulberry)	On Hold	On Hold	Completed
Elementary M (Poinciana)	TBD	TBD	TBD
Middle School BB(W Winter Haven)	TBD	TBD	Completed
Middle School CC (SW Lakeland)	TBD	TBD	Completed
High School CCC (SW Lakeland)	TBD	TBD	Completed

While class-size reduction requirements continue, the State has mostly eliminated construction funding related to this requirement and greatly reduced other capital outlay funds. 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. After five straight years of decline, the District finally experienced an increase in impact fee collections, increasing \$1 million, from \$2.7 million in the 2010-11 fiscal year, to \$3.7 million in the 2011-12 fiscal year. However, collections are still significantly down from a high of \$29.8 million received in the 2005-06 fiscal year. The local half-cent sales tax revenues also experienced a 6.1 percent increase of \$1.9 million and totaled \$32.3 million for the 2011-12 fiscal year. Since impact fee and half cent revenue collections are still down over previous years, a number of construction projects will 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 (conversion charters). By the end of the 2011-12 fiscal year, there were twenty-four (24) charter schools within the district (of which nine were conversion charter schools) reflecting approximately 11,000 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.

Health costs in the district's plan have continued to outpace the revenues for the 2011 plan year. An agreement with the labor unions has changed the health plan to a co-pay plan with annual deductibles of \$750 for single and \$1,500 for family coverage. The District has opened a primary care health clinic that is open to all members of the health plan. The health clinic is designed to further control costs by increasing care especially for disease management of chronic illnesses such as diabetes.

Major Initiatives

In June 2011, the Board members set forth the following goals and objectives for the District:

Goal 1: By 2013-14, Polk County public schools will increase the graduation rate (Federal Uniform Graduation Rate) to within 3 percentage points of the State rate.

- (1) Increase overall graduation rate.*
- (2) Increase at-risk and minority graduation rate*

Goal 2: By 2013-14, Polk County public schools will be designated an 'A' district..

- (1) Increase the number of schools obtaining increases in the*
 - a. percent meeting high standards in Reading, Math, Writing and Science*
 - b. percent making learning gains in Reading and Math*
 - c. percent of lowest 25% making learning gains in reading and math*

Goal 3: By 2013-14, Polk County public schools will increase the percentage of 'A' and 'B' schools from 56 percent to 70 percent (using 2009-10 School Grading criteria and scale).

- (1) Increase the number and percent of elementary and middle schools obtaining an 'A' or 'B' letter grade.
- (2) Increase the number and percent of high schools obtaining an 'A' or 'B' letter grade.

Awards and Acknowledgements

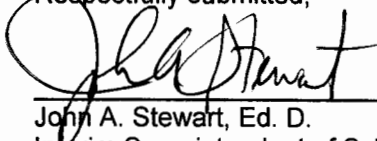
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the School Board of Polk County for its comprehensive annual financial report for the fiscal year ended June 30, 2011. This was the first year that the School Board of Polk County has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

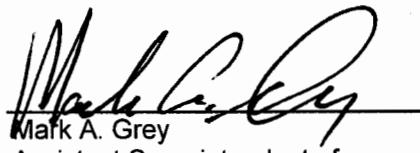
The District received the GFOA Distinguished Budget Presentation Award for its annual budget document for the 2011-12 school year. This was the seventh consecutive year that the District earned this distinction. In order to qualify for the Distinguished Budget Presentation Award, the District's budget 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 2012-13 fiscal year budget document, upon approval by the Board, for the 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 Finance 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,


John A. Stewart, Ed. D.
Interim 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 June 30, 2012**

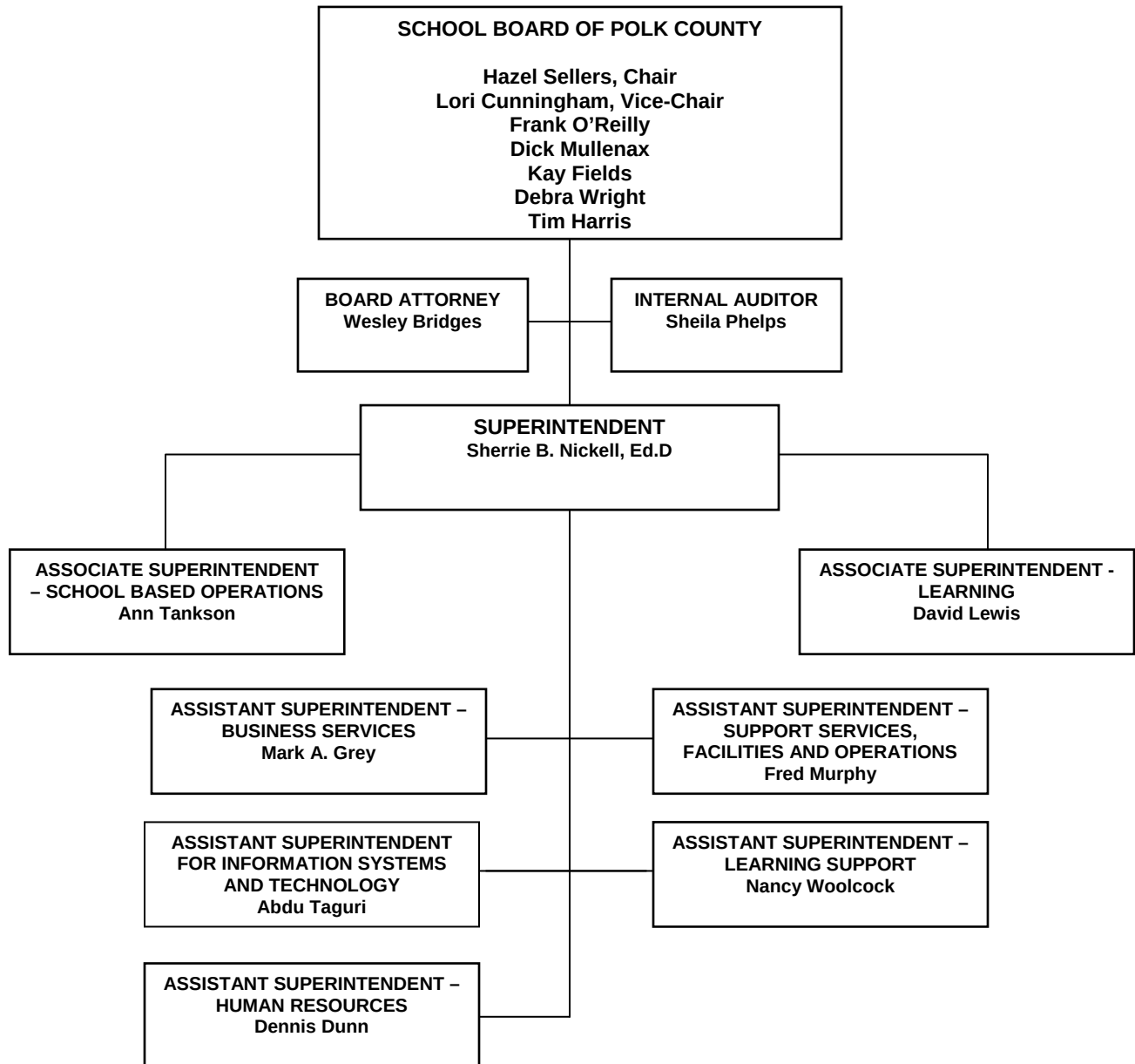
Mrs. Hazel Sellers, Chair	
Member from District 3	
Present term began	November, 2010
Present term expires	November, 2014
Began as a Board member	November, 2002
Mrs. Lori Cunningham, Vice Chair	
Member from District 2	
Present term began	November, 2008
Present term expires	November, 2012
Began as a Board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

THE SCHOOL DISTRICT OF POLK COUNTY, FLORIDA

**Other Principal Officials - Appointed
As of June 30, 2012**

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

THE SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
ORGANIZATIONAL CHART
As Of June 30, 2012



Certificate of Achievement for Excellence in Financial Reporting

Presented to
The School Board of Polk County
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

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



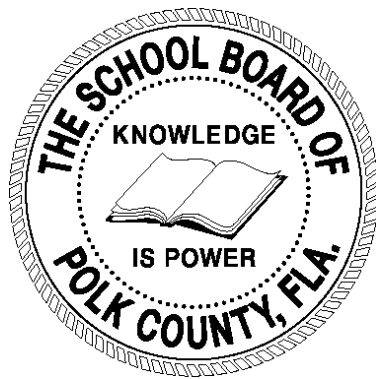
Linda C. Dandson

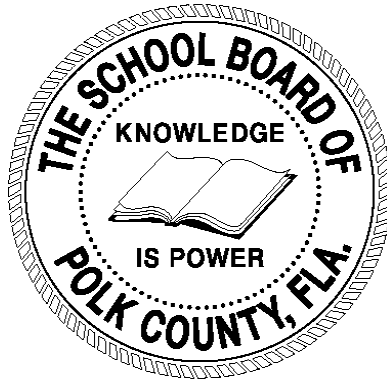
President

Jeffrey R. Emer

Executive Director

Financial Section





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DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450



PHONE: 850-488-5534
FAX: 850-488-6975

The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

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 Polk County District School Board, as of and for the fiscal year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District 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 thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based 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 the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the 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 for the Polk County District School Board as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the general fund and major special revenue fund for the fiscal 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 effects of certain changes in the District's reporting entity and the correction of prior errors restated the beginning net assets for component units. These adjustments affect the comparability of amounts reported for the 2010-11 fiscal year with amounts reported for the 2011-12 fiscal year.

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the Polk County District School Board's internal control over financial reporting and on our tests of its compliance with certain provisions

of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS, SCHEDULE OF FUNDING PROGRESS – POST EMPLOYMENT HEALTH CARE BENEFITS PLAN, and NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a required 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 basic financial statements. The introductory section, the combining and individual financial fund financial statements and schedules, and the statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Also, the accompanying **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is presented for purposes of additional analysis as required by the United States Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The combining and individual fund financial statements and schedules, and **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**, have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the reports of other auditors, the combining and individual fund financial statements and schedules, and **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Respectfully submitted,



David W. Martin, CPA

December 21, 2012

Audit Report No. 2013-073

THE SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2012

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, 2012. 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 \$896.2 million (*net assets*). Of this amount, \$10.2 million (*unrestricted net assets*) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net assets decreased by \$33.0 million as compared to prior fiscal year. This decrease is primarily attributable to decrease in general revenues and grants and contributions.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$221.2 million, a decrease of \$42.8 million compared to the prior fiscal year. Approximately 25 percent of this total amount, \$55.1 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 \$52.2 million, or 8.0 percent of total general fund expenditures.
- The District's total long-term debt, net of premiums and discounts, decreased by \$10.8 million (1.9 percent) during the current fiscal year. The key factor in this change was the decrease in bond principal.
- The District's total capital assets, net of accumulated depreciation, decreased by \$3.5 million (0.3 percent).

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 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 SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2012

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.

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 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, Federal Economic Stimulus Programs Fund, ARRA Debt Service Fund, Local Capital Improvement Fund, and Other Capital Projects Fund, all of which are considered to be major funds. Data from the other seven 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 SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2012

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 internal service funds as its only proprietary fund type. 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 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 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 progress in funding its obligation to provide 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 \$896.2 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, 2012

District's Net Assets
Governmental Activities
As of June 30, 2012 and June 30, 2011
(in thousands of dollars)

	<u>2012</u>	<u>2011</u>
Current and other assets	\$370,809	\$410,482
Capital assets	1,146,844	1,150,345
Total Assets	<u>1,517,653</u>	<u>1,560,827</u>
Long-term liabilities outstanding	555,343	566,182
Other Liabilities	66,134	65,462
Total Liabilities	<u>621,477</u>	<u>631,644</u>
Net Assets:		
Invested in capital assets, net of related debt	761,407	781,310
Restricted	124,599	116,198
Unrestricted	<u>10,170</u>	<u>31,675</u>
Total net assets	<u>\$896,176</u>	<u>\$929,183</u>

By far the largest of the District's net assets (85 percent) reflects its \$761.4 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, \$124.6 million (13.9 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*, \$10.2 million (1.1 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, decreased by \$19.9 million and unrestricted net assets decreased by \$21.5 million. These changes primarily related to decreases in funding for operations and capital projects. Restricted net assets increased by \$8.4 million primarily as a result of increases in assets related to state required carryover programs, debt service, and food service.

Total net assets decreased \$33.0 million compared to the prior fiscal year end driven by the change in current and other assets and long-term liabilities. Other key changes included the following:

- Operational property taxes, which were included in general revenues, decreased by \$14.9 million (8.6 percent) during the fiscal year, while property taxes for capital improvements and debt service, which were also included in general revenues, decreased by \$2.7 million (6.4 percent) during the fiscal year. Decreases were generally derived from decreases in taxable property value.
- General revenues through non-specific program grants, including the Florida Education Finance Program (FEFP), decreased by \$76.5 million (12.7 percent) during the fiscal year. This decrease was driven by an decrease in the State portion of the FEFP and loss of Federal stimulus funds.

THE SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2012

- Discretionary sales tax revenue and impact fees, which were included in general revenues, increased \$5.6 million (18.5 percent) during the year, which continued to reflect the beginnings of a turnaround in the state and local economy.
- Program revenues through operating and capital grants decreased by \$8.7 million (18.5 percent), which reflected decreases in facilities acquisition and construction funding and transportation funding through the state
- Decreases in expenses of \$36.4 million (4.1 percent) were a result of decreased direct instructional, pupil personnel services, instructional media and instructional staff training. This is a direct result of lost Federal stimulus funding.

THE SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2012

District's Changes in Net Assets
Governmental Activities
For the Fiscal Years Ended June 30, 2012 and June 30, 2011
(in thousands of dollars)

	<u>2012</u>	<u>2011</u>
Revenues:		
Program Revenues:		
Charges for services	\$10,120	\$11,042
Operating grants and contributions	34,978	35,862
Capital grants and contributions	3,372	11,212
General Revenues:		
Property taxes-operational	158,902	173,763
Property taxes-capital & debt service	38,651	41,306
Local sales tax and impact fees	36,105	30,459
Grants and contributions not restricted to specific programs	524,209	600,709
Other	<u>14,945</u>	<u>14,398</u>
Total revenues	821,282	918,751
Expenses:		
Instruction	501,427	538,107
Pupil personnel services	33,850	36,864
Instructional media services	8,822	11,995
Instruction and curriculum development services	17,553	17,281
Instructional staff training services	13,859	19,642
Instructional related technology	9,637	5,497
School board	2,511	2,536
General administration	5,770	6,677
School administration	40,311	43,096
Non Capitalizable Facilities acquisition and construction	26,496	5,276
Fiscal services	3,194	3,454
Food services	43,949	45,588
Central services	16,306	16,681
Pupil transportation	36,358	36,143
Operation of plant	47,337	51,622
Maintenance of plant	18,214	21,859
Administrative technology services	5,408	5,108
Community services	3,194	3,327
Interest on long-term debt	19,908	19,775
Unallocated depreciation expense	<u>185</u>	<u>189</u>
Total expenses	854,289	890,718
Increase (Decrease) in net assets	(33,007)	28,032
Net assets - beginning of year	<u>929,183</u>	<u>901,150</u>
Net assets - ending of year	<u><u>\$896,176</u></u>	<u><u>\$929,183</u></u>

THE SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2012

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 \$221.2 million, a decrease of \$42.8 million when compared to the prior fiscal year. Approximately 4.0 percent (\$8.9 million) of the ending fund balance represents inventories and prepaid items that are nonspendable. Approximately 71.1 percent (\$157.2 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 1.3 percent (\$2.8 million) of the ending fund balance and reflect amounts that are set aside for school operations. The remaining 23.6 percent (\$52.2 million) is not nonspendable and 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.

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 \$75.3 million. Of this, about 69.4 percent (\$52.2 million) was unassigned. Of the unassigned fund balance, \$31.2 million is set aside as minimum fund balance in accordance with Board policy (6Gx53-5.019) and the remaining \$21.0 million is available for operations. The remaining 30.6 percent (\$23.1 million) the overall fund balance in the General Fund was nonspendable, restricted, or assigned. 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 8.1 percent and 11.6 percent, respectively.

The fund balance of the District's General Fund decreased by \$4.1 million during the current fiscal year. Key factors affecting fund balance include the following:

- Local source revenues of the General Fund decreased by \$17.2 million - primarily as a result of a decrease in collections of property taxes for operational purposes due to reduced property values. Additionally, there was a \$10.7 million decrease in state source revenues due to decreased funding of the state portion of the Florida Education Finance Program.
- Expenditures in the General Fund decreased by \$3.5 million – primarily as a result of decreased capital outlay. Although expenditures exceeded revenues by \$39.2 million, this was partially offset by \$35.1 million of other financing sources--primarily due to transfers in from the capital project funds for capital outlay and maintenance related expenditures.

Federal Economic Stimulus Programs The Federal Economic Stimulus Programs Fund is used to account for funds received from the Federal government for economic stimulus. At the end of the current fiscal year, the District had received and expended \$5.4 million. This is a decrease of \$64.2 million as compared to the prior fiscal year. The key factor in this decrease was the lapsing of the funding programs.

ARRA Debt Service The ARRA Debt Service Fund is used to account for the debt service of Qualified School Construction Bonds (QSCB) bond issues. Debt service includes the payment of principal payments, interest, and dues and fees. At the end of the current fiscal year, the total fund balance for the

THE SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2012

ARRA Debt Service Fund was \$3.3 million, an increase of \$1.7 million. This increase is a result of cash reserved for the payment of principal at maturity of the bonds.

Local Capital Improvement The Local Capital Improvement Fund is used to account for the acquisition and construction of major capital facilities and debt service. At the end of the current fiscal year the total fund balance for local capital improvement funds was \$37.4 million. The fund balance of the District's Local Capital Improvement Fund decreased by \$12.9 million during the current fiscal year. This is due to revenue being recognized in a prior fiscal year when the District received the funding, and project construction costs occurring in the current fiscal year, as well as, a decrease in property values.

Other Capital Projects The Other Capital Projects Fund is used to account for the acquisition and construction of major capital facilities and debt service. At the end of the current fiscal year the total fund balance for Other Capital Projects Fund was \$84.3 million. The fund balance of the Other Capital Projects Fund decreased by \$24.8 million during the current fiscal year. This is due to revenue being recognized in a prior fiscal 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.

General Fund Budgetary Highlights

Differences between the General Fund original budget and the final amended budget included:

- \$3.6 million increase in revenue projections due to other local revenue being greater than planned.
- \$15.5 million increase in expenditure allocations due to increases in various expenditures across the board, particularly in capital outlay expenditure allocations.

The final budget projected a net decrease in fund balance of \$31.8 million. However, due to the following actual results, actual fund balance was decreased by \$4.1 million:

- Revenues exceeded budgetary estimates by \$2.9 million which was primarily due to higher than expected local source revenues offsetting state revenue shortfalls.
- Expenditures were \$44.1 million less than budgetary estimates primarily due to the lapsing of appropriated salaries/benefits and other expenditures.
- Other financing sources were less than budgetary estimates by \$19.3 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, 2012, amounted to \$1.1 billion. This investment in capital assets, net of accumulated depreciation, consists of 95.7 percent real property, such as land, building and fixed equipment, improvements other than buildings, and construction in progress. The remainder, which reflected 4.3 percent of the total, consisted of tangible property such as furniture, fixtures, equipment, and vehicles. The overall decrease in the District's investment in capital assets, net of accumulated depreciation, was 0.3 percent compared to the balance at prior fiscal year end.

THE SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2012

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

- Various new buildings, renovations, and remodeling were completed which resulted in a \$24.6 million additions to building acquisition costs.
- Construction in progress on one new school, as well as, major renovations and remodeling to existing schools, was \$102.1 million by fiscal year end. Also, commitments remaining at fiscal year-end on existing construction contracts totaled \$17.2 million.

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

	2012	2011
Land	\$95,631	\$95,467
Construction in progress	102,129	98,926
Improvements other than buildings	12,766	12,822
Buildings and fixed equipment	887,327	891,551
Furniture, fixtures, and equipment	24,171	24,737
Motor vehicles	21,487	20,053
Audio visual materials and computer software	3,333	6,788
Total	<u>\$1,146,844</u>	<u>\$1,150,344</u>

Additional information on the District's capital assets can be found in the Notes to the Financial Statements, note 6 – Changes in Capital Assets, page 64, and note 20 – Construction Contract Commitment, page 91.

Long-term Debt At the end of the current fiscal year, the District had total bonded debt outstanding of \$179.6 million. This included \$15.8 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, \$163.8 million of sales tax bonds secured by a local option half cent sales tax. Additionally, the District had \$232.0 million in certificates of participation in which the annually appropriated lease payments on the part of the District are the pledged revenue stream. The decrease in long-term debt is attributable to principal payments made on sales tax revenue bonds, offset by increases in the valuation of derivative instruments.

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

	2012	2011
Sales tax revenue bonds	\$163,840	\$183,323
Certificates of participation	232,035	239,716
State school bonds	15,790	17,930
Derivative instruments	29,852	16,899
Swap - upfront payments	4,940	5,376
Notes payable	4,231	5,413
Compensated absences	39,671	40,389
Est. liability for claims	34,755	33,578
OPEB liability	30,229	23,558
Total	<u>\$555,343</u>	<u>\$566,182</u>

THE SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2012

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.

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 \$29 million, which provides a debt service margin of \$12.3 million when compared to the District's \$16.7 million debt service on the certificates of participation during the 2011-12 fiscal year.

Sales tax proceeds that can be applied towards sales tax bonds are estimated to be \$28.9 million, which provides a debt service margin of \$2.4 million when compared to the District's \$26.5 million debt service on sales tax bonds during the 2011-12 fiscal year.

Additional information on the District's long-term debt can be found in the Notes to the Financial Statements, notes 7 through 10 beginning on page 65.

Economic Factors and Next Year's Budget

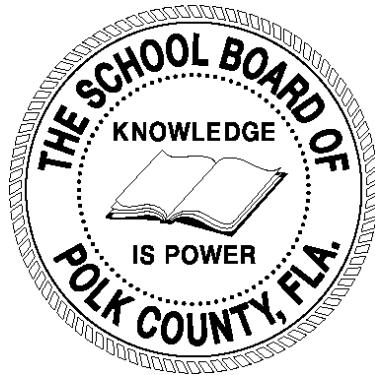
- The current local unemployment rate for the District is 9.5 percent, which is a decrease from the 11.6 percent reported for calendar year 2011.
- The District's regional consumer price index increased 2.8 percent from April 2011 to April 2012.
- The State's consumer confidence index was 75 in April 2012, a slight increase from 68 in April 2011.

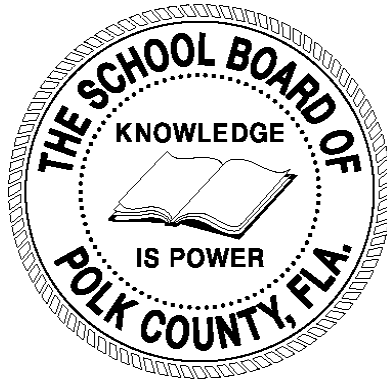
Such factors, which reflect the beginning of a turnaround in the local economy, were considered in preparing the District's budget for the 2012-13 fiscal year.

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, 2012

	<u>Primary Government</u>	
	<u>Governmental Activities</u>	<u>Component Units</u>
ASSETS:		
Cash	\$ 47,101,334	\$ 14,550,099
Investments	270,479,753	7,501,724
Accounts receivable, net	11,441,359	4,422,649
Due from other governmental agencies	4,919,708	299,449
Inventories	6,460,772	-
Deferred charges	3,640,690	-
Prepaid items	2,462,282	1,192,953
Deferred outflow of resources	24,303,328	-
Other assets	-	458,325
Capital Assets (net of accumulated depreciation):		
Land	95,630,597	980,508
Construction in progress	102,128,999	343,720
Improvements other than buildings	12,766,066	427,471
Buildings and systems	887,327,356	6,860,478
Furniture, fixtures and equipment	24,170,751	1,730,874
Motor vehicles	21,487,391	2,092,355
Audio visual materials	3,332,541	-
Computer software	-	6,174
Total assets	<u>\$ 1,517,652,927</u>	<u>\$ 40,866,779</u>
LIABILITIES		
Accounts payable	\$ 25,109,024	\$ 2,053,848
Salaries and wages payable	21,482,644	1,733,295
Accrued payroll taxes and withholdings payable	3,959,772	-
Accrued interest payable	2,298,778	-
Matured interest payable	1,299,728	-
Due to other governmental agencies	11,739,551	-
Sales tax payable	9,228	-
Unearned revenue	235,625	39,999
Noncurrent liabilities:		
Due within one year	51,102,479	583,531
Due in more than one year	504,240,074	6,239,594
Total liabilities	<u>621,476,903</u>	<u>10,650,267</u>
NET ASSETS		
Invested in capital assets, net of related debt	761,406,520	5,838,353
Restricted for:		
State required carryover programs	7,815,220	-
Debt service	4,787,241	-
Capital outlay	100,796,449	-
Food service	10,994,880	-
Endowment - nonexpendable	-	1,580,743
Federal programs	205,270	-
Other purposes	-	652,147
Unrestricted	10,170,444	22,145,269
Total net assets	<u>896,176,024</u>	<u>30,216,512</u>
Total liabilities and net assets	<u>\$ 1,517,652,927</u>	<u>\$ 40,866,779</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, 2012

Functions/Programs	Expenses	Charges for Services
Primary government:		
Governmental activities:		
Instructional services	\$ 501,426,971	\$ 2,345,684
Instructional support services	83,720,068	-
Pupil transportation services	36,358,224	470,384
Operation and maintenance of plant	65,550,721	-
Non capitalizable facilities acquisition and construction	26,495,710	-
School administration	40,309,921	-
General administration	33,189,832	-
Food services	43,949,263	7,303,763
Community services and other	3,194,285	-
Unallocated interest on long-term debt	19,908,363	-
Unallocated fiscal charges on long-term debt	(349,136)	-
Unallocated depreciation expense *	534,531	-
Total governmental activities and primary government	<u>\$ 854,288,753</u>	<u>\$ 10,119,831</u>
Component units:		
Foundation and charter schools	\$ 79,292,900	\$ 3,257,837
Total component units	<u>\$ 79,292,900</u>	<u>\$ 3,257,837</u>

General Revenues:

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

* This amount excludes the depreciation that is included in the direct expenses of the various functions.

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

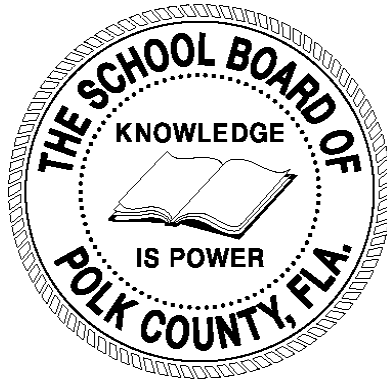
Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Component Units
\$ -	\$ -	\$ (499,081,287)	\$ -
-	-	(83,720,068)	-
-	-	(35,887,840)	-
-	-	(65,550,721)	-
-	503,273	(25,992,437)	-
-	-	(40,309,921)	-
-	-	(33,189,832)	-
34,978,416	-	(1,667,084)	-
-	-	(3,194,285)	-
-	2,868,554	(17,039,809)	-
-	-	349,136	-
-	-	(534,531)	-
<u>\$ 34,978,416</u>	<u>\$ 3,371,827</u>	<u>(805,818,679)</u>	<u>-</u>
 \$ 5,963,862	 \$ 477,879	 -	 (69,593,322)
<u>\$ 5,963,862</u>	<u>\$ 477,879</u>	<u>-</u>	<u>(69,593,322)</u>
		158,902,058	-
		38,650,765	-
		32,340,726	-
		3,764,463	-
		524,209,496	69,023,267
		695,722	1,939
		14,248,892	92,431
		<u>772,812,122</u>	<u>69,117,637</u>
		(33,006,557)	(475,685)
		929,182,581	30,772,343
		-	(80,146)
		<u>929,182,581</u>	<u>30,692,197</u>
		<u>\$ 896,176,024</u>	<u>\$ 30,216,512</u>

THE SCHOOL DISTRICT OF POLK COUNTY**BALANCE SHEET****GOVERNMENTAL FUNDS****FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	General	Federal Economic Stimulus Programs	ARRA Debt Service
ASSETS			
Cash	\$ 588,328	\$ 239,990	\$ 1,104,527
Investments	104,838,284	-	-
Investments, restricted	-	-	2,232,961
Accounts and interest receivable, net	4,001,884	235	-
Due from other governmental agencies	148,732	-	-
Due from other funds	3,499,954	-	-
Inventories	5,249,841	-	-
Prepaid Items	2,402,590	-	-
Total assets	<u>\$ 120,729,613</u>	<u>\$ 240,225</u>	<u>\$ 3,337,488</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts and contracts payable	\$ 8,278,129	\$ 176,384	\$ -
Salaries and wages payable	21,480,465	-	-
Payroll deductions and withholdings	3,959,184	-	-
Due to other funds	11,583	-	-
Due to other governmental agencies	11,663,893	63,841	-
Sales tax payable	8,760	-	-
Deferred revenue	15,011	-	-
Matured interest payable	-	-	-
Total liabilities	<u>45,417,025</u>	<u>240,225</u>	<u>-</u>
Fund balances			
Nonspendable:			
Inventories	5,249,841	-	-
Prepaid amounts	2,402,590	-	-
Restricted:			
State required carryover	7,815,220	-	-
Special revenues	-	-	-
Food service	-	-	-
Debt service	-	-	3,337,488
Capital projects	-	-	-
Other	4,764,837	-	-
Assigned:			
Purchase obligations	630,548	-	-
School carryover	1,433,417	-	-
Other	785,868	-	-
Unassigned	52,230,267	-	-
Total fund balances	<u>75,312,588</u>	<u>-</u>	<u>3,337,488</u>
Total liabilities and fund balances	<u>\$ 120,729,613</u>	<u>\$ 240,225</u>	<u>\$ 3,337,488</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
\$ -	\$ 13,943,134	\$ 10,944,006	\$ 26,819,985
36,724,284	68,282,957	7,941,672	217,787,197
-	-	1,416,530	3,649,491
622,784	6,460,371	344,167	11,429,441
-	51,089	4,694,888	4,894,709
18,484	-	7,526	3,525,964
-	-	1,210,931	6,460,772
-	-	59,692	2,462,282
<u>\$ 37,365,552</u>	<u>\$ 88,737,551</u>	<u>\$ 26,619,412</u>	<u>\$ 277,029,841</u>
\$ -	\$ 4,411,261	\$ 655,525	\$ 13,521,299
-	-	2,179	21,482,644
-	-	12	3,959,196
-	-	3,525,964	3,537,547
-	-	11,817	11,739,551
-	-	468	9,228
-	-	220,613	235,624
-	-	1,299,728	1,299,728
<u>-</u>	<u>4,411,261</u>	<u>5,716,306</u>	<u>55,784,817</u>
-	-	1,210,931	6,460,772
-	-	59,692	2,462,282
-	-	-	7,815,220
-	-	145,578	145,578
-	-	9,783,949	9,783,949
-	-	3,748,531	7,086,019
37,365,552	84,326,290	5,954,425	127,646,267
-	-	-	4,764,837
-	-	-	630,548
-	-	-	1,433,417
-	-	-	785,868
-	-	-	52,230,267
<u>37,365,552</u>	<u>84,326,290</u>	<u>20,903,106</u>	<u>221,245,024</u>
<u>\$ 37,365,552</u>	<u>\$ 88,737,551</u>	<u>\$ 26,619,412</u>	<u>\$ 277,029,841</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, 2012**

Total Fund Balances - Governmental Funds \$ 221,245,024

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. Internal service fund capital assets are excluded from this amount because they are reflected in internal service fund net assets reconciling item. 1,146,834,806

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. Deferred charges equal \$3,640,690 and deferred outflow of resources equal \$24,303,328. 27,944,018

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. 23,038,080

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Internal service fund claims are excluded from this amount because they are reflected in internal service fund net assets reconciling item. (520,587,125)

Accrued interest on long-term liabilities is not due and payable in the current period and therefore, is not reported in the funds. (2,298,779)

Total Net Assets - Governmental Activities \$ 896,176,024

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, 2012**

	General	Federal Economic Stimulus Programs	ARRA Debt Service	Local Capital Improvement	Other Capital Projects
REVENUES					
Local sources:					
Ad valorem taxes	\$ 158,902,058	\$ -	\$ -	\$ 38,650,765	\$ -
Local sales tax	-	-	-	-	32,340,726
Impact fees	-	-	-	-	3,764,463
Food services	-	-	-	-	-
Other	10,445,862	-	11,434	112,130	6,915,551
Total local sources	169,347,920	-	11,434	38,762,895	43,020,740
State sources:					
Florida education finance program	313,380,995	-	-	-	-
Categorical programs	111,230,541	-	-	-	-
Workforce development	9,979,527	-	-	-	-
Food services	-	-	-	-	-
Charter school capital outlay	-	-	-	-	1,373,015
Other	1,175,927	-	-	-	-
Total state sources	435,766,990	-	-	-	1,373,015
Federal sources:					
Federal grants direct	936,248	-	1,141,798	-	-
Federal grants through state and local:					
Food services	-	-	-	-	-
Other	2,006,389	5,369,570	-	-	-
Total federal sources	2,942,637	5,369,570	1,141,798	-	-
Total revenues	608,057,547	5,369,570	1,153,232	38,762,895	44,393,755
EXPENDITURES					
Current:					
Instructional Services	431,005,949	1,521,547	-	-	-
Pupil personnel services	25,265,914	46,399	-	-	-
Instructional media services	7,318,525	538	-	-	-
Instruction and curriculum development services	3,158,655	1,092,936	-	-	-
Instructional staff training services	925,265	810,519	-	-	-
Instructional related technology	8,964,550	-	-	-	-
Board of education	2,372,303	-	-	-	-
General administration	3,362,322	130,417	-	-	-
School administration	37,540,773	7,258	-	-	-
Non capitalizable facilities acquisition and construction	8,826,973	-	-	-	2,676,843
Fiscal services	2,899,119	30,777	-	-	-
Food services	-	5,533	-	-	-
Central services	8,804,298	345,248	-	-	-
Pupil transportation services	31,265,555	-	-	-	-
Operation of plant	43,843,634	2,212	-	-	-
Maintenance of plant	16,468,495	-	-	-	-
Administrative technology services	4,781,964	148,851	-	-	-
Community services and other	282,267	-	-	-	-
Debt Service:					
Principal retirement	1,181,605	-	-	-	-
Interest	220,985	-	1,530,060	-	-
Dues, fees and other	-	-	33,765	-	-
Capital outlay					
Facilities acquisition and construction	1,078,991	60,930	-	-	36,131,100
Other capital outlay	7,664,748	1,166,405	-	-	2,151,669
Total expenditures	647,232,890	5,369,570	1,563,825	-	40,959,612
Excess (deficiency) of revenues over (under) expenditures	(39,175,343)	-	(410,593)	38,762,895	3,434,143

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

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 197,552,823
-	32,340,726
-	3,764,463
7,303,763	7,303,763
<u>1,196,117</u>	<u>18,681,094</u>
<u>8,499,880</u>	<u>259,642,869</u>
-	313,380,995
-	111,230,541
-	9,979,527
707,192	707,192
-	1,373,015
<u>3,501,495</u>	<u>4,677,422</u>
<u>4,208,687</u>	<u>441,348,692</u>
13,435,393	15,513,439
34,271,224	34,271,224
<u>63,198,441</u>	<u>70,574,400</u>
<u>110,905,058</u>	<u>120,359,063</u>
<u>123,613,625</u>	<u>821,350,624</u>
36,455,248	468,982,744
6,289,631	31,601,944
925,903	8,244,966
12,153,239	16,404,830
11,266,469	13,002,253
16,003	8,980,553
-	2,372,303
1,886,306	5,379,045
122,463	37,670,494
21,078	11,524,894
86,690	3,016,586
40,624,275	40,629,808
1,355,823	10,505,369
1,785,066	33,050,621
89,681	43,935,527
32,897	16,501,392
122,759	5,053,574
2,734,758	3,017,025
28,895,000	30,076,605
17,246,629	18,997,674
1,176,357	1,210,122
5,802,418	43,073,439
<u>1,689,926</u>	<u>12,672,748</u>
<u>170,778,619</u>	<u>865,904,516</u>
<u>(47,164,994)</u>	<u>(44,553,892)</u>

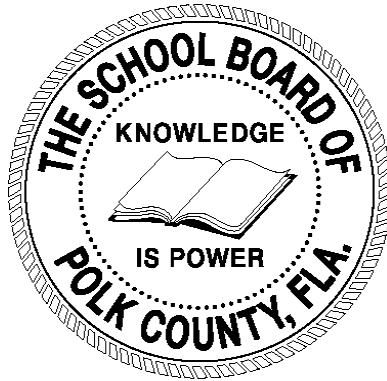
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THE SCHOOL DISTRICT OF POLK COUNTY**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	General	Federal Economic Stimulus Programs	ARRA Debt Service	Local Capital Improvement	Other Capital Projects
OTHER FINANCING SOURCES (USES):					
Premium on sale of bonds	-	-	-	-	-
Refunding bonds issued	-	-	-	-	-
Payments to refunded bond escrow agent	-	-	-	-	-
Loss Recoveries	182,783	-	-	-	-
Transfers in	34,998,961	-	2,139,260	-	-
Transfers out	(93,357)	-	-	(51,650,109)	(28,282,702)
Total other financing sources and uses	<u>35,088,387</u>	<u>-</u>	<u>2,139,260</u>	<u>(51,650,109)</u>	<u>(28,282,702)</u>
Net change in fund balances	(4,086,956)	-	1,728,667	(12,887,214)	(24,848,559)
Fund balances - beginning	<u>79,399,544</u>	<u>-</u>	<u>1,608,821</u>	<u>50,252,766</u>	<u>109,174,849</u>
Fund balances - ending	<u>\$ 75,312,588</u>	<u>\$ -</u>	<u>\$ 3,337,488</u>	<u>\$ 37,365,552</u>	<u>\$ 84,326,290</u>

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

Nonmajor Governmental Funds	Total Governmental Funds
48,089	48,089
440,000	440,000
(486,816)	(486,816)
-	182,783
45,266,298	82,404,519
(803,329)	(80,829,497)
<u>44,464,242</u>	<u>1,759,078</u>
(2,700,752)	(42,794,814)
<u>23,603,858</u>	<u>264,039,838</u>
<u>\$ 20,903,106</u>	<u>\$ 221,245,024</u>



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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, 2012**

Net Change in Fund Balances - Total Governmental Funds \$ (42,794,814)

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 depreciation expense exceeds capital outlays during the current period. (2,981,393)

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. (519,358)

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 exceeded proceeds in the current year. 30,146,605

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 amortization exceeds additions. 881,999

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. (433,981)

Deferred amounts are expended in the governmental funds in the year the debt is issued, but are deferred and amortized over the life of the debt in the statement of activities. (542,019)

Upfront payments associated with interest rate swaps/swaptions are reported in governmental funds in the year debt is issued, but are deferred and amortized over the term of the swap/swaption in the statement of activities. This is the amount of amortization during the current period. 436,184

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 (6,670,788)

Interest expense 283,204

Compensated absences 718,336

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. (11,530,532)

Change in Net Assets of Governmental Activities \$ (33,006,557)

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, 2012**

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Local sources:				
Ad valorem taxes	\$ 157,372,355	\$ 157,372,355	\$ 158,902,058	\$ 1,529,703
Other	7,427,413	9,625,419	10,445,862	820,443
Total local sources	164,799,768	166,997,774	169,347,920	2,350,146
State sources:				
Florida education finance program	312,483,125	313,425,557	313,380,995	(44,562)
Categorical programs	110,929,555	111,348,868	111,230,541	(118,327)
Workforce development	9,979,527	9,979,527	9,979,527	-
Other	1,150,000	1,150,000	1,175,927	25,927
Total state sources	434,542,207	435,903,952	435,766,990	(136,962)
Federal sources:				
Federal grants direct	775,000	775,000	936,248	161,248
Federal grants through state	1,500,000	1,500,000	2,006,389	506,389
Total federal sources	2,275,000	2,275,000	2,942,637	667,637
Total revenues	601,616,975	605,176,726	608,057,547	2,880,821
EXPENDITURES				
Current:				
Instructional services:	451,726,135	445,534,533	431,005,949	14,528,584
Pupil Personnel Services	21,386,853	26,273,774	25,265,914	1,007,860
Instructional Media Services	6,944,818	7,506,237	7,318,525	187,712
Instruction and Curriculum Development Services	2,609,697	3,199,197	3,158,655	40,542
Instruction Staff Training Services	1,053,644	1,213,942	925,265	288,677
Instruction Related Technology	10,155,432	10,256,980	8,964,550	1,292,430
Board of Education	2,344,686	2,377,622	2,372,303	5,319
General Administration	3,070,222	3,373,288	3,362,322	10,966
School Administration	38,374,095	38,937,197	37,540,773	1,396,424
Non Capitalizable Facilities Acquisition and Construction	9,538,455	13,491,827	8,826,973	4,664,854
Fiscal Services	2,984,707	3,161,345	2,899,119	262,226
Central Services	8,980,144	10,041,030	8,804,298	1,236,732
Pupil Transportation	30,747,392	32,735,841	31,265,555	1,470,286
Operation of Plant	46,242,949	46,529,954	43,843,634	2,686,320
Maintenance of Plant	23,853,945	23,714,897	16,468,495	7,246,402
Administrative Technology Services	5,739,443	5,203,945	4,781,964	421,981
Community Services	409,388	407,237	282,267	124,970
Debt Service				
Redemption of principal	1,183,600	1,183,600	1,181,605	1,995
Interest	220,987	220,987	220,985	2
Total debt service	1,404,587	1,404,587	1,402,590	1,997
Capital Outlay				
Facilities acquisition and construction	-	6,395,007	1,078,991	5,316,016
Other capital outlay	8,181,776	9,536,161	7,664,748	1,871,413
Total capital outlay	8,181,776	15,931,168	8,743,739	7,187,429
Total expenditures	675,748,368	691,294,601	647,232,890	44,061,711

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, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Excess (deficiency) of revenues over (under) expenditures	<u>(74,131,393)</u>	<u>(86,117,875)</u>	<u>(39,175,343)</u>	<u>46,942,532</u>
OTHER FINANCING SOURCES (USES)				
Loss Recoveries	-	171,964	182,783	10,819
Transfers in	51,461,180	54,259,862	34,998,961	(19,260,901)
Transfers out	<u>-</u>	<u>(93,357)</u>	<u>(93,357)</u>	<u>-</u>
Total other financing sources and uses	<u>51,461,180</u>	<u>54,338,469</u>	<u>35,088,387</u>	<u>(19,250,082)</u>
Net change in fund balances	<u>(22,670,213)</u>	<u>(31,779,406)</u>	<u>(4,086,956)</u>	<u>27,692,450</u>
Fund balances - beginning	<u>79,399,544</u>	<u>79,399,544</u>	<u>79,399,544</u>	<u>-</u>
Fund balances - ending	<u>\$ 56,729,331</u>	<u>\$ 47,620,138</u>	<u>\$ 75,312,588</u>	<u>\$ 27,692,450</u>

THE SCHOOL DISTRICT OF POLK COUNTY**MAJOR SPECIAL REVENUE FUND - FEDERAL ECONOMIC STIMULUS PROGRAMS FUND****STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -****BUDGET AND ACTUAL****FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Local sources:				
Other	\$ -	\$ 21,093	\$ -	\$ (21,093)
Total local sources	-	21,093	-	(21,093)
Federal sources:				
Federal grants through state	3,539,499	6,669,890	5,369,570	(1,300,320)
Total federal sources	3,539,499	6,669,890	5,369,570	(1,300,320)
Total revenues	3,539,499	6,690,983	5,369,570	(1,321,413)
EXPENDITURES				
Current:				
Instructional services:	1,437,844	1,719,673	1,521,547	198,126
Pupil Personnel Services	77,137	51,289	46,399	4,890
Instructional Media Services	6,080	1,631	538	1,093
Instruction and Curriculum Development Services	6,080	1,585,634	1,092,936	492,698
Instruction Staff Training Services	794,670	1,197,939	810,519	387,420
General Administration	65,894	175,917	130,417	45,500
School Administration	10,867	11,605	7,258	4,347
Fiscal Services	7,654	66,412	30,777	35,635
Food Service	10,866	10,965	5,533	5,432
Central Services	229,253	467,598	345,248	122,350
Operation of Plant	4,346	4,385	2,212	2,173
Administrative Technology Services	36,720	148,851	148,851	-
Capital Outlay				
Facilities acquisition and construction	-	60,930	60,930	-
Other capital outlay	852,088	1,188,154	1,166,405	21,749
Total capital outlay	852,088	1,249,084	1,227,335	21,749
Total expenditures	3,539,499	6,690,983	5,369,570	1,321,413
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ -	\$ -

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, 2012**

	Total Internal Service Funds
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 20,281,348
Investments	49,043,065
Accounts receivable	11,917
Due from other funds	11,583
Prepaid Items	25,000
Total current assets	<u>69,372,913</u>
Noncurrent Assets:	
Capital assets	<u>8,895</u>
Total noncurrent assets	<u>8,895</u>
Total assets	<u><u>\$ 69,381,808</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 11,586,147
Payroll Deductions and Withholdings	2,095
Due to other agencies	59
Estimated liability for claims	12,890,230
Total current liabilities	<u>24,478,531</u>
Noncurrent liabilities:	
Estimated liability for claims	<u>21,865,197</u>
Total liabilities	<u>21,865,197</u>
NET ASSETS	
Capital assets	8,896
Unrestricted	<u>23,029,184</u>
Total net assets	<u>23,038,080</u>
Total net assets and liabilities	<u><u>\$ 69,381,808</u></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, 2012**

	Total Internal Service Funds
OPERATING REVENUES:	
Premium revenue from other funds	\$ 84,403,448
Other revenue	3,412,318
Total operating revenues	<u>87,815,766</u>
OPERATING EXPENSES:	
Purchased services	8,115,825
Energy services	1,195
Materials and supplies	3,023
Capital outlay	313,863
Depreciation	18
Claims	89,480,486
Total operating expenses	<u>97,914,410</u>
Operating loss	<u>(10,098,644)</u>
NON-OPERATING REVENUE:	
Interest	152,029
Total non-operating revenue	<u>152,029</u>
Loss before transfers	(9,946,615)
TRANSFERS OUT	<u>(1,575,022)</u>
Change in net assets	(11,521,637)
Total net assets - beginning	<u>34,559,717</u>
Total net assets - ending	<u>\$ 23,038,080</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, 2012**

	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from interfund services provided	\$ 84,609,370
Payment to suppliers	(2,667,820)
Payment / premium to employees	1,520
Insurance Claims Payments	(88,302,882)
Other receipts	3,413,426
Net cash provided (used) by operating activities	<u>(2,946,386)</u>
CASH FLOWS FROM NON CAPITAL AND RELATED FINANCING ACTIVITIES:	
Transfers to other funds	<u>(1,575,022)</u>
Net cash used in noncapital and related financing activities	<u>(1,575,022)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition and construction of capital assets	<u>(8,913)</u>
Net cash used in capital and related financing activities	<u>(8,913)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sales and maturities of investments	1,241,220
Interest and dividends earned on investments	152,029
Net cash provided by investing activities	<u>1,393,249</u>
Net decrease in cash and cash equivalents	(3,137,072)
Cash and cash equivalents - Beginning of year	<u>23,418,420</u>
Cash and cash equivalents - End of year	<u><u>\$ 20,281,348</u></u>
Reconciliation of operating loss to net cash provided (used) by operating activities:	
Operating loss	\$ (10,098,644)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	18
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	217,506
(Increase) decrease in due from other funds	(11,583)
(Increase) decrease in prepaid items	(25,000)
Increase (decrease) in accounts payable	5,792,193
Increase (decrease) in payroll deductions and withholdings	1,520
Increase (decrease) in estimated liability for claims adjust expense	1,177,604
Total adjustments	<u>7,152,240</u>
Net cash provided (used) by operating activities	<u><u>\$ (2,946,386)</u></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, 2012**

	Agency Funds
ASSETS	
Cash	\$ 3,740,521
Investments	5,093,331
Accounts receivable	362,214
Due from other agencies	201
Inventory	525,889
Total assets	<u>\$ 9,722,156</u>
LIABILITIES	
Accounts payable	\$ 15,217
Due to student organizations	9,706,939
Total liabilities	<u>\$ 9,722,156</u>

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

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

The governing body of the District is the Board, which is comprised of seven elected members. The appointed Superintendent of Schools is the executive officer of the District. 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 (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 Board is financially accountable and other organizations for which the nature and significance of their relationship with the 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's reporting 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 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. (Foundation) 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 standards based instruction; Berkley Elementary Charter School, Inc. which focuses on cooperative learning; Polk Pre-Collegiate Academy, which

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

A. Reporting Entity (continued)

offers rigorous, honors level courses for students seeking the collegiate track; and, finally, New Beginnings High School, which serves as a dropout retrieval program; (collectively, The Charter Schools). The charter schools are considered to be component units of the District since they are fiscally dependent on the District to levy taxes for its support.

The Foundation 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. Because of the nature and significance of its relationship with the District, the Foundation is considered a component unit.

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, 2012, 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 are terminated.

As a result of the closure of the Life Skills Center Polk County East, Inc., which ended June 30, 2011, District's management has excluded this charter school, which was reported as a component unit during prior fiscal years. In addition, the New Beginnings High School was omitted in error from the ending net assets in the 2010-11 fiscal year. As a result of these changes, the net assets of the component units as a whole have been adjusted as follows:

	Asset Balances
Net Assets – Beginning of the Year, as Previously Reported	\$30,772,343
Adjustment for Effect of Change in Reporting Entity	(83,014)
Adjustment for Correction of Prior Year Error	<u>2,868</u>
Net Assets – Beginning of Year, Restated	<u>\$30,692,197</u>

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, 2012

A. Reporting Entity (continued)

Complete audited financial statements of District charter schools 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, Inc.
 716 E. Bella Vista St.
 Lakeland, FL 33805

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

Berkley Elementary Charter School, Inc.
 5240 Berkley Road
 Auburndale, FL 33823

Berkley Accelerated Middle School
 5316 Berkley Road
 Auburndale, FL 33823

Compass Charter Middle School, Inc.
 550 E. Clower Street
 Bartow, FL 33830

Discovery Academy of Lake Alfred, Inc.
 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

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

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

New Beginnings High School
 3425 Old Lake Alfred Road
 Winter Haven, FL 33881

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

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

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

Polk State College - Collegiate
 High School
 3425 Winter Lake Rd, LAC Building
 Lakeland, FL 33881

Polk Pre-Collegiate Academy
 5316 Berkley Road
 Auburndale, FL 33823

Ridgeview Global Studies
 Academy, Inc.
 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, 2012

B. Basis of Presentation

Government-wide Financial Statements – Government-wide financial statements, i.e., 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.

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 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. Depreciation expense is allocated to the various functions by the District's accounting software based on an assigned function for each individual asset at the time of acquisition, while remaining depreciation expense is not readily associated with a particular function and is reported as unallocated. 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.

The effects of the interfund activity have been eliminated from the government-wide financial statements, except for Interfund services provided and used.

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. Nonmajor 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, a reconciliation is presented with each of the governmental fund financial statements.

The District reports the following major governmental funds:

General – 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.

Federal Economic Stimulus Programs – accounts for and reports funds received by the District from the American Recovery and Reinvestment Act (ARRA) Economic Stimulus funds and other Federal stimulus programs.

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 – 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.

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

B. Basis of Presentation – (continued)

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.

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 (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 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 claims and purchased services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

C. Basis of Accounting (continued)

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 Foundation, 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 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 Foundation 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 Comprehensive Annual Financial Report (CAFR) 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 with the State Board of Administration (SBA) in debt service accounts for investment of debt service moneys reported for fair value, and amounts placed with the SBA for participation in the Florida PRIME and Fund B Surplus Funds Trust Fund (Fund B) investment pools. 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 0.83481105 at June 30, 2012. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the SBA, are effected by transferring eligible cash or securities to Florida PRIME, 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 Florida PRIME. Fund B is not rated by any nationally recognized statistical rating agency.

The District also has investment management agreements with The Core Fund and the Florida Education Investment Trust Fund (FEITF), and their respective custodians. Both funds are external pools similar to the Florida PRIME. All such investments are reported at fair value.

The District's investments in Florida PRIME and FEITF, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like fund as of June 30, 2012, 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.

Investments made locally consist of money market mutual funds and United States Treasury Securities 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.

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

E. Interfund Receivables and Payables (continued)

The Certificates of Participation (COPs) Fund, 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, except that United States Department of Agriculture donated foods are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. All other inventories are stated on a moving-average basis. The costs of inventories are recorded as expenditures when used, rather than when purchased. Prepaid items are reported in the governmental funds under the consumption method and consist 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.

Capital assets 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	5
Audio Visual Materials	3

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

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

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. Premiums and discounts, as well as issuance costs, are deferred and amortized over the life of bonds and other long-term debt using the straight-line method, which approximates the effective interest method. Debt is reported net of the applicable premium or discount. Issuance costs for bonds payable and other long-term debt 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 premiums and discounts, as well as 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. A liability for these amounts is reported in the governmental funds financial statements only if it has matured such as occurrences of employee resignations and retirements.

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 five months following the date of 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 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 these educational programs. The Department generally requires that educational program revenues be accounted for in the General Fund. A portion of the fund balance of the General Fund is restricted for the unexpended balance of categorical and earmarked educational program resources.

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

I. State Revenue Sources (continued)

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay (PECO) money, to the District School Board on an annual basis. The District is authorized to expend these funds only upon applying for and receiving an encumbrance authorization for the Department. 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 2011 tax levy on September 6, 2011. 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 are 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 of the year following the year of assessment.

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. Educational Impact Fees

Polk County imposes an educational impact fee based on an ordinance adopted by the County Commission in 2003. This ordinance was most recently amended in July 2010, when Ordinance 2010-32 established, in part, revised rates to be collected. The educational impact fee is collected by the County for most new residential construction. The fees are collected by the County and each municipality within the County based on an interlocal agreement. The fees shall be used solely for the purpose of providing capital improvements to the public educational system necessitated by new residential development, and shall not be used for any expenditure that would be classified as a maintenance or repair expense. The authorized uses include, but are not limited to, land acquisition; facility design and construction costs; furniture and equipment; and payment of principal, interest, and related costs of indebtedness necessitated by new residential development.

L. 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, 2012

M. 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.

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

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 \$520,587,125 difference are as follows:

Bonds Payable, Net of Premium	\$ (179,629,972)
Certificates of Participation, Net of Discount and Deferred Amount	(232,034,716)
Notes Payable	(4,231,166)
Compensated Absences Payable	(39,670,662)
Derivative Instrument, Net of Upfront Payment	(34,791,633)
Other Post-Employment Benefits	<u>(30,228,976)</u>
Net adjustment to reduce Total Fund Balances-Total Governmental Funds to Total Net Assets-Governmental Activities	<u>\$ (520,587,125)</u>

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

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).

4. INVESTMENTS

As of June 30, 2012, the District has the following investments and maturities:

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

4. INVESTMENTS (continued)

Investment	Average Maturity	Fair Value
Money Market Funds		
State Board of Administration Local Government Surplus Funds Trust Fund Investment Pool: LGIP (Florida PRIME)	38 Days	\$ 91,521
State Board of Administration Local Government Surplus Funds Trust Fund Investment Pool US Bank Trustee for Polk Co SB: LGIP (Florida PRIME)	38 Days	10,526,663
Bank of Central Florida Insured Cash Sweep Purchases	--	5,002,576
Fidelity Prime Money Market Portfolio Class I	47 Days	45,080,866
Fifth Third Institutional Money Market Fund	Less than one year	<u>210,904</u>
Total Money Market Funds		60,912,530
Other Investments		
State Board of Administration Local Government Surplus Funds Trust Fund Investment Pool: Fund B	5.73 Years	3,009,315
State Board of Administration Local Government Surplus Funds Trust Fund Investment Pool US Bank: Fund B	5.73 Years	35,154
State Board of Administration - Debt Service Account	6 months	447,755
Trust Fund Investment US Bank Federal Farm Credit Bank Notes	Less than 6 months	2,513,542
The Core Fund – Short-Term U.S. US Government Bond Fund	1.69 years	52,628,456
United States Treasury Notes	2 to 5 Years	54,668,317
Trust Fund Investment US Bank United States Treasury Bills	Less than 6 months	1,128,435
Florida Education Investment Trust Fund (FEITF) - Intergovernmental Investment Pool	46 Days	100,099,505
U.S. Small Business Administration Loan Pools (Held by Fifth Third Bank)	7 Years	<u>130,075</u>
		<u>\$275,573,084</u>
Investments are reflected in the financial statements as follows (in thousands):		
Governmental Funds		\$ 221,436,688
Internal Service Funds		<u>49,043,065</u>
Governmental Activities		270,479,753
Fiduciary Funds		<u>5,093,331</u>
		<u>\$275,573,084</u>

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

4. INVESTMENTS (continued)

Interest Rate Risk

- Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. 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.
- Florida PRIME and FEIT had weighted average days to maturity (WAM) of 38 and 46 days, respectively, at June 30, 2012. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes. Due to the nature of the securities in Fund B, the interest rate risk information required by GASB Statement No. 40 (i.e., specific identification, duration, weighted average maturity, segmented time distribution, or simulation model) is not available. An estimate of the weighted average life (WAL) is available. In the calculation of the WAL, the time at which an expected principal amount is to be received, measured in years, is weighted by the principal amount received at that time divided by the sum of all expected principal payments. The principal amounts used in the WAL calculation are not discounted to present value as they would be in a weighted average duration calculation. The WAL, based on expected future cash flows, of Fund B at June 30, 2012, is estimated at 5.73 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL. Participation in Fund B is involuntary.
- The SBA Pool and The Core Fund, and the various money market funds are considered 2a7-like pools.
- The District has been unable to find a buyer for the SBA Loan Pool investments. As a result, the District has been forced to retain these investments.

Custodial Credit Risk

- Custodial credit risk is the risk of losses due to the failure of a counterparty that is in possession of investments or collateral securities. 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

- Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of June 30, 2012, the District's investment in Florida PRIME, was rated AAAM by Standard and Poor's (S&P), and the Fund B investments were unrated. The Core Fund was unrated as of June 30, 2012, but was upgraded by Moody's Investor Service (Moody's) to Aaa-bf as of August 09, 2012. The Fifth Third Institutional Money Market Fund and U.S. Small Business Administration Loan Pools were rated AAAM by S&P. Fidelity Prime Money Market Portfolio Class I, held by Wells Fargo Securities, was rated AAAM by S&P. The Florida Education Investment Trust Fund (FEIFT), which is an intergovernmental investment pool, was rated AAAM by S&P.
- The District's investments in the SBA 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 SBA for managing credit risk for this account.

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

4. INVESTMENTS (continued)

- As of June 30, 2012, the District's investment in United States Treasury Bills and United States Treasury Notes are rated AA+ by S&P.
- As of June 30, 2012, Trust Fund Investment US Bank FFCB Notes were rated AA+ by S&P and Aaa by Moody's. The credit agencies S&P and Moody's have not rated this asset since 2009, so the ratings have not changed as of June 30, 2012.
- As of June 30, 2012, the District's investment in the Bank of Central Florida Insured Cash Sweep Purchases was unrated.

Concentration of Credit Risk

- Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. 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 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 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 percent was placed in Florida PRIME to hold high-quality money-market appropriate securities and 14 percent 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 Florida PRIME totaling \$10,618,184 on June 30, 2012 (\$91,521 in the District's account plus \$10,526,663 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 \$3,646,896 on June 30, 2012 (\$3,604,786 in the District's account plus \$42,110 in the US Bank Trustee account) is uncertain at this time. The current market value adjustment is (\$602,427). Participation in Fund B is involuntary.

5. ACCOUNTS RECEIVABLE

The majority of receivables are due from other agencies. These receivables and the remaining accounts receivables 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 \$10,452, 0.09 percent of total accounts receivable.

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

6. CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital assets, not being depreciated:				
Land	\$ 95,466,901	\$ 163,696	\$ -	\$ 95,630,597
Construction in Progress	98,926,202	28,554,430	25,351,633	102,128,999
Total capital assets, not being depreciated	194,393,103	28,718,126	25,351,633	197,759,596
Capital assets, being depreciated:				
Improvements Other Than Buildings	43,050,058	1,010,148	236,986	43,823,220
Buildings and Systems	1,302,978,870	24,552,475	7,124,790	1,320,406,555
Furniture, Fixtures, and Equipment	84,479,347	7,069,499	3,692,367	87,856,479
Motor Vehicles	63,571,380	5,300,437	2,444,422	66,427,395
Audio Visual Materials and Computer Software	25,343,376	461,492	673,680	25,131,188
Total capital assets, being depreciated	1,519,423,031	38,394,051	14,172,245	1,543,644,837
Less accumulated depreciation for:				
Improvements Other Than Buildings	30,227,555	904,617	75,018	31,057,154
Buildings and Systems	411,427,629	28,666,319	7,014,749	433,079,199
Furniture, Fixtures, and Equipment	59,742,375	7,451,690	3,508,337	63,685,728
Motor Vehicles	43,518,548	3,865,368	2,443,912	44,940,004
Audio Visual Materials and Computer Software	18,555,575	3,853,943	610,871	21,798,647
Total accumulated depreciation	563,471,682	44,741,937	13,652,887	594,560,732
Total capital assets, being depreciated, net	955,951,349	(6,347,886)	519,358	949,084,105
Capital assets, net	\$ 1,150,344,452	\$ 22,370,240	\$ 25,870,991	\$ 1,146,843,701

Depreciation expense was charged to functions as follows:

Instructional	\$ 24,160,883
Student Personnel Services	1,628,132
Media Services	424,781
Curriculum Development	845,177
Instructional Training	669,876
Instructional Technology Support	462,420
Board	122,221
General Administration	274,553
School Administration	1,940,784
Facilities & Construction	611,346
Fiscal Services	155,414
Food Services	2,093,248
Central Services	5,568,951
Student Transportation	1,702,567
Operation of Plant	2,265,515
Maintenance of Plant	865,741
Administrative Technology Support	260,360
Community Services	155,437
Unallocated	534,531
Total Depreciation Expense	\$ 44,741,937

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

7. NOTES PAYABLE

Notes Payable are comprised of the following:

	<u>Balance at 06/30/12</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 the upgrade of lighting systems by Johnson Controls.	\$ 1,077,886
<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 \$108,298 to \$217,900. Interest rate of 4.267 percent. Proceeds used to refinance loans for the retrofit of lighting countywide by Johnson Controls.	883,593
<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 \$173,600 to \$215,300. Interest rate of 4.267 percent. Proceeds used to refinance loans for the retrofit of lighting countywide by Johnson Controls.	1,541,100
<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 \$141,496 to \$150,397. Interest rate of 4.267 percent. Proceeds used to refinance loans for the retrofit of lighting countywide by Johnson Controls.	<u>728,587</u>
Total Notes Payable	<u><u>\$ 4,231,166</u></u>

Notes payable are as follows:

Fiscal Year Ended <u>June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
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>\$4,590,301</u>	<u>\$4,231,166</u>	<u>\$359,135</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, 2012

8. CERTIFICATES OF PARTICIPATION

The Certificates of Participation (COPS) are instruments issued to finance lease purchase agreements in accordance with Section 1013.056, Florida Statutes. US Bank, N.A. 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 1011.71). 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 (Financing Corporation), 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 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 rates of 4.6 to 4.753.25 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. 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 with a rental fee of \$10 per year. By a master lease-purchase agreement, the properties covered by the ground lease are,

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

8. CERTIFICATES OF PARTICIPATION (continued)

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 13, 2002 and ending on the earlier of (a) the date on which the Series 2002 Certificate has been paid or provision for such payment have been made pursuant to the Trust Agreement or (b) January 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 20 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 Valleyview Elementary, Socrum Elementary, Watson Elementary, and portions of Loughman Oaks Elementary. The Series 1991 Project included the construction of George W. Jenkins Senior High School.

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, semi-annually, on July 1 and January 1 at interest rate of 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. 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, 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 have 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.

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 3.4 to 4.0 percent.

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

8. CERTIFICATES OF PARTICIPATION (continued)

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, 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. 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 is 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., which 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 30, 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, with a rental fee of \$10 per year. The initial term of the lease is for the period commencing on July 30, 2009, and ending on the earlier of: (a) the date of 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

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

8. CERTIFICATES OF PARTICIPATION (continued)

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 five (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 Series 2009A Certificates include serial certificates maturing through 2028 and term certificates maturing in 2028. The principal lease payments on the Series 2009A Certificates are payable by the District, annually, on Jan. 1. The interest lease payments are payable by the District, monthly, at a synthetic 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 30, 2009, to advance refund the Certificates of Participation, Series 2008A (formerly Series 1998 and 2008A certificates). 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, 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 30, 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.

The Series 2009B Certificates are comprised of 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 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 (formerly Series 1998 and 2008A).

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

8. CERTIFICATES OF PARTICIPATION (continued)

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. 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, 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 1.89 percent 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
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>

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

8. CERTIFICATES OF PARTICIPATION (continued)

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, 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.

The lease payments are payable by the District, annually, on the fifteenth (15th) day proceeding 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, 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 16 years from the date of inception of the arrangement.

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
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8. CERTIFICATES OF PARTICIPATION (continued)

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 Project was 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 payments are payable by the District, annually, on the fifteenth (15th) day proceeding 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. 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 percent) exceeds the interest rate on the Certificates (5.38 percent) 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 (Subsidy Payments).

As a condition of the 2010 financing arrangement, the District has given a ground lease on District property to the Financing Corporation, 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 percent 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.

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

8. CERTIFICATES OF PARTICIPATION (continued)

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	\$ 1,117,000	\$ 11,434	\$ 1,128,434
2013	1,093,040	37,323	2,258,797
2014	1,067,130	62,269	3,388,196
2015	1,041,777	87,071	4,517,044
2016	1,017,539	112,411	5,646,994
2017	992,673	136,725	6,776,392
2018	967,390	162,009	7,905,791
2019	942,455	186,944	9,035,190
2020	917,520	211,879	10,164,589
2021	891,958	238,130	11,294,677
2022	868,346	261,121	12,424,144
2023	842,715	285,926	13,552,785
2024	817,780	311,619	14,682,184
2025	792,845	336,554	15,811,583
2026	765,959	361,373	16,938,915
2027	744,019	388,548	18,071,482
2028	719,154	409,143	19,199,779
2029	693,104	436,294	20,329,177
2030	669,423	224,400	21,223,000
	<u>\$ 16,961,827</u>	<u>\$ 4,261,173</u>	<u>\$ 21,223,000</u>

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 2010D financing arrangement, the District has given a ground lease on District property to the Financing Corporation, 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

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

8. CERTIFICATES OF PARTICIPATION (continued)

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, and 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 proceeding January 1st, at interest rates ranging from 5.0 to 5.25 percent.

As discussed in Note 13, the District has entered into an interest rate swap agreement for the Series 2010D (formerly 2001A) Certificates of Participation as a means of managing interest rate costs associated with this debt issue.

The following is a summary of certificates of participation payable:

	<u>Balance at 6/30/12</u>
Series 2001A, \$54,615,000, Issued 3/21/01, partially refunded 12/30/10	\$2,195,000
Series 2002, \$30,270,000, Issued 11/13/02	3,425,000
Series 2003B, \$19,700,000, Issued 7/30/03	9,345,000
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	44,450,000
Series 2009B (Refinances 2008A), \$36,985,000., Issued 07/30/2009	36,805,000
Series 2009C QSCB, \$20,543,000, Issued 12/30/2009	20,543,000
Series 2010A (Refinances 1999A), \$51,315,000, Issued 03/09/2010	50,335,000
Series 2010B (Refinances 1999B), \$5,840,000, Issued 03/09/2010	3,610,000
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>44,070,000</u>
Total Certificates of Participation	<u>\$239,562,000</u>

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, 2012:

Fiscal Year Ended <u>June 30</u>	Certificates of Participation		
	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
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	17,263,282	10,090,000	7,173,282
2018-2022	90,079,324	61,116,000	28,963,324
2023-2027	106,762,193	93,633,000	13,129,193
2028-2030	<u>38,597,395</u>	<u>38,268,000</u>	<u>329,395</u>
Grand Totals	<u>\$321,459,406</u>	<u>\$239,562,000</u>	<u>\$81,897,406</u>
 Total COPS		 \$239,562,000	
Less: Unamortized Premium/Discount		(810,783)	
Deferred Amount on Refunding		<u>(6,716,501)</u>	
 Total COPS Payable		 <u>\$232,034,716</u>	

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

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 payments, investment of Debt Service Fund resources, and compliance with reserve requirements are administered by the State Board of Education and the State Board of Administration.

The following is a summary of bonds payable at June 30, 2012:

<u>State School Bonds:</u>	<u>Balance at 6/30/2012</u>
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 \$6,307.	\$ 295,000
Series 2005-A, \$1,185,000, Issued 6/1/2005, Matures Serially to 7/1/25, Interest Rate of 5.0 Percent, Payable in Future Annual Installments Ranging from \$50,000 to \$90,000, Semiannual Interest Payments Range from \$1,912 to \$19,641.	900,000
Series 2005-A (Q), \$14,020,000, Issued 05/1/2005. This refunded 1996-A, Matures Serially to 01/01/2016, Interest Rate of 5.0 Percent, Payable in Future Annual Installments Ranging from \$1,545,000 to \$1,900,000, Semiannual Interest Payments Range from \$47,500 to \$172,000.	6,880,000
Series 2005-B (R), \$2,595,000, Issued 07/1/2005. This partially refunded 1998-A, Matures Serially To 01/01/2018, Interest Rates of 5.0 Percent, Payable in Future Annual Installments Ranging from \$215,000 to \$355,000, Semiannual Interest Payments Range from \$8,875 to \$41,500.	1,660,000
Series 2006-A, \$1,035,000, Issued 06/15/2006, Matures Serially to 01/01/2026, Interest Rates Ranging From 4.0 to 4.625 Percent, Payable in Future Annual Installments Ranging from \$40,000 to \$95,000, Semi-Annual Interest Payments Range from \$2,197 to \$18,633.	845,000
Series 2009-A (Refunding Portion), \$655,000, Issued 08/15/2009. This refunded 1999-A, Matures Serially 01/01/2019, Interest Rates Ranging from 4.0 to 5.0 Percent, Payable in Future Annual Installments Ranging from \$60,000 to \$80,000, Semiannual Interest Payments Range from \$2,000 to \$11,575.	475,000
Series 2009-A (New Money Portion), \$4,220,000, Issued 08/15/2009, Matures Serially to 1/01/2029, Interest Rates Ranging from 4.0 to 5.0 Percent, Payable in Future Annual Installments Ranging from \$85,000 to \$460,000, Semiannual Interest Payments Range from \$9,775 to \$84,050.	3,960,000
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 \$8,150.	335,000
Series 2011-A, \$440,000, Issued 01/05/12, Matures Serially to 1/1/23, Interest Rates Ranging from 3.0 to 5.0 Percent. Payable in Future Annual Installments Ranging from \$15,000 to \$105,000, Semiannual Interest Payments Range from \$525 to \$9,825.	440,000
Total State School Bonds	<u>\$ 15,790,000</u>

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

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.

The District has pledged a combined total of \$185,444,152 of discretionary surtax sales revenues (sales tax revenues) in connection with the Series 2004, 2005, and 2007 Sales Tax Bond issues. During the 2011-12 fiscal year, the District recognized sales tax revenues totaling \$32,340,726 and expended \$26,495,120 (81.9 percent) of these revenues for debt service directly collateralized by these revenues. The pledged sales tax revenues are committed until final maturity of the debt, or October 1, 2019. Assuming a nominal growth rate in the collection of sales tax revenues, which are levied through December 31, 2019, approximately 66 percent of this revenue stream has been pledged in connection with debt service on the revenue bonds.

Sales tax bond issues are summarized below:

Series 2004, \$54,240,000, Issued 05/20/2004, Matures Serially to 10/1/2019, Interest Rates Ranging From 3.75 to 5.25 percent, Payable in Future Annual Installments Ranging from \$3,565,000 To \$4,825,000, Semiannual Interest Payments Range from \$126,656 to \$733,294.	\$ 29,080,000
Series 2005, \$92,245,000, Issued 07/26/2005, Matures Serially to 10/01/2019, Interest Rates Ranging From 3.375 to 5.0 percent, Payable in Future Annual Installments Ranging from \$6,430,000 To \$8,495,000, Semiannual Interest Payments Range from \$210,925 to \$1,196,596.	51,770,000
Series 2007, \$109,445,000, Issued 11/30/2007, Matures Serially to 10/01/2018, Interest Rates Ranging from 3.6 to 5.0 percent, Payable in Future Annual Installments Ranging from \$9,345,000 to \$12,535,000, Semiannual Interest Payments Range from \$300,850 to \$1,853,289.	76,085,000
Total Sales Tax Bonds	<u>156,935,000</u>
Total Bonds Payable	<u>\$ 172,725,000</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, 2012 are as follows:

State School Bonds

<u>Fiscal Year</u> <u>Ended</u> <u>June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2013	\$2,893,142	\$2,150,000	\$743,141
2014	2,903,960	2,265,000	638,960
2015	2,896,310	2,370,000	526,310
2016	2,918,370	2,510,000	408,370
2017	983,420	700,000	283,420
2018-2022	3,619,074	2,655,000	964,074
2023-2027	2,715,087	2,260,000	455,088
2028-2029	936,950	880,000	56,950
Total	<u>\$19,866,313</u>	<u>\$15,790,000</u>	<u>\$4,076,313</u>

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

9. BONDS PAYABLE (continued)

<u>Sales Tax Bonds</u>			
Fiscal Year Ended <u>June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
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	26,494,469	23,410,000	3,084,469
2018-2019	<u>52,983,893</u>	<u>50,455,000</u>	<u>2,528,893</u>
Totals	<u>\$185,444,152</u>	<u>\$156,935,000</u>	<u>\$28,509,152</u>
State School Bonds		\$15,790,000	
Sales Tax Bonds		<u>156,935,000</u>	
Sub Total Bonds		\$172,725,000	
Plus Unamortized Bond Premium/Discount		<u>6,904,972</u>	
Total Bonds Payable		<u>\$179,629,972</u>	

10. CHANGES IN LONG-TERM LIABILITIES

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

Description	BALANCE 7/1/11	ADDITIONS	DEDUCTIONS	BALANCE 6/30/12	DUE WITHIN ONE YEAR
Notes Payable	\$ 5,412,771	\$ -	\$ 1,181,605	\$ 4,231,166	\$ 1,257,529
Certificates of Participation (COP)	247,862,000	-	8,300,000	239,562,000	8,640,000
COP-Prem/Discount	(886,333)	-	(75,550)	(810,783)	75,550
COP – Deferred Amt on Refunding	(7,258,520)	-	(542,019)	(6,716,501)	542,019
Bonds Payable	193,390,000	440,000	21,105,000	172,725,000	21,490,000
Bonds Payable-Prem/Discount	7,862,521	47,926	1,005,475	6,904,972	1,005,474
Derivative Instruments	16,898,738	12,953,086	-	29,851,824	-
Borrowing – Swap Upfront Payment	5,375,993	-	436,184	4,939,809	212,990
Compensated Absences Payable	40,388,998	4,421,041	5,139,377	39,670,662	4,988,687
Estimated Liability for Claims	33,577,823	89,480,486	88,302,882	34,755,427	12,890,230
Postemployment Benefits	23,558,188	10,197,358	3,526,570	30,228,976	-
Total	\$566,182,179	\$117,539,897	\$128,379,524	\$555,342,552	\$51,102,479

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. Discounts are included in Payments to Refunded Bond Issue. As a result the additions and deductions in premiums and discounts will not tie directly to the Governmental Funds statements.

11. DEFEASED DEBT

The Florida Department of Education (FDOE) issued Capital Outlay Refunding Bonds, 2011 Series A, dated January 5, 2012, with interest rates ranging from 3 to 5 percent, to advance refund the District's State School Bonds, Series 2002B and 2003A. The refunding bonds are being issued to advance-refund \$235,000 principal amount of the District's State School Bonds, Series 2002B that mature from 2013 to 2015, and \$275,000 principal amount of the District's State School Bonds Series 2003A, that mature from 2014 to 2023. The District's pro rata share of proceeds totaling \$451,988 (after deduction

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

11. DEFEASED DEBT (continued)

of \$1,286 by FDOE for the District's pro rata share of underwriting fees, insurance, and other issuance costs) was placed in an irrevocable trust to provide for future debt service requirements. As a result, \$510,000 of the State School Bonds, Series 2002B and 2003A, are considered to be defeased and the liability for these bonds has been removed from the government-wide financial statements.

The Series 2011A bonds were issued to reduce the total debt service payments over the next 11 years by \$77,571 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$46,895.

12. ESTIMATED ARBITRAGE REBATE

The District is not aware of any arbitrage at June 30, 2012.

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 \$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, 2012, was rated AA- by Fitch Rating, AA by Standard & Poor's, and Aa1 by Moody's Investors Service. As of June 30, 2012, the swap associated with Series 2003A (2009A), with a notional amount of \$48,050,000, in which the District pays 3.87 percent and receives 69.5 percent of one-month LIBOR, had a fair value of (\$10,843,402).

Floating-to-Fixed Interest Rate Swap

One swap associated with the Series 2008A issue, with a notional amount of \$31,685,000 in which the District pays 4.48 percent and receives the SIFMA Municipal Swap index minus 0.02 percent, had, as of June 30, 2012, a fair value of \$(6,694,629). The other swap associated with the Series 2008A issue, with a notional amount of \$4,760,000 in which the District pays 3.457 percent and receives the SIFMA Municipal Swap Index less 0.02 percent, had, as of June 30, 2012, a fair value of \$(510,609). 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 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

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

13. DERIVATIVE INSTRUMENTS (continued)

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, totaling \$5,548,496 was reclassified to a deferred amount on refunding and will be amortized over the remaining life of the 2001A 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. 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 percent. 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 (\$6,254,688) fair value as of June 30, 2012.

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 \$2,496,615 at June 30, 2012. The time value portion is considered deferred revenue and is carried at \$2,443,194 for a total liability for upfront payments of \$4,939,809.

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

13. DERIVATIVE INSTRUMENTS (continued)

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2012, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2012 financial statements are as follows:

		Changes in Fair Value		Fair Value at June 30, 2012		
		Classification	Amount	Classification	Amount	Notional
Governmental Activities						
Hedging Derivatives:						
2003A Interest Rate Sw ap (2009A) COPS	Deferred outflow of resources		\$ (4,903,457)	Debt	\$ (10,843,402)	\$ 48,050,000
2008A Interest Rate Sw ap (2009B COPS)	Deferred outflow of resources		\$ (114,463)	Debt	\$ (510,609)	\$ 4,760,000
2001A - Sw ap (2010D COPS)	Deferred outflow of resources		\$ (5,338,205)	Debt	\$ (6,254,688)	\$ 44,070,000
2008A - Sw aption (2009B COPS)	Deferred outflow of resources		\$ (2,596,961)	Debt	<u>\$ (6,694,629)</u>	\$ 31,685,000
Total Hedging Derivatives - Deferred Outflow of Resources					\$ (24,303,328)	
2001A SWAP	Deferred amount on refunding				<u>\$ (5,548,496)</u>	
Total Derivatives					<u><u>\$ (29,851,824)</u></u>	

The fair values are estimated using the mid-market level method and take into consideration the prevailing interest rate environment and the specific terms and conditions of each swap.

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

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, 2012, 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)	\$ 48,050,000	7/30/2003	1/1/2028	\$ 3,440,000	Pay 3.865%; receive 69.5% 1 mo LIBOR	Citibank NA, New York	A3, A, A
2008A Interest Rate Swap	Hedge changes in cash flows on the 2008A Certificates (2009B)	\$ 4,760,000	6/24/2008	1/1/2018	N/A	Pay 3.457%; receives SIFMA 0.02%	Citibank NA, New York	A3, A, A
2001A - Swap	Hedge against future increase in interest rates (2010D)	\$ 44,070,000	1/1/2011	1/1/2026	\$ 2,041,000	Pay 4.72%; receives SIFMA 0.02%	Citibank NA, New York	A3, A, A
2008A - Swaption	Hedge against future increase in interest rates (2009B)	\$ 31,685,000	7/1/2008	1/1/2023	\$ 1,417,500	Pay 4.48%; receives SIFMA 0.02%	Citibank NA, New York	A3, A, A

As of June 30, 2012, 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.

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

13. DERIVATIVE INSTRUMENTS (continued)

Series 2009A and 2009B

Period		Interest Expense Projected at	Swap Payment	Swap Receipt Projected at SIFMA minus	
Ending	Principal	SIFMA (0.41%)	Fixed at 3.865%	0.02%(0.39%)	Total
7/7/2012	\$ 890,000	\$ 334,990	\$ 3,304,287	\$ (315,705)	\$ 4,213,572
7/7/2013	920,000	331,270	3,268,944	(312,166)	4,208,048
7/7/2014	1,725,000	325,857	3,219,606	(307,017)	4,963,446
7/7/2015	1,790,000	318,652	3,155,447	(300,163)	4,963,936
7/7/2016	3,215,000	308,481	3,053,907	(290,489)	6,286,899
7/7/2017	3,425,000	294,837	2,909,363	(277,510)	6,351,690
7/7/2018	3,555,000	280,491	2,771,190	(263,864)	6,342,817
7/7/2019	5,530,000	261,889	2,586,577	(246,169)	8,132,297
7/7/2020	5,780,000	238,706	2,337,906	(224,118)	8,132,494
7/7/2021	6,065,000	214,565	2,079,694	(201,221)	8,158,038
7/7/2022	6,425,000	188,900	1,807,783	(177,119)	8,244,564
7/7/2023	6,830,000	161,601	1,521,964	(151,787)	8,361,778
7/7/2024	910,000	145,724	1,358,452	(137,075)	2,277,101
7/7/2025	945,000	141,922	1,322,608	(133,459)	2,276,071
7/7/2026	985,000	137,966	1,285,315	(129,695)	2,278,586
7/7/2027	16,110,000	103,460	961,557	(97,026)	17,077,991
7/7/2028	17,045,000	34,942	323,307	(32,624)	17,370,625
	<u>\$ 82,145,000</u>	<u>\$ 3,824,253</u>	<u>\$ 37,267,907</u>	<u>\$ (3,597,207)</u>	<u>\$119,639,953</u>

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

13. DERIVATIVE INSTRUMENTS (continued)

Series 2010D

Period		Interest		Swap Receipt	
Ending	Principal	Expense	Swap Payment	Projected at	Total
		Projected at	Fixed at 5.49%	SIFMA minus	
		SIFMA (0.41%)		0.75% (1.16%)	
7/7/2012	\$ 50,000	\$ 180,789	\$ 2,420,816	\$ (511,502)	\$ 2,140,103
7/7/2013	80,000	180,523	2,417,247	(510,748)	2,167,022
7/7/2014	75,000	180,205	2,412,992	(509,849)	2,158,348
7/7/2015	1,220,000	177,551	2,377,445	(502,338)	3,272,658
7/7/2016	1,295,000	172,395	2,308,408	(487,751)	3,288,052
7/7/2017	1,400,000	166,870	2,234,430	(472,120)	3,329,180
7/7/2018	1,470,000	160,987	2,155,646	(455,474)	3,331,159
7/7/2019	1,555,000	154,785	2,072,612	(437,929)	3,344,468
7/7/2020	1,640,000	148,236	1,984,910	(419,398)	3,353,748
7/7/2021	1,705,000	141,378	1,893,089	(399,997)	3,339,470
7/7/2022	1,825,000	134,142	1,796,191	(379,523)	3,375,810
7/7/2023	1,925,000	126,454	1,693,253	(357,773)	3,386,934
7/7/2024	1,875,000	118,664	1,588,943	(335,733)	3,246,874
7/7/2025	13,665,000	86,807	1,162,370	(245,601)	14,668,576
7/7/2026	14,340,000	29,397	393,633	(83,172)	14,679,858
	\$44,120,000	\$ 2,159,183	\$28,911,985	\$ (6,108,908)	\$69,082,260

Credit Risk

Credit risk refers to the risk that a borrower will default on any type of debt by failing to make payments which it is obligated to do. The District is exposed to credit risk on hedging derivative instruments that are in asset positions. There were no derivatives in asset positions at June 20, 2012.

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 non-defaulting 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 non-defaulting party.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair values of the District's financial instruments or the District's cash flows. 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, 2012

13. DERIVATIVE INSTRUMENTS (continued)

Termination Risk

Termination risk is the risk that a hedging derivative instrument's unscheduled end will affect the District's asset and liability strategy or will present the District with potentially significant unscheduled termination payments to the counterparty. 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 party's credit rating falls 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

There are 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, and 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, spendable fund balances are 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, but the constraint imposed does not satisfy the criteria to be classified as restricted or committed..
- **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 \$8,923,054 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*.

- **Restricted for State Required Carryover 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 required carryovers and other state earmarked educational programs,

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

14. FUND BALANCE REPORTING (continued)

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 \$157,241,870 and represents \$7,815,220 in State required carryovers, \$4,910,415 in Federal and State grants, \$9,783,949 in food service, \$7,086,019 in debt service, and \$127,646,267 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 \$2,849,833 for school operations. The assigned fund balance for school operations includes \$630,548 for purchase obligations, \$1,433,417 for school carryover, and \$785,868 for other grants.

- **Unassigned**

The unassigned fund balance for the General Fund is \$52,230,267. Unassigned fund balance includes \$31,237,140 for minimum operating fund balance as stated in School Board Policy 6Gx53-5.019.

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

14. FUND BALANCE REPORTING (continued)

Description	Major				Nonmajor	Total
	General Fund	ARRA Debt Service	Local Capital Improvement	Other Capital Projects	Governmental Funds	Governmental Funds
Fund Balances:						
Nonspendable:						
Inventories						
General Fund	\$ 5,249,841	\$ -	\$ -	\$ -	\$ -	\$ 5,249,841
Food Service	-	-	-	-	1,210,931	1,210,931
Prepaid Amounts:						
General Fund	2,402,590	-	-	-	-	2,402,590
Special Revenues	-	-	-	-	59,692	59,692
Restricted:						
State Required Carryover	7,815,220	-	-	-	-	7,815,220
Special Revenues	-	-	-	-	145,578	145,578
Food Service	-	-	-	-	9,783,949	9,783,949
Other	4,764,837	-	-	-	-	4,764,837
Debt Service	-	3,337,488	-	-	3,748,531	7,086,019
Capital Projects	-	-	37,365,552	84,326,290	5,954,425	127,646,267
Assigned:						
Purchase Obligations	630,548	-	-	-	-	630,548
School Carryover	1,433,417	-	-	-	-	1,433,417
Other Grants	785,868	-	-	-	-	785,868
Unassigned	52,230,267	-	-	-	-	52,230,267
Total Fund Balance	\$ 75,312,588	\$ 3,337,488	\$ 37,365,552	\$ 84,326,290	\$ 20,903,106	\$ 221,245,024

On June 18, 2012, the Board established a fund balance policy (6Gx53-5.019). The policy sets a minimum operating fund balance of three percent (3 percent) of the District's projected General fund revenue in compliance with Section 1011.051, Florida Statutes. The policy also establishes a targeted operating fund balance of five percent (5 percent) of the District's projected general fund revenues. On June 26, 2012, the Board approved a resolution (2011/2012-20) that granted authority to and designated the Assistant Superintendent of Business Services to determine fund balance classifications and assignments of amounts to be used for specific purposes in accordance with GASB Statement No. 54. This authority shall remain in effect until modified by Board action.

As of June 30, 2012, the Board had not taken action to classify any portion of fund balance as committed.

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

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	\$ 3,499,954	\$ 11,583
Local Capital Improvement	18,484	
Nonmajor Governmental Funds	7,526	3,525,964
Internal Service	11,583	-
Total	<u>\$ 3,537,547</u>	<u>\$ 3,537,547</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	\$ 34,998,961	\$ 93,357
ARRA Debt Service	2,139,260	-
Capital Projects:		
Local Capital Improvement	-	51,650,109
Other Capital Projects	-	28,282,702
Nonmajor Governmental	45,266,298	803,329
Internal Service	-	1,575,022
Total	<u>\$ 82,404,519</u>	<u>\$ 82,404,519</u>

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

16. 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. At June 30, 2012, the District had encumbrances in the General Fund totaling \$630,548 that were classified as assigned.

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

17. PROPERTY TAXES

The following is a summary of millages and taxes levied on the 2011 tax roll for fiscal year 2011-2012:

	<u>MILLAGES</u>		<u>TAXES</u>	
	Maximum Authorized	Levied	Levied (100%)	Collected
<u>GENERAL FUND</u>				
Non-voted School Tax:				
Required Local Effort	5.422	5.422	\$144,196,292	\$138,958,471
Discretionary Local Effort	.748	.748	19,892,812	19,170,221
Prior Year Levy Collections				773,366
<u>CAPITAL PROJECTS FUNDS</u>				
Non-voted Tax:				
Local Capital Improvements	1.50	1.50	39,892,003	38,308,975
Prior Year Levy Collections				341,790
Total	7.670	7.670	\$203,981,107	\$197,552,823

Actual current year property taxes collected totaled 96.30 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

Essentially all regular employees of the District are eligible to enroll as members of the State-administered Florida Retirement System (FRS). Provisions relating to the FRS 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 eligibility, contributions, and benefits are defined and described in detail. The FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the Florida Retirement System Investment Plan (Investment Plan).

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of both Plans may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

18. STATE RETIREMENT PROGRAMS (continued)

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. District employees participating in DROP are not eligible to participate in this program. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service.

The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 2011-12 fiscal year were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	3.00	4.91
Florida Retirement System, Elected County Officers	3.00	11.14
Florida Retirement System, Senior Management Service	3.00	6.27
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	4.42
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.03 percent for administrative costs of the Investment Plan.

(B) Contribution rates are dependent upon retirement class in which reemployed.

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, 2010, June 30, 2011, and June 30, 2012, totaled \$37,499,059, \$40,974,056 and \$27,393,594, respectively, which were equal to the annual required contributions for each fiscal year.

There were 1,678 District participants in the Investment Plan during the 2011-12 fiscal year. The District's contributions including employee contributions to the Investment Plan totaled \$4,368,619, which was equal to the required contribution for the 2011-12 fiscal year.

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services. An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services, Division of Retirement.

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

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.

20. CONSTRUCTION CONTRACT COMMITMENTS

Description	Contract Amount	Completed Amount	Committed Amount
Auburndale Senior	\$8,957,719	7,665,031	1,292,688
Boone Middle	13,425,956	12,542,012	883,944
Caldwell Elementary	1,830,839	1,681,703	149,136
Davenport School of Arts	19,852,256	19,258,231	594,025
Denison Middle	2,088,150	109,200	1,978,950
Denison Middle	40,890	27,223	13,667
District Wide	46,850	33,638	13,212
Dixieland Elementary	247,500	217,611	29,889
Dundee Ridge Middle	67,000	47,291	19,709
Elbert Elementary	655,000	544,500	110,500
Elementary 'L'	365,650	256,135	109,515
Ft. Meade Middle-Senior	43,050	36,162	6,888
Griffin Elementary	220,771	93,500	127,271
Inwood Elementary	2,177,493	1,375,172	802,321
Jewett School of Arts	2,178,262	2,085,316	92,946
Kathleen Senior	19,321,949	18,301,690	1,020,259
Lakeland Highlands Middle	2,292,064	1,062,325	1,229,739
Lakeland Senior	614,612	0	614,612
Lake Gibson Middle	2,052,271	681,560	1,370,711
Lake Gibson Senior	184,867	62,297	122,570
Loughman Oaks	1,583,570	667,508	916,062
Mulberry Middle	13,920,821	10,189,494	3,731,327
Mulberry Senior	272,351	0	272,351
Spessard Holland Elementary	59,500	0	59,500
Valleyview Elementary	2,036,323	932,866	1,103,457
Winter Haven Senior	11,146,081	10,599,864	546,217
	<u>\$ 105,681,795</u>	<u>\$ 88,470,329</u>	<u>\$ 17,211,466</u>

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

21. SCHEDULE OF STATE REVENUE SOURCES

The District's principal source of revenues is the State, which provided approximately 54 percent of Revenues in the 2011-12 Fiscal Year. The following is a schedule of State revenue sources and amounts:

<u>Sources</u>	<u>Amount</u>
Florida Education Finance Program	\$ 313,380,995
Class Size Reduction	104,217,000
Workforce Development	9,979,527
Other Categorical Programs	6,777,793
Capital Outlay & Debt Service	3,371,827
Charter School Capital Outlay	1,373,015
Florida State License Tax	892,411
Food Service Supplement	707,192
Fuel Tax Paving	254,739
Miscellaneous	197,782
Health Care Services	185,748
State Miscellaneous - HRS Inspection	<u>10,663</u>
TOTAL STATE REVENUE SOURCES	<u>\$ 441,348,692</u>

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

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 percent 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 2011 or 2012 grant years.

Local funds expended were for facilities, custodial, student accident insurance, software licenses and utilities. Voluntary Pre-Kindergarten (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 04CH4623/04 during the period July 1, 2011 through December 31, 2011, is \$744,470. This amount includes \$53,634 from our delegate agency, The Agricultural and Labor Program, Inc. The required amount of non-federal share for Head Start grant number 04CH4623/05 during the period January 1, 2011 through June 30, 2012 is \$1,121,356. This amount includes \$56,631 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 Board nor the employees contribute the 6.2 percent FICA Tax to Social Security. Instead, the employees contribute 7.5 percent, 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

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

23. ALTERNATIVE RETIREMENT PLAN (continued)

the plan during the 2011-12 fiscal year totaled \$555,890, and the related 6.2 percent FICA tax savings to the Board was \$459,536.

24. OPERATING LEASES

Expenditures for operating leases during the 2011-12 fiscal year totaled \$5,396,257. 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 the 2012-13 fiscal year is \$7,006,895, 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.

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, 2012, the District offered one plan for retirees and dependents under the age of 65, and three plans for retirees and dependents eligible of Medicare. PHBP members receiving benefits contribute the following per month:

	<u>Health Plan</u>		
Retirees Only Under 65		\$461	
Retirees + Spouse Under 65		\$879	
	<u>Health Plan</u>	<u>Blue Medicare</u>	
		<u>PPO1</u>	<u>PPO2</u>
Retirees Only Over 65	\$440	\$310	\$289
Retirees + Spouse Over 65	\$880	\$620	\$578

Regarding the District's annual Postemployment 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, 2012, 1,281 retirees received postemployment healthcare benefits. The District provided required contributions of \$3,526,570 toward the annual OPEB cost, comprised of \$11,562,597 in incurred claims and other costs paid by the District for coverage of retirees and their dependents, net of retiree contributions totaling \$8,036,027.

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 GASB 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:

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

25. POSTEMPLOYMENT HEALTHCARE BENEFITS (continued)

Description	Amount
Normal Cost (service cost for one year)	\$ 5,594,361
Amortization of Unfunded Actuarial Accrued Liability	5,100,335
Interest on Normal Cost and Amortization	0
Annual Required Contribution	10,694,696
Interest on Net OPEB Obligation	706,746
Adjustment to Annual Required Contribution	(1,204,084)
Annual OPEB Cost (Expense)	10,197,358
Contribution Toward the OPEB Cost	(3,526,570)
Increase in Net OPEB Obligation	6,670,788
Net OPEB Obligation, Beginning of Year	23,558,188
Net OPEB Obligation, End of Year	\$ 30,228,976

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$8,714,833	27.4%	\$16,943,887
June 30, 2011	\$9,121,894	27.5%	\$23,558,188
June 30, 2012	\$10,197,358	34.6%	\$30,228,976

Funding Status and Funding Progress. The funded status of the plan as of January 1, 2012, the most recent actuarial valuation date, was as follows:

Actuarial Accrued Liability (AAL)	\$98,325,268
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	\$98,325,268
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0.00%
Covered Payroll (Active Plan Members)	\$388,887,036
UAAL as a Percentage of Covered Payroll	25.28%

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.

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

25. POSTEMPLOYMENT HEALTHCARE BENEFITS (continued)

In the January 1, 2012, OPEB actuarial valuation, the results of which were applicable for the fiscal year ended June 30, 2012, 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 an inflation rate of 3.0 percent, projected salary increases of 4.5 percent - 8.73 percent, and a payroll growth rate of 4 percent per year and an annual healthcare cost trend rate of 8.5 percent for calendar year 2012, 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, 2012, was 18 years. The amortization periods were closed.

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 workers' compensation, general liability, fleet liability, and group health insurance. The District has contracted with third party 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.

Premiums for the various coverages 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, 2012 were \$69,381,809 made up of net assets of \$23,038,080 and the estimated liability for unpaid claims. This estimated liability for unpaid claims (not covered by excess insurance) in the amount of \$34,755,427, at June 30, 2012, 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
2010-2011	\$ 32,975,235	\$ 96,425,913	\$ (95,823,325)	\$ 33,577,823
2011-2012	\$ 33,577,823	\$ 89,480,486	\$ (88,302,882)	\$ 34,755,427

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. Settled claims have not exceeded any insurance coverage in any of the past three fiscal years.

SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

26. RISK MANAGEMENT PROGRAMS (continued)

The District purchased property insurance coverage with a limit of \$50 million with key deductibles of \$100,000 for all perils excluding named windstorm or flood damages if the property is located in Flood Zones A & V. The named windstorm deductible is 5 percent of the insured value per unit of insurance and the flood deductible is \$100,000, except for Flood Zones A & V, the deductible is \$500,000 per building and \$500,000 contents per building.

The administrator for the general and fleet liability self-insurance program is USIS. The administrator of the workers' compensation program is Opta-Comp. Florida Blue administers the District's group medical plan portion and Express Scripts (formerly Medco) administers the prescription plan portion of the self-insured group health program.

27. SUBSEQUENT EVENTS

The District entered into a financing arrangement on September 24, 2012, whereby the District secured financing to advance refund the outstanding Certificates of Participation, Series 2009A and B. The financing was accomplished through the issuance of Certificates of Participation, Series 2012A and B, totaling \$81,255,000.

28. CONTINGENT LIABILITIES

GRANTS:

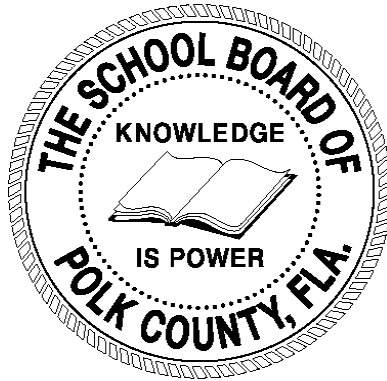
Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may 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 2011-12 Fiscal Year required that a letter of credit be issued in the amount of \$2,330,000. The 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 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.

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.



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THE SCHOOL BOARD OF POLK COUNTY, FLORIDA
POST EMPLOYMENT HEALTH CARE BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

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%
1/1/2012	-	\$98,325,268	\$98,325,268	0%	\$388,887,066	25.28%
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.				

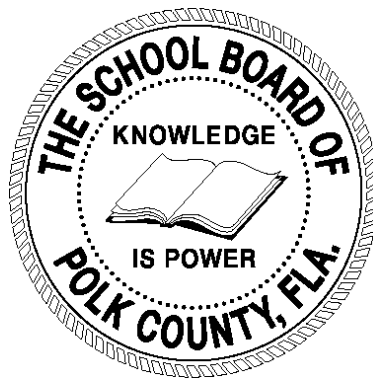
Unaudited – see accompanying independent auditors' report.

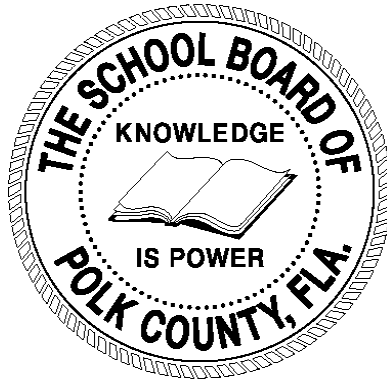
SCHOOL DISTRICT OF POLK COUNTY, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2012

1. SCHEDULE OF FUNDING PROGRESS

The District is required to perform periodic actuarial valuations of its postemployment benefits other than pensions. For the January 1, 2012, valuation, the following key assumptions were modified to reflect current experience: (1) rates of retiree participation have been revised to reflect recent experience for both current retirees and active employees eligible for future benefits (2) the average cost of coverage for eligible members increased (3) certain demographic assumptions and retiree medical coverage assumptions were revised (4) medical trend rates for costs and premiums were revised and (5) medical trend cost years beyond 2028 were revised reflecting certain provisions of the Affordable Care Act. Although the actual net effect of these modifications was not calculated, the expense and liability figures increased significantly as a result of the revised actuarial valuation.

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.
- **Other Federal Programs Fund** – Accounts for and reports on activities of Federal programs other than Federal stimulus and food service.

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 Bonds Fund** – Accounts for and reports on payments of principal, interest and related costs on various bond issues serviced by the State.
- **Other Debt Service Fund** - 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 Fund** – 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 (PECO) Fund** - Accounts for and reports on funds received from the State for the construction and maintenance of schools.
- **Capital Outlay & Debt Service Fund** - 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, 2012**

	Special Revenue			Debt Service		
	Food Services	Other Federal Programs	Total	State Board of Education Bonds	Other Debt Service	Total
ASSETS						
Cash	\$ 7,370,870	\$ 1,416,924	\$ 8,787,794	\$ -	\$ -	\$ -
Investments	1,588,185	8,473	1,596,658	447,755	3,215,464	3,663,219
Investments, restricted	-	-	-	-	1,416,530	1,416,530
Accounts and interest receivable, net	72,246	264,407	336,653	-	7,514	7,514
Due from other governmental agencies	1,005,039	2,244,338	3,249,377	-	-	-
Due from other funds	7,526	-	7,526	-	-	-
Inventories	1,210,931	-	1,210,931	-	-	-
Prepaid Items	-	59,692	59,692	-	-	-
Total assets	<u>\$ 11,254,797</u>	<u>\$ 3,993,834</u>	<u>\$ 15,248,631</u>	<u>\$ 447,755</u>	<u>\$ 4,639,508</u>	<u>\$ 5,087,263</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts and contracts payable	\$ 38,808	\$ 287,624	\$ 326,432	\$ -	\$ -	\$ -
Salaries and wages payable	150	2,029	2,179	-	-	-
Payroll deductions and withholdings	12	-	12	-	-	-
Due to other funds	-	3,486,960	3,486,960	-	39,004	39,004
Due to other governmental agencies	(134)	11,951	11,817	-	-	-
Sales Tax Payable	468	-	468	-	-	-
Deferred revenue	220,613	-	220,613	-	-	-
Matured interest payable	-	-	-	-	1,299,728	1,299,728
Total liabilities	<u>259,917</u>	<u>3,788,564</u>	<u>4,048,481</u>	<u>-</u>	<u>1,338,732</u>	<u>1,338,732</u>
Fund balances						
Nonspendable:						
Inventories	1,210,931	-	1,210,931	-	-	-
Prepaid Amounts	-	59,692	59,692	-	-	-
Restricted:						
Special Revenues	-	145,578	145,578	-	-	-
Food Services	9,783,949	-	9,783,949	-	-	-
Debt Service	-	-	-	447,755	3,300,776	3,748,531
Capital Projects	-	-	-	-	-	-
Total fund balances	<u>10,994,880</u>	<u>205,270</u>	<u>11,200,150</u>	<u>447,755</u>	<u>3,300,776</u>	<u>3,748,531</u>
Total liabilities and fund balances	<u>\$ 11,254,797</u>	<u>\$ 3,993,834</u>	<u>\$ 15,248,631</u>	<u>\$ 447,755</u>	<u>\$ 4,639,508</u>	<u>\$ 5,087,263</u>

See accompanying independent auditors' report.

Capital Outlay				Total Nonmajor Governmental Funds
Capital Outlay Bond Issue	Public Education Capital Outlay	Capital Outlay and Debt Service	Total	
\$ 714,195	\$ 5,449	\$ 1,436,568	\$ 2,156,212	\$ 10,944,006
566,084	1,409,359	706,352	2,681,795	7,941,672
-	-	-	-	1,416,530
-	-	-	-	344,167
-	1,445,511	-	1,445,511	4,694,888
-	-	-	-	7,526
-	-	-	-	1,210,931
-	-	-	-	59,692
<u>\$ 1,280,279</u>	<u>\$ 2,860,319</u>	<u>\$ 2,142,920</u>	<u>\$ 6,283,518</u>	<u>\$ 26,619,412</u>
\$ 135,000	\$ (186)	\$ 194,279	\$ 329,093	655,525
-	-	-	-	2,179
-	-	-	-	12
-	-	-	-	3,525,964
-	-	-	-	11,817
-	-	-	-	468
-	-	-	-	220,613
-	-	-	-	1,299,728
<u>135,000</u>	<u>(186)</u>	<u>194,279</u>	<u>329,093</u>	<u>5,716,306</u>
-	-	-	-	1,210,931
-	-	-	-	59,692
-	-	-	-	145,578
-	-	-	-	9,783,949
-	-	-	-	3,748,531
<u>1,145,279</u>	<u>2,860,505</u>	<u>1,948,641</u>	<u>5,954,425</u>	<u>5,954,425</u>
<u>1,145,279</u>	<u>2,860,505</u>	<u>1,948,641</u>	<u>5,954,425</u>	<u>20,903,106</u>
<u>\$ 1,280,279</u>	<u>\$ 2,860,319</u>	<u>\$ 2,142,920</u>	<u>\$ 6,283,518</u>	<u>\$ 26,619,412</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, 2012**

	Special Revenue			Debt Service		
	Food Services	Other Federal Programs	Total	State Board of Education Bonds	Other Debt Service	Total
REVENUES						
Local sources:						
Food services	\$ 7,303,763	\$ -	\$ 7,303,763	\$ -	\$ -	\$ -
Other	21,532	338,897	360,429	-	111,252	111,252
Total local sources	7,325,295	338,897	7,664,192	-	111,252	111,252
State sources:						
Food services	707,192	-	707,192	-	-	-
Other	10,663	169,003	179,666	2,868,554	-	2,868,554
Total state sources	717,855	169,003	886,858	2,868,554	-	2,868,554
Federal sources:						
Federal Direct	-	13,435,393	13,435,393	-	-	-
Federal through State and Local:						
Food services	34,271,224	-	34,271,224	-	-	-
Vocational Education Acts	-	1,166,785	1,166,785	-	-	-
Workforce Investment Act	-	492,482	492,482	-	-	-
Eisenhower Math and Science	-	4,724,446	4,724,446	-	-	-
Drug Free Schools	-	14,563	14,563	-	-	-
Individuals with Disabilities Education Act	-	19,938,296	19,938,296	-	-	-
Elementary and Secondary Education Act, Title I	-	32,612,677	32,612,677	-	-	-
Adult General Education	-	1,074,005	1,074,005	-	-	-
Miscellaneous	-	3,175,187	3,175,187	-	-	-
Total Federal Through State and Local	34,271,224	63,198,441	97,469,665	-	-	-
Total federal sources	34,271,224	76,633,834	110,905,058	-	-	-
Total revenues	42,314,374	77,141,734	119,456,108	2,868,554	111,252	2,979,806
EXPENDITURES						
Current:						
Instructional Services	-	36,455,248	36,455,248	-	-	-
Pupil Personnel Services	-	6,289,631	6,289,631	-	-	-
Instructional Media Services	-	925,903	925,903	-	-	-
Instruction and Curriculum Development Services	-	12,153,239	12,153,239	-	-	-
Instruction Staff Training Services	-	11,266,469	11,266,469	-	-	-
Instruction Related Technology	-	16,003	16,003	-	-	-
General Administration	-	1,886,306	1,886,306	-	-	-
School Administration	-	122,463	122,463	-	-	-
Non Capitalizable Facilities Acquisition and Construction	-	2,235	2,235	-	-	-
Fiscal Services	-	86,690	86,690	-	-	-
Food Services	40,521,823	102,452	40,624,275	-	-	-
Central Services	-	1,355,823	1,355,823	-	-	-
Pupil Transportation Services	-	1,785,066	1,785,066	-	-	-
Operation of Plant	-	89,681	89,681	-	-	-
Maintenance of Plant	-	32,897	32,897	-	-	-
Administrative Technology Services	-	122,759	122,759	-	-	-
Community Services	-	2,734,758	2,734,758	-	-	-
Debt Service						
Principal retirement	-	-	-	2,070,000	26,825,000	28,895,000
Interest	-	-	-	846,764	16,399,865	17,246,629
Dues, fees and other	-	-	-	2,945	1,172,126	1,175,071
Capital outlay						
Facilities acquisition and construction	-	298,152	298,152	-	-	-
Other capital outlay	76,580	1,420,486	1,497,066	-	-	-
Total expenditures	40,598,403	77,146,261	117,744,664	2,919,709	44,396,991	47,316,700
Excess (deficiency) of revenues over (under) expenditures	1,715,971	(4,527)	1,711,444	(51,155)	(44,285,739)	(44,336,894)
OTHER FINANCING SOURCES (USES):						
Premium on sale of bonds	-	-	-	48,089	-	48,089
Refunding bonds issued	-	-	-	440,000	-	440,000
Payments to refunded bond escrow agent	-	-	-	(486,816)	-	(486,816)
Transfers in	93,357	-	93,357	-	45,172,941	45,172,941
Transfers out	-	-	-	-	-	-
Total other financing sources and uses	93,357	-	93,357	1,273	45,172,941	45,174,214
Net change in fund balances	1,809,328	(4,527)	1,804,801	(49,882)	887,202	837,320
Fund balances - beginning	9,185,552	209,797	9,395,349	497,637	2,413,574	2,911,211
Fund balances - ending	\$ 10,994,880	\$ 205,270	\$ 11,200,150	\$ 447,755	\$ 3,300,776	\$ 3,748,531

See accompanying independent auditors' report.

Capital Outlay				Total Nonmajor Governmental Funds
Capital Outlay Bond Issue	Public Education Capital Outlay	Capital Outlay and Debt Service	Total	
\$ -	\$ -	\$ -	\$ -	\$ 7,303,763
2,090	719,073	3,273	724,436	1,196,117
2,090	719,073	3,273	724,436	8,499,880
-	-	-	-	707,192
-	-	453,275	453,275	3,501,495
-	-	453,275	453,275	4,208,687
-	-	-	-	13,435,393
-	-	-	-	34,271,224
-	-	-	-	1,166,785
-	-	-	-	492,482
-	-	-	-	4,724,446
-	-	-	-	14,563
-	-	-	-	19,938,296
-	-	-	-	32,612,677
-	-	-	-	1,074,005
-	-	-	-	3,175,187
-	-	-	-	97,469,665
-	-	-	-	110,905,058
2,090	719,073	456,548	1,177,711	123,613,625
-	-	-	-	36,455,248
-	-	-	-	6,289,631
-	-	-	-	925,903
-	-	-	-	12,153,239
-	-	-	-	11,266,469
-	-	-	-	16,003
-	-	-	-	1,886,306
-	-	-	-	122,463
-	-	18,843	18,843	21,078
-	-	-	-	86,690
-	-	-	-	40,624,275
-	-	-	-	1,355,823
-	-	-	-	1,785,066
-	-	-	-	89,681
-	-	-	-	32,897
-	-	-	-	122,759
-	-	-	-	2,734,758
-	-	-	-	28,895,000
-	-	-	-	17,246,629
-	-	1,286	1,286	1,176,357
826,029	3,151,444	1,526,793	5,504,266	5,802,418
6,800	-	186,060	192,860	1,689,926
832,829	3,151,444	1,732,982	5,717,255	170,778,619
(830,739)	(2,432,371)	(1,276,434)	(4,539,544)	(47,164,994)
-	-	-	-	48,089
-	-	-	-	440,000
-	-	-	-	(486,816)
-	-	-	-	45,266,298
-	(803,329)	-	(803,329)	(803,329)
-	(803,329)	-	(803,329)	44,464,242
(830,739)	(3,235,700)	(1,276,434)	(5,342,873)	(2,700,752)
1,976,018	6,096,205	3,225,075	11,297,298	23,603,858
\$ 1,145,279	\$ 2,860,505	\$ 1,948,641	\$ 5,954,425	20,903,106

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, 2012**

	Food Services			
	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Local sources:				
Food services	\$ 9,027,750	\$ 9,027,750	\$ 7,303,763	\$ (1,723,987)
Other	25,000	25,000	21,532	(3,468)
Total local sources	9,052,750	9,052,750	7,325,295	(1,727,455)
State sources:				
Food services	700,000	700,000	707,192	7,192
Other	5,000	5,000	10,663	5,663
Total state sources	705,000	705,000	717,855	12,855
Federal sources:				
Food services	35,224,350	35,224,350	34,271,224	(953,126)
Federal Direct				
Federal through State/Local				
Total federal sources	35,224,350	35,224,350	34,271,224	(953,126)
Total revenues	44,982,100	44,982,100	42,314,374	(2,667,726)
EXPENDITURES:				
Current:				
Instructional Services	-	-	-	-
Pupil Personnel Services	-	-	-	-
Instructional Media Services	-	-	-	-
Instruction and Curriculum Development	-	-	-	-
Instruction Staff Training	-	-	-	-
Instruction Related Technology	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Non Capitalizable Facilities acquisition and construction	-	-	-	-
Fiscal Services				
Food services	45,837,426	45,837,426	40,521,823	5,315,603
Central Services	-	-	-	-
Pupil Transportation Services	-	-	-	-
Operation of Plant	-	-	-	-
Maintenance of Plant	-	-	-	-
Administrative Technology Services	-	-	-	-
Community Services	-	-	-	-
Capital outlay				
Facilities acquisition and construction	-	-	-	-
Other capital outlay	173,882	173,882	76,580	97,302
Total expenditures	46,011,308	46,011,308	40,598,403	5,412,905
Excess (deficiency) of revenues over (under) expenditures	(1,029,208)	(1,029,208)	1,715,971	2,745,179
OTHER FINANCING SOURCES (USES):				
Transfers in	93,357	93,357	93,357	-
Total other financing sources and uses	93,357	93,357	93,357	-
Net change in fund balance	(935,851)	(935,851)	1,809,328	2,745,179
Fund balance - beginning	9,185,552	9,185,552	9,185,552	-
Fund balance - ending	\$ 8,249,701	\$ 8,249,701	\$ 10,994,880	\$ 2,745,179

See accompanying independent auditors' report.

Other Federal Programs				Totals			
Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
Original	Final			Original	Final		
\$ -	\$ -	\$ -	\$ -	\$ 9,027,750	\$ 9,027,750	\$ 7,303,763	\$ (1,723,987)
452,588	452,588	338,897	(113,691)	477,588	477,588	360,429	(117,159)
452,588	452,588	338,897	(113,691)	9,505,338	9,505,338	7,664,192	(1,841,146)
-	-	-	-	700,000	700,000	707,192	7,192
169,478	169,478	169,003	(475)	174,478	174,478	179,666	5,188
169,478	169,478	169,003	(475)	874,478	874,478	886,858	12,380
-	-	-	-	35,224,350	35,224,350	34,271,224	(953,126)
20,641,655	20,641,655	13,435,393	(7,206,262)	20,641,655	20,641,655	13,435,393	(7,206,262)
86,151,863	86,151,863	63,198,441	(22,953,422)	86,151,863	86,151,863	63,198,441	(22,953,422)
106,793,518	106,793,518	76,633,834	(30,159,684)	142,017,868	142,017,868	110,905,058	(31,112,810)
107,415,584	107,415,584	77,141,734	(30,273,850)	152,397,684	152,397,684	119,456,108	(32,941,576)
49,680,244	49,680,244	36,455,248	13,224,996	49,680,244	49,680,244	36,455,248	13,224,996
8,748,132	8,748,132	6,289,631	2,458,501	8,748,132	8,748,132	6,289,631	2,458,501
1,083,831	1,083,831	925,903	157,928	1,083,831	1,083,831	925,903	157,928
15,178,166	15,178,166	12,153,239	3,024,927	15,178,166	15,178,166	12,153,239	3,024,927
16,834,049	16,834,049	11,266,469	5,567,580	16,834,049	16,834,049	11,266,469	5,567,580
16,004	16,004	16,003	1	16,004	16,004	16,003	1
3,790,422	3,790,422	1,886,306	1,904,116	3,790,422	3,790,422	1,886,306	1,904,116
168,279	168,279	122,463	45,816	168,279	168,279	122,463	45,816
2,235	2,235	2,235	-	2,235	2,235	2,235	-
120,785	120,785	86,690	34,095	120,785	120,785	86,690	34,095
143,496	143,496	102,452	41,044	45,980,922	45,980,922	40,624,275	5,356,647
2,629,579	2,629,579	1,355,823	1,273,756	2,629,579	2,629,579	1,355,823	1,273,756
2,707,500	2,707,500	1,785,066	922,434	2,707,500	2,707,500	1,785,066	922,434
145,476	145,476	89,681	55,795	145,476	145,476	89,681	55,795
48,660	48,660	32,897	15,763	48,660	48,660	32,897	15,763
190,083	190,083	122,759	67,324	190,083	190,083	122,759	67,324
3,200,681	3,200,681	2,734,758	465,923	3,200,681	3,200,681	2,734,758	465,923
500,890	500,890	298,152	202,738	500,890	500,890	298,152	202,738
2,231,646	2,231,646	1,420,486	811,160	2,405,528	2,405,528	1,497,066	908,462
107,420,158	107,420,158	77,146,261	30,273,897	153,431,466	153,431,466	117,744,664	35,686,802
(4,574)	(4,574)	(4,527)	47	(1,033,782)	(1,033,782)	1,711,444	2,745,226
-	-	-	-	93,357	93,357	93,357	-
-	-	-	-	93,357	93,357	93,357	-
(4,574)	(4,574)	(4,527)	47	(940,425)	(940,425)	1,804,801	2,745,226
209,797	209,797	209,797	-	9,395,349	9,395,349	9,395,349	-
\$ 205,223	\$ 205,223	\$ 205,270	\$ 47	\$ 8,454,924	\$ 8,454,924	\$ 11,200,150	\$ 2,745,226

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, 2012**

	State Board of Education Bonds			
	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Local sources:				
Other	-	-	-	-
Total local sources	-	-	-	-
State sources:				
Other	2,918,789	2,918,789	2,868,554	(50,235)
Total state sources	2,918,789	2,918,789	2,868,554	(50,235)
Federal Sources:				
Federal grants direct	-	-	-	-
Total federal sources	-	-	-	-
Total revenues	2,918,789	2,918,789	2,868,554	(50,235)
EXPENDITURES:				
Principal retirement	2,070,000	2,070,000	2,070,000	-
Interest	846,764	846,764	846,764	-
Dues, fees and other	2,025	2,025	2,945	(920)
Total expenditures	2,918,789	2,918,789	2,919,709	(920)
Excess (deficiency) of revenues over (under) expenditures	-	-	(51,155)	(51,155)
OTHER FINANCING SOURCES (USES):				
Long term bonds issued	-	-	-	-
Premium on sale of bonds	-	-	48,089	48,089
Refunding bonds issued	-	-	440,000	440,000
Payments to refunded bond escrow agent	-	-	(486,816)	(486,816)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources and uses	-	-	1,273	1,273
Net change in fund balances	-	-	(49,882)	(49,882)
Fund balances - beginning	497,637	497,637	497,637	-
Fund balances - ending	\$ 497,637	\$ 497,637	\$ 447,755	\$ (49,882)

See accompanying independent auditors' report.

ARRA Debt Service			
Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
Original	Final		
-	-	11,434	11,434
-	-	11,434	11,434
-	-	-	-
-	-	-	-
1,141,797	1,141,798	1,141,798	-
1,141,797	1,141,798	1,141,798	-
1,141,797	1,141,798	1,153,232	11,434
1,530,060	1,530,060	1,530,060	-
1,954	33,765	33,765	-
1,532,014	1,563,825	1,563,825	-
(390,217)	(422,027)	(410,593)	11,434
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
2,611,744	2,139,260	2,139,260	-
-	-	-	-
2,611,744	2,139,260	2,139,260	-
2,221,527	1,717,233	1,728,667	11,434
1,608,821	1,608,821	1,608,821	-
\$ 3,830,348	\$ 3,326,054	\$ 3,337,488	\$ 11,434

(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, 2012**

	Other Debt Service			
	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Local sources:				
Other	-	-	111,252	111,252
Total local sources	-	-	111,252	111,252
State sources:				
SBE/COBI bond interest	-	-	-	-
Total state sources	-	-	-	-
Federal Sources:				
Federal grants direct	-	-	-	-
Total federal sources	-	-	-	-
Total revenues	-	-	111,252	111,252
EXPENDITURES:				
Principal retirement	26,825,000	26,825,000	26,825,000	-
Interest	16,458,896	16,458,896	16,399,865	59,031
Dues, fees and other	1,202,438	1,202,438	1,172,126	30,312
Total expenditures	44,486,334	44,486,334	44,396,991	89,343
Excess (deficiency) of revenues over (under) expenditures	(44,486,334)	(44,486,334)	(44,285,739)	200,595
OTHER FINANCING SOURCES (USES):				
Long term bonds issued	-	-	-	-
Premium on sale of bonds	-	-	-	-
Refunding bonds issued	-	-	-	-
Payments to refunded bond escrow agent	-	-	-	-
Transfers in	44,486,407	44,486,407	45,172,941	686,534
Transfers out	-	-	-	-
Total other financing sources and uses	44,486,407	44,486,407	45,172,941	686,534
Net change in fund balances	73	73	887,202	887,129
Fund balances - beginning	2,413,574	2,413,574	2,413,574	-
Fund balances - ending	\$ 2,413,647	\$ 2,413,647	\$ 3,300,776	\$ 887,129

See accompanying independent auditors' report.

Totals			
Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
Original	Final		
-	-	122,686	122,686
-	-	122,686	122,686
2,918,789	2,918,789	2,868,554	(50,235)
2,918,789	2,918,789	2,868,554	(50,235)
1,141,797	1,141,798	1,141,798	-
1,141,797	1,141,798	1,141,798	-
4,060,586	4,060,587	4,133,038	72,451
28,895,000	28,895,000	28,895,000	-
18,835,720	18,835,720	18,776,689	59,031
1,206,417	1,238,228	1,208,836	29,392
48,937,137	48,968,948	48,880,525	88,423
(44,876,551)	(44,908,361)	(44,747,487)	160,874
-	-	-	-
-	-	48,089	48,089
-	-	440,000	440,000
-	-	(486,816)	(486,816)
47,098,151	46,625,667	47,312,201	686,534
-	-	-	-
47,098,151	46,625,667	47,313,474	687,807
2,221,600	1,717,306	2,565,987	848,681
4,520,032	4,520,032	4,520,032	-
\$ 6,741,632	\$ 6,237,338	\$ 7,086,019	\$ 848,681

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, 2012**

	Capital Outlay Bond Issue			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts			
	Original	Final	Actual	
REVENUES:				
Federal Sources:				
Federal Direct	\$ -	\$ -	\$ -	\$ -
Total federal sources	-	-	-	-
Local sources:				
Ad valorem taxes	-	-	-	-
Local sales tax	-	-	-	-
Impact fees	-	-	-	-
Interest income	-	1,006	2,090	1,084
Other	-	-	-	-
Total local sources	-	1,006	2,090	1,084
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	-	1,006	2,090	1,084
EXPENDITURES:				
Facilities acquisition and construction	-	-	-	-
Debt Service				
Dues, fees and other	-	-	-	-
Capital outlay				
Facilities acquisition and construction	-	1,953,200	826,029	1,127,171
Other capital outlay	-	6,800	6,800	-
Total expenditures	-	1,960,000	832,829	1,127,171
Excess (deficiency) of revenues over (under) expenditures	-	(1,958,994)	(830,739)	1,128,255
OTHER FINANCING SOURCES (USES):				
Long term bonds issued	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources and uses	-	-	-	-
Net change in fund balances	-	(1,958,994)	(830,739)	1,128,255
Fund balances - beginning	1,976,018	1,976,018	1,976,018	-
Fund balances - ending	\$ 1,976,018	\$ 17,024	\$ 1,145,279	\$ 1,128,255

See accompanying independent auditors' report.

Public Education Capital Outlay			
Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
Original	Final		
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	14,542,288	719,073	(13,823,215)
-	14,542,288	719,073	(13,823,215)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	14,542,288	719,073	(13,823,215)
-	-	-	-
-	-	-	-
-	-	-	-
4,540,635	18,363,851	3,151,444	15,212,407
-	-	-	-
4,540,635	18,363,851	3,151,444	15,212,407
(4,540,635)	(3,821,563)	(2,432,371)	1,389,192
-	-	-	-
-	-	-	-
(2,274,640)	(2,274,639)	(803,329)	1,471,310
(2,274,640)	(2,274,639)	(803,329)	1,471,310
(6,815,275)	(6,096,202)	(3,235,700)	2,860,502
6,096,205	6,096,205	6,096,205	-
\$ (719,070)	\$ 3	\$ 2,860,505	\$ 2,860,502

(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, 2012**

	Capital Outlay & Debt Service			
	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Federal Sources:				
Federal Direct	\$ -	\$ -	\$ -	\$ -
Total federal sources	-	-	-	-
Local sources:				
Ad valorem taxes	-	-	-	-
Local sales tax	-	-	-	-
Impact fees	-	-	-	-
Interest income	-	-	-	-
Other	-	123,203	3,273	(119,930)
Total local sources	-	123,203	3,273	(119,930)
State sources:				
Public education capital outlay	-	-	-	-
Capital outlay distributed to district	406,000	406,000	414,902	8,902
Interest on undistributed CO & DS	39,000	39,000	38,373	(627)
Charter School Capital Outlay Funding	-	-	-	-
Other	-	-	-	-
Total state sources	445,000	445,000	453,275	8,275
Total revenues	445,000	568,203	456,548	(111,655)
EXPENDITURES:				
Facilities acquisition and construction	20,000	95,542	18,843	76,699
Debt Service				
Dues, fees and other	-	1,286	1,286	-
Capital outlay				
Facilities acquisition and construction	2,858,717	3,114,983	1,526,793	1,588,190
Other capital outlay	-	289,475	186,060	103,415
Total expenditures	2,878,717	3,501,286	1,732,982	1,768,304
Excess (deficiency) of revenues over (under) expenditures	(2,433,717)	(2,933,083)	(1,276,434)	1,656,649
OTHER FINANCING SOURCES (USES):				
Long term bonds issued	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources and uses	-	-	-	-
Net change in fund balances	(2,433,717)	(2,933,083)	(1,276,434)	1,656,649
Fund balances - beginning	3,225,075	3,225,075	3,225,075	-
Fund balances - ending	\$ 791,358	\$ 291,992	\$ 1,948,641	\$ 1,656,649

See accompanying independent auditors' report.

Local Capital Improvement			
Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
Original	Final		
\$ -	\$ -	\$ -	\$ -
-	-	-	-
38,296,323	38,636,752	38,650,765	14,013
-	-	-	-
-	-	-	-
-	-	-	-
-	47,923	112,130	64,207
38,296,323	38,684,675	38,762,895	78,220
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
38,296,323	38,684,675	38,762,895	78,220
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
38,296,323	38,684,675	38,762,895	78,220
-	-	-	-
-	-	-	-
(66,499,929)	(66,777,250)	(51,650,109)	15,127,141
(66,499,929)	(66,777,250)	(51,650,109)	15,127,141
(28,203,606)	(28,092,575)	(12,887,214)	15,205,361
50,252,766	50,252,766	50,252,766	-
\$ 22,049,160	\$ 22,160,191	\$ 37,365,552	\$ 15,205,361

(Continued)

THE SCHOOL DISTRICT OF POLK COUNTY

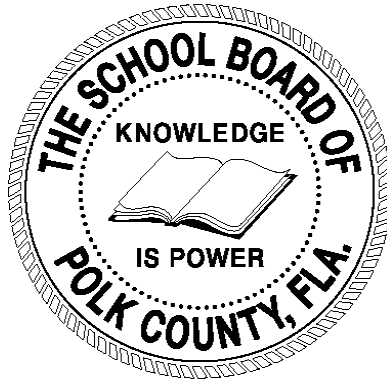
CAPITAL PROJECTS FUNDS

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Other Capital Projects			
	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Federal Sources:				
Federal Direct	\$ -	\$ -	\$ -	\$ -
Total federal sources	-	-	-	-
Local sources:				
Ad valorem taxes	-	-	-	-
Local sales tax	30,000,000	30,000,000	32,340,726	2,340,726
Impact fees	1,500,000	1,500,000	3,764,463	2,264,463
Interest income	252,136	-	-	-
Other	-	57,980,953	6,915,551	(51,065,402)
Total local sources	31,752,136	89,480,953	43,020,740	(46,460,213)
State sources:				
Public education capital outlay	-	-	-	-
Capital outlay distributed to district	-	-	-	-
Interest on undistributed CO & DS	-	-	-	-
Charter School Capital Outlay Funding	1,562,181	1,580,299	1,373,015	(207,284)
Other	-	-	-	-
Total state sources	1,562,181	1,580,299	1,373,015	(207,284)
Total revenues	33,314,317	91,061,252	44,393,755	(46,667,497)
EXPENDITURES:				
Facilities acquisition and construction	-	3,650,602	2,676,843	973,759
Debt Service				
Dues, fees and other	-	-	-	-
Capital outlay		-	-	
Facilities acquisition and construction	80,404,097	129,068,964	36,131,100	92,937,864
Other capital outlay	1,739,118	6,220,071	2,151,669	4,068,402
Total expenditures	82,143,215	138,939,637	40,959,612	97,980,025
Excess (deficiency) of revenues over (under) expenditures	(48,828,898)	(47,878,385)	3,434,143	51,312,528
OTHER FINANCING SOURCES (USES):				
Long term bonds issued	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(28,057,692)	(30,043,759)	(28,282,702)	1,761,057
Total other financing sources and uses	(28,057,692)	(30,043,759)	(28,282,702)	1,761,057
Net change in fund balances	(76,886,590)	(77,922,144)	(24,848,559)	53,073,585
Fund balances - beginning	109,174,849	109,174,849	109,174,849	-
Fund balances - ending	\$ 32,288,259	\$ 31,252,705	\$ 84,326,290	\$ 53,073,585

See accompanying independent auditors' report.

Totals			
Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
Original	Final		
\$ -	\$ -	\$ -	\$ -
-	-	-	-
38,296,323	38,636,752	38,650,765	14,013
30,000,000	30,000,000	32,340,726	2,340,726
1,500,000	1,500,000	3,764,463	2,264,463
252,136	1,006	2,090	1,084
-	72,694,367	7,750,027	(64,944,340)
70,048,459	142,832,125	82,508,071	(60,324,054)
-	-	-	-
406,000	406,000	414,902	8,902
39,000	39,000	38,373	(627)
1,562,181	1,580,299	1,373,015	(207,284)
-	-	-	-
2,007,181	2,025,299	1,826,290	(199,009)
72,055,640	144,857,424	84,334,361	(60,523,063)
20,000	3,746,144	2,695,686	1,050,458
-	1,286	1,286	-
87,803,449	152,500,998	41,635,366	110,865,632
1,739,118	6,516,346	2,344,529	4,171,817
89,562,567	162,764,774	46,676,867	116,087,907
(17,506,927)	(17,907,350)	37,657,494	55,564,844
-	-	-	-
-	-	-	-
(96,832,261)	(99,095,648)	(80,736,140)	18,359,508
(96,832,261)	(99,095,648)	(80,736,140)	18,359,508
(114,339,188)	(117,002,998)	(43,078,646)	73,924,352
170,724,913	170,724,913	170,724,913	-
\$ 56,385,725	\$ 53,721,915	\$ 127,646,267	\$ 73,924,352



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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 Fund** - Accounts for and reports on the automobile and general liability programs.
- **Errors & Omissions / Boiler & Machinery Fund** – Accounts for and reports on the errors and omissions and boiler and machinery liability programs.
- **Group Health 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, 2012**

	Workers' Compensation	General Liability/ Fleet Liability
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 8,864,462	\$ 4,911,089
Investments	26,696,489	506,702
Accounts receivable	-	-
Due from other funds	-	-
Prepaid items	-	-
Total current assets	<u>35,560,951</u>	<u>5,417,791</u>
Noncurrent Assets:		
Improvements other than Buildings	-	-
Total noncurrent assets	-	-
Total assets	<u>35,560,951</u>	<u>5,417,791</u>
LIABILITIES		
Current liabilities:		
Accounts payable	52,793	2,434
Payroll Deductions and Withholdings	-	-
Due to other Agencies	-	-
Estimated liability for claims	<u>9,041,421</u>	<u>1,405,797</u>
Total current liabilities	<u>9,094,214</u>	<u>1,408,231</u>
Noncurrent liabilities:		
Estimated liability for claims	<u>15,336,611</u>	<u>2,384,598</u>
Total noncurrent liabilities	<u>15,336,611</u>	<u>2,384,598</u>
Total liabilities	<u>24,430,825</u>	<u>3,792,829</u>
NET ASSETS		
Capital assets	-	-
Unrestricted	<u>11,130,126</u>	<u>1,624,962</u>
Total net assets	<u>11,130,126</u>	<u>1,624,962</u>
Total net assets and liabilities	<u>\$ 35,560,951</u>	<u>\$ 5,417,791</u>

See accompanying independent auditors' report.

Errors & Omissions/ Boiler & Machinery	Group Health Insurance	Total Internal Service Funds
\$ 1,777,217	\$ 4,728,580	\$ 20,281,348
173,770	21,666,104	49,043,065
-	11,917	11,917
-	11,583	11,583
-	25,000	25,000
1,950,987	26,443,184	69,372,913
-	8,895	8,895
-	8,895	8,895
1,950,987	26,452,079	69,381,808
-	11,530,920	11,586,147
-	2,095	2,095
-	59	59
-	2,443,012	12,890,230
-	13,976,086	24,478,531
-	4,143,988	21,865,197
-	4,143,988	21,865,197
-	18,120,074	46,343,728
-	8,896	8,896
1,950,987	8,323,109	23,029,184
1,950,987	8,332,005	23,038,080
\$ 1,950,987	\$ 26,452,079	\$ 69,381,808

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, 2012**

	Workers' Compensation	General Liability/ Fleet Liability
OPERATING REVENUES:		
Premium revenue from other funds	\$ 3,489,005	\$ 1,530,000
Other revenue	1,125,766	-
Total operating revenues	4,614,771	1,530,000
OPERATING EXPENSES:		
Purchased services	1,924,457	375,386
Energy services	-	-
Materials and supplies	-	-
Capital outlay	-	-
Depreciation	-	-
Claims, premiums and other	6,240,596	2,026,418
Total operating expenses	8,165,053	2,401,804
Operating income/(loss)	(3,550,282)	(871,804)
NON-OPERATING REVENUE:		
Interest	106,038	12,434
Total non-operating revenue	106,038	12,434
Income/(loss) before transfers	(3,444,244)	(859,370)
TRANSFERS IN	-	-
TRANSFERS OUT	(84,676)	(95,498)
Change in net assets	(3,528,920)	(954,868)
Total net assets - beginning	14,659,046	2,579,830
Total net assets - ending	\$ 11,130,126	\$ 1,624,962

See accompanying independent auditors' report.

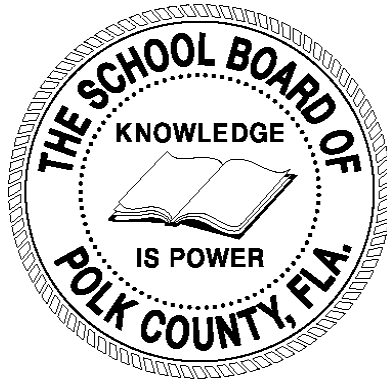
Errors & Omissions/ Boiler & Machinery	Group Health Insurance	Total Internal Service Funds
\$ -	\$ 79,384,443	\$ 84,403,448
-	2,286,552	3,412,318
-	81,670,995	87,815,766
-	5,815,982	8,115,825
-	1,195	1,195
-	3,023	3,023
-	313,863	313,863
-	18	18
-	81,213,472	89,480,486
-	87,347,553	97,914,410
-	(5,676,558)	(10,098,644)
3,298	30,259	152,029
3,298	30,259	152,029
3,298	(5,646,299)	(9,946,615)
-	-	-
-	(1,394,848)	(1,575,022)
3,298	(7,041,147)	(11,521,637)
1,947,689	15,373,152	34,559,717
\$ 1,950,987	\$ 8,332,005	\$ 23,038,080

THE SCHOOL DISTRICT OF POLK COUNTY**INTERNAL SERVICE FUNDS****COMBINING STATEMENT OF CASH FLOWS****FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Workers' Compensation	General Liability/ Fleet Liability
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from interfund services provided	\$ 3,643,284	\$ 1,530,000
Payment to suppliers	(1,871,663)	(373,878)
Payment to employees	-	-
Insurance claims payments	(6,034,185)	(1,569,300)
Other receipts	1,125,766	-
Net cash provided (used) by operating activities	<u>(3,136,798)</u>	<u>(413,178)</u>
CASH FLOWS FROM NON CAPITAL AND RELATED FINANCING ACTIVITIES:		
Transfers to other funds	<u>(84,676)</u>	<u>(95,498)</u>
Net cash used in non capital and related financing activities	<u>(84,676)</u>	<u>(95,498)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and Construction of Capital Assets		
Net cash used in capital and related financing activities	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	(534,355)	3,550,196
Interest and dividends earned on investments	106,038	12,434
Net cash provided (used) by investing activities	<u>(428,317)</u>	<u>3,562,630</u>
Net decrease in cash and cash equivalents	(3,649,791)	3,053,954
Cash and cash equivalents - Beginning of year	<u>12,514,254</u>	<u>1,857,135</u>
Cash and cash equivalents - End of year	<u>\$ 8,864,463</u>	<u>\$ 4,911,089</u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (3,550,282)	\$ (871,804)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation/Amortization expense	-	-
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	154,279	-
(Increase) decrease in due from other funds	-	-
(Increase) decrease in prepaid items	-	-
Increase (decrease) in accounts payable	52,794	2,433
Increase (decrease) in payroll deductions and withholdings	-	-
Increase (decrease) in estimated liability for claims adjust expense	206,411	456,193
Total adjustments	<u>413,484</u>	<u>458,626</u>
Net cash provided (used) by operating activities	<u>\$ (3,136,798)</u>	<u>\$ (413,178)</u>

See accompanying independent auditors' report.

Errors & Omissions/ Boiler & Machinery	Group Health Insurance	Total Internal Service Funds
\$ -	\$ 79,436,086	\$ 84,609,370
-	(422,279)	(2,667,820)
-	1,520	1,520
-	(80,699,397)	(88,302,882)
-	2,287,660	3,413,426
-	603,590	(2,946,386)
-	(1,394,848)	(1,575,022)
-	(1,394,848)	(1,575,022)
-	(8,913)	(8,913)
-	(8,913)	(8,913)
1,221,552	(2,996,173)	1,241,220
3,299	30,258	152,029
1,224,851	(2,965,915)	1,393,249
1,224,851	(3,766,086)	(3,137,072)
552,366	8,494,665	23,418,420
\$ 1,777,217	\$ 4,728,579	\$ 20,281,348
\$ -	\$ (5,676,558)	\$ (10,098,644)
-	18	18
-	63,227	217,506
-	(11,583)	(11,583)
-	(25,000)	(25,000)
-	5,736,966	5,792,193
-	1,520	1,520
-	515,000	1,177,604
-	6,280,130	7,152,240
\$ -	\$ 603,590	\$ (2,946,386)

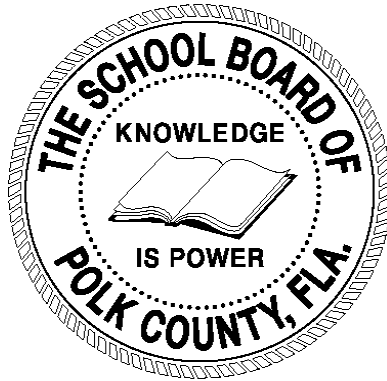


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Agency Funds

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

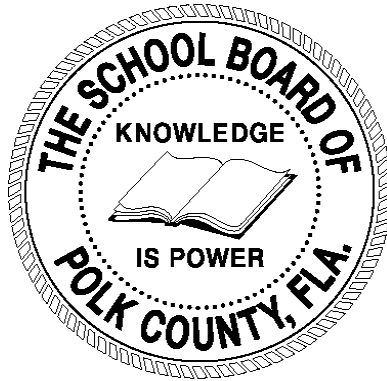
- **School Activity Fund** - Accounts for and reports on the school's activity funds.



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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, 2012**

	School Activity Fund			
	Balances July 1, 2011	Additions	Deductions	Balances June 30, 2012
ASSETS				
Cash	\$ 6,295,835	\$ 86,644,607	\$ 89,199,921	\$ 3,740,521
Investments	2,490,399	16,468,377	13,865,445	5,093,331
Accounts receivable	125,871	5,269,700	5,033,357	362,214
Due from other agencies	-	201	-	201
Inventory	443,892	525,890	443,893	525,889
Total assets	<u>\$ 9,355,997</u>	<u>\$ 108,908,775</u>	<u>\$ 108,542,616</u>	<u>\$ 9,722,156</u>
LIABILITIES				
Accounts payable	\$ 11,257	\$ 16,409,996	\$ 16,406,036	\$ 15,217
Due to student organizations	9,344,143	10,919,450	10,556,654	9,706,939
Payroll deductions	597	-	597	-
Total liabilities	<u>\$ 9,355,997</u>	<u>\$ 27,329,446</u>	<u>\$ 26,963,287</u>	<u>\$ 9,722,156</u>



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Component Units

- **Discretely Presented Component Units** - Accounts for and reports on the Polk Education Foundation and Business Partnership, Inc. (Foundation) and the various charter schools

THE SCHOOL DISTRICT OF POLK COUNTY**STATEMENT OF NET ASSETS
DISCRETELY PRESENTED COMPONENT UNITS
JUNE 30, 2012**

	Babson Park Elementary	Berkley Accelerated Middle	Berkley Accelerated Elementary	Edward W. BOK Academy
ASSETS				
Cash	\$ -	\$ 1,067,258	\$ 909,670	\$ -
Investments	-	-	469,711	-
Accounts receivable, net	748,527	3,000	57,405	435,251
Due from other governmental agencies	-	27,205	82,198	-
Prepaid items	-	725	-	7,000
Other Assets	-	-	10,074	-
Capital Assets (Net of accumulated depreciation):				
Land	-	215,000	-	-
Construction in progress	-	98,720	-	-
Improvements other than buildings	-	-	-	-
Buildings and systems	-	2,870,988	141,776	-
Furniture, fixtures and equipment	86,841	58,446	99,727	86,122
Motor vehicles	-	-	325,428	250
Property under capital leases	-	-	-	-
Audio visual materials	-	-	-	-
Computer software	-	-	6,159	-
Total assets	<u>\$ 835,368</u>	<u>\$ 4,341,342</u>	<u>\$ 2,102,148</u>	<u>\$ 528,623</u>
LIABILITIES				
Accounts payable	\$ 10,606	\$ 140,188	\$ 220,096	\$ 273,078
Salaries and wages payable	94,177	226,181	66,917	62,657
Unearned revenue	-	-	-	-
Noncurrent liabilities:				
Due within one year	-	121,115	39,440	-
Due in more than one year	-	2,958,060	76,563	-
Total liabilities	<u>104,783</u>	<u>3,445,544</u>	<u>403,016</u>	<u>335,735</u>
NET ASSETS				
Invested in capital assets, net of related debt	86,841	163,979	457,087	86,372
Restricted for:				
Endowment - nonexpendable	-	-	-	-
Other purposes	-	-	-	-
Unrestricted	<u>643,744</u>	<u>731,819</u>	<u>1,242,045</u>	<u>106,516</u>
Total net assets	<u>730,585</u>	<u>895,798</u>	<u>1,699,132</u>	<u>192,888</u>
Total liabilities and net assets	<u>\$ 835,368</u>	<u>\$ 4,341,342</u>	<u>\$ 2,102,148</u>	<u>\$ 528,623</u>

See accompanying independent auditors' report.

<u>Compass</u>	<u>Discovery Academy</u>	<u>Hartridge Academy</u>	<u>Hillcrest Elementary</u>	<u>Janie Howard Wilson Elementary</u>	<u>Lake Wales High School</u>	<u>Lakeland Montessori, Inc.</u>
\$ 963,294	\$ 2,641,911	\$ 450,279	\$ -	\$ -	\$ -	\$ 969,388
-	1,275,872	-	-	-	-	-
		13,260	1,076,174	575,403	430,929	10,129
22,272	64,199	2,434	-	-	-	-
-	-	68,114	25	-	-	410
-	12,733	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	245,000
-	-	111,287	-	-	-	-
-	-	-	-	-	-	639,012
35,581	42,431	42,558	152,758	74,401	278,295	8,969
29,640	1,045,729	2,170	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	15	-	-	-	-
<u>\$ 1,050,787</u>	<u>\$ 5,082,875</u>	<u>\$ 690,117</u>	<u>\$ 1,228,957</u>	<u>\$ 649,804</u>	<u>\$ 709,224</u>	<u>\$ 1,872,908</u>
\$ 120,622	\$ 358,683	\$ 75,932	\$ 10,693	\$ 11,951	\$ 34,020	\$ 55,764
-	243,780	-	97,379	79,766	202,478	-
-	-	-	-	-	-	39,999
-	152,317	-	-	-	-	15,484
-	415,644	-	-	-	-	771,182
<u>120,622</u>	<u>1,170,424</u>	<u>75,932</u>	<u>108,072</u>	<u>91,717</u>	<u>236,498</u>	<u>882,429</u>
65,222	520,199	156,030	152,758	74,401	278,295	127,028
-	-	-	-	-	-	-
-	-	-	-	-	-	-
864,943	3,392,252	458,155	968,127	483,686	194,431	863,451
930,165	3,912,451	614,185	1,120,885	558,087	472,726	990,479
<u>\$ 1,050,787</u>	<u>\$ 5,082,875</u>	<u>\$ 690,117</u>	<u>\$ 1,228,957</u>	<u>\$ 649,804</u>	<u>\$ 709,224</u>	<u>\$ 1,872,908</u>

(Continued)

THE SCHOOL DISTRICT OF POLK COUNTY
STATEMENT OF NET ASSETS
DISCRETELY PRESENTED COMPONENT UNITS
JUNE 30, 2012

	Lakeland Montessori Middle	McKeel Academy of Technology	McKeel Elementary Academy	New Beginnings High School
ASSETS				
Cash	\$ 69,173	\$ 1,073,788	\$ 710,593	\$ 519,243
Investments	-	855,559	511,964	-
Accounts receivable, net	2,771	9,379	-	32,189
Due from other governmental agencies	-	84,894	-	16,247
Prepaid items	-	-	-	725
Other Assets	-	214,301	22,307	-
Capital Assets (Net of accumulated depreciation):				
Land	-	315,508	450,000	-
Construction in progress	-	-	-	-
Improvements other than buildings	-	-	-	-
Buildings and systems	-	893,945	1,396,236	750,499
Furniture, fixtures and equipment	25,579	147,714	35,947	73,796
Motor vehicles	-	364,345	10,104	-
Property under capital leases	-	-	-	-
Audio visual materials	-	-	-	-
Computer software	-	-	-	-
Total assets	<u>\$ 97,523</u>	<u>\$ 3,959,433</u>	<u>\$ 3,137,151</u>	<u>\$ 1,392,699</u>
LIABILITIES				
Accounts payable	\$ -	\$ 105,655	\$ 43,008	\$ 197,061
Salaries and wages payable	39,926	134,538	32,382	55,934
Deferred revenue	-	-	-	-
Noncurrent liabilities:				
Due within one year	-	10,097	33,872	115,946
Due in more than one year	9,087	-	1,369,761	347,838
Total liabilities	<u>49,013</u>	<u>250,290</u>	<u>1,479,023</u>	<u>716,779</u>
NET ASSETS				
Invested in capital assets, net of related debt	25,579	1,721,512	488,654	360,511
Restricted for:				
Endowment - nonexpendable	-	-	-	-
Other purposes	-	47,706	-	-
Unrestricted (deficit)	<u>22,931</u>	<u>1,939,925</u>	<u>1,169,474</u>	<u>315,409</u>
Total net assets	<u>48,510</u>	<u>3,709,143</u>	<u>1,658,128</u>	<u>675,920</u>
Total liabilities and net assets	<u>\$ 97,523</u>	<u>\$ 3,959,433</u>	<u>\$ 3,137,151</u>	<u>\$ 1,392,699</u>

See accompanying independent auditors' report.

<u>Our Children's Academy</u>	<u>Polk Avenue Elementary</u>	<u>Polk Pre-Collegiate Academy</u>	<u>Ridgeview Global Studies Academy</u>	<u>South McKeel Elementary</u>	<u>Polk Education Foundation</u>	<u>TOTALS Component Units</u>
\$ 1,074,061	\$ -	\$ 56,191	\$ 1,286,882	\$ 1,814,834	\$ 943,534	\$ 14,550,099
-	-	-	1,026,668	307,179	3,054,771	7,501,724
281,333	575,014	30,898	-	95	140,892	4,422,649
-	-	-	-	-	-	299,449
963	-	350	-	-	1,114,641	1,192,953
-	-	-	63,034	135,876	-	458,325
-	-	-	-	-	-	980,508
-	-	-	-	-	-	343,720
-	-	-	-	316,184	-	427,471
168,022	-	-	-	-	-	6,860,478
143,794	23,546	53,367	121,077	139,925	-	1,730,874
10,074	-	-	304,615	-	-	2,092,355
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	6,174
<u>\$ 1,678,247</u>	<u>\$ 598,560</u>	<u>\$ 140,806</u>	<u>\$ 2,802,276</u>	<u>\$ 2,714,093</u>	<u>\$ 5,253,838</u>	<u>\$ 40,866,779</u>
\$ 140,020	\$ 10,355	\$ 36,531	\$ 35,239	\$ 125,156	\$ 49,190	\$ 2,053,848
-	86,979	-	218,179	92,022	-	1,733,295
-	-	-	-	-	-	39,999
-	-	-	65,260	30,000	-	583,531
-	-	-	141,459	150,000	-	6,239,594
<u>140,020</u>	<u>97,334</u>	<u>36,531</u>	<u>460,137</u>	<u>397,178</u>	<u>49,190</u>	<u>10,650,267</u>
321,890	23,546	53,367	218,973	456,109	-	5,838,353
-	-	-	-	-	1,580,743	1,580,743
-	-	-	24,695	64,092	515,654	652,147
<u>1,216,337</u>	<u>477,680</u>	<u>50,908</u>	<u>2,098,471</u>	<u>1,796,714</u>	<u>3,108,251</u>	<u>22,145,269</u>
<u>1,538,227</u>	<u>501,226</u>	<u>104,275</u>	<u>2,342,139</u>	<u>2,316,915</u>	<u>5,204,648</u>	<u>30,216,512</u>
<u>\$ 1,678,247</u>	<u>\$ 598,560</u>	<u>\$ 140,806</u>	<u>\$ 2,802,276</u>	<u>\$ 2,714,093</u>	<u>\$ 5,253,838</u>	<u>\$ 40,866,779</u>

THE SCHOOL DISTRICT OF POLK COUNTY

**STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Babson Park Elementary	Berkley Accelerated Middle	Berkley Accelerated Elementary	Edward W. BOK Academy
EXPENSES				
Instructional services	\$ 2,109,940	\$ 1,835,732	\$ 3,318,995	\$ 1,903,606
Instructional support services	181,242	80,687	458,055	126,083
Board	13,000	19,046	5,488	12,500
General administration	17,839	-	73,974	20,534
School administration	502,617	353,515	359,677	578,542
Facilities acquisition and construction	-	-	21,887	-
Fiscal Services	-	54,422	58,541	-
Food services	323	900	408,022	-
Central Services	-	7,302	10,292	-
Pupil transportation services	80,354	114,383	278,181	400,578
Operation and maintenance of plant	170,507	179,324	432,359	688,467
Community services and other	70,258	-	63,216	4,973
Interest on long term debt	-	212,745	5,730	-
Unallocated depreciation/amortization expense	-	-	-	-
Total expenses	<u>\$ 3,146,080</u>	<u>\$ 2,858,056</u>	<u>\$ 5,494,417</u>	<u>\$ 3,735,283</u>
PROGRAM REVENUES				
Charges for services	\$ -	\$ -	\$ 455,337	\$ -
Operating grants and contributions	121,772	144,768	278,960	104,159
Capital grants and contributions	-	-	-	-
Net program expenses	<u>(3,024,308)</u>	<u>(2,713,288)</u>	<u>(4,760,120)</u>	<u>(3,631,124)</u>
GENERAL REVENUES				
Grants and contributions not restricted to specific programs	3,089,447	2,557,201	4,582,389	3,541,912
Investment earnings	-	-	-	-
Miscellaneous	-	-	-	-
Total general revenues	<u>3,089,447</u>	<u>2,557,201</u>	<u>4,582,389</u>	<u>3,541,912</u>
Change in net assets	65,139	(156,087)	(177,731)	(89,212)
Net assets - beginning - restated	665,446	1,051,885	1,876,863	282,100
Net assets - ending	<u>\$ 730,585</u>	<u>\$ 895,798</u>	<u>\$ 1,699,132</u>	<u>\$ 192,888</u>

See accompanying independent auditors' report.

Compass	Discovery Academy	Hartridge Academy	Hillcrest Elementary	Janie Howard Wilson Elementary	Lake Wales High School
\$ 681,746	\$ 3,267,700	\$ 744,050	\$ 3,044,381	\$ 2,550,533	\$ 6,125,210
54,657	820,654	7,440	400,746	284,711	330,192
13,683	33,721	7,311	18,000	18,000	23,500
-	69,302	-	23,943	19,566	44,685
263,974	773,410	142,875	490,852	481,663	1,688,158
-	-	185,704	330	-	-
24,290	48,344	-	-	-	-
-	531,773	-	-	-	-
2,947	11,875	57,067	-	-	-
115,975	821,772	37,160	122,607	208,083	503,549
45,586	418,508	117,008	265,922	254,500	1,015,505
-	-	-	46,714	19,580	232,412
-	32,248	-	-	-	-
-	-	-	-	-	-
<u>\$ 1,202,858</u>	<u>\$ 6,829,307</u>	<u>\$ 1,298,615</u>	<u>\$ 4,413,495</u>	<u>\$ 3,836,636</u>	<u>\$ 9,963,211</u>
\$ -	\$ 154,306	\$ -	\$ -	\$ -	\$ -
115,849	795,454	160,921	282,329	304,502	536,818
-	-	-	-	-	-
<u>(1,087,009)</u>	<u>(5,879,547)</u>	<u>(1,137,694)</u>	<u>(4,131,166)</u>	<u>(3,532,134)</u>	<u>(9,426,393)</u>
1,045,301	5,874,743	1,072,842	4,018,169	3,281,725	8,450,723
-	-	434	-	-	-
-	-	16,103	-	-	-
<u>1,045,301</u>	<u>5,874,743</u>	<u>1,089,379</u>	<u>4,018,169</u>	<u>3,281,725</u>	<u>8,450,723</u>
(41,708)	(4,804)	(48,315)	(112,997)	(250,409)	(975,670)
971,873	3,917,255	662,500	1,233,882	808,496	1,448,396
<u>\$ 930,165</u>	<u>\$ 3,912,451</u>	<u>\$ 614,185</u>	<u>\$ 1,120,885</u>	<u>\$ 558,087</u>	<u>\$ 472,726</u>

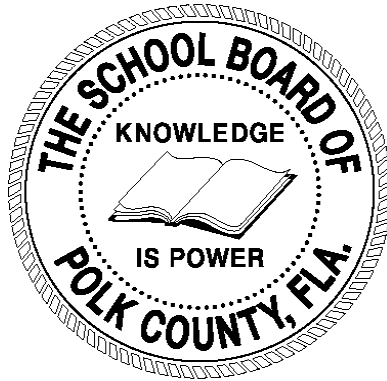
(continued)

THE SCHOOL DISTRICT OF POLK COUNTY**STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Lakeland Montessori, Inc.	Lakeland Montessori Middle	McKeel Academy of Technology	McKeel Elementary Academy
EXPENSES				
Instructional services	\$ 272,349	\$ 237,230	\$ 3,991,613	\$ 1,432,216
Instructional support services	9,945	11,575	365,648	58,473
Board	1,968	6,162	66,784	129,915
General administration	-	-	42,108	13,658
School administration	134,607	83,445	1,011,210	283,225
Facilities acquisition and construction	-	-	1,025	-
Fiscal Services	-	2,825	370,983	-
Food services	-	-	453,535	2,428
Central Services	32,488	13,569	196,515	2,090
Pupil transportation services	4,119	9,149	1,018,755	90,680
Operation and maintenance of plant	78,882	55,708	538,157	231,506
Community services and other	125,686	-	-	-
Interest on long term debt	55,034	-	1,156	85,566
Unallocated depreciation/amortization expense	-	-	-	-
Total expenses	<u>\$ 715,078</u>	<u>\$ 419,663</u>	<u>\$ 8,057,489</u>	<u>\$ 2,329,757</u>
PROGRAM REVENUES				
Charges for services	\$ 243,996	\$ -	\$ 1,206,816	\$ 217
Operating grants and contributions	34,068	156,387	271,494	9,176
Capital grants and contributions	-	-	-	85,566
Net program expenses	<u>(437,014)</u>	<u>(263,276)</u>	<u>(6,579,179)</u>	<u>(2,234,798)</u>
GENERAL REVENUES				
Grants and contributions not restricted to specific programs	559,898	272,946	6,695,440	2,303,226
Investment earnings	2,421	57	-	-
Miscellaneous	-	579	-	-
Total general revenues	<u>562,319</u>	<u>273,582</u>	<u>6,695,440</u>	<u>2,303,226</u>
Change in net assets	125,305	10,306	116,261	68,428
Net assets (deficit) - beginning	865,174	38,204	3,592,882	1,589,700
Net assets (deficit) - ending	<u>\$ 990,479</u>	<u>\$ 48,510</u>	<u>\$ 3,709,143</u>	<u>\$ 1,658,128</u>

See accompanying independent auditors' report.

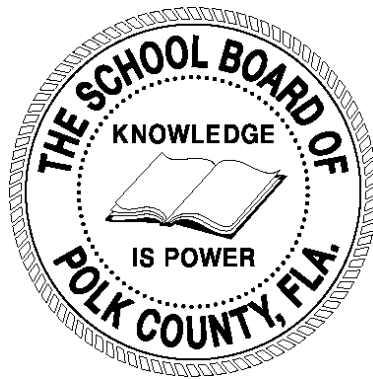
New Beginnings High School	Our Children's Academy	Polk Avenue Elementary	Polk Pre-Collegiate Academy	Ridgeview Global Studies Academy	South McKeel Elementary	Polk Education Foundation	TOTALS Component Units
\$ 647,241	\$ 2,887,722	\$ 2,412,607	\$ 90,932	\$ 3,898,416	\$ 4,240,992	\$ 1,702,710	\$ 47,395,921
163,067	77,872	274,453	5,966	321,284	141,199	-	4,173,949
12,573	23,477	17,500	6,567	16,904	57,110	-	503,209
-	357,434	19,233	-	31,568	45,023	48,553	827,420
285,569	295,294	465,399	26,989	416,561	1,027,315	-	9,664,897
222,516	1,058	-	-	-	-	-	432,520
43,460	83,506	-	8,958	40,554	-	-	735,883
-	1,237	-	-	371,017	383,379	-	2,152,614
34,520	4,392	-	7,012	-	61,118	-	441,187
79,482	98,809	128,126	2,677	301,354	339,465	-	4,755,258
143,470	180,541	214,290	15,963	346,028	1,706,445	-	7,098,676
-	9,154	17,996	-	101,012	780	-	691,781
-	-	-	-	6,511	20,595	-	419,585
-	-	-	-	-	-	-	-
<u>\$ 1,631,898</u>	<u>\$ 4,020,496</u>	<u>\$ 3,549,604</u>	<u>\$ 165,064</u>	<u>\$ 5,851,209</u>	<u>\$ 8,023,421</u>	<u>\$ 1,751,263</u>	<u>\$ 79,292,900</u>
\$ -	\$ 706,290	\$ -	\$ -	\$ 190,106	\$ 300,769	\$ -	\$ 3,257,837
99,812	151,590	267,945	110,447	380,290	209,069	1,428,052	5,963,862
-	-	-	12,918	-	379,395	-	477,879
<u>(1,532,086)</u>	<u>(3,162,616)</u>	<u>(3,281,659)</u>	<u>(41,699)</u>	<u>(5,280,813)</u>	<u>(7,134,188)</u>	<u>(323,211)</u>	<u>(69,593,322)</u>
2,205,138	3,080,570	3,204,568	145,974	5,532,663	7,508,392	-	69,023,267
-	-	-	-	-	-	(973)	1,939
-	-	-	-	-	-	75,749	92,431
<u>2,205,138</u>	<u>3,080,570</u>	<u>3,204,568</u>	<u>145,974</u>	<u>5,532,663</u>	<u>7,508,392</u>	<u>74,776</u>	<u>69,117,637</u>
673,052	(82,046)	(77,091)	104,275	251,850	374,204	(248,435)	(475,685)
2,868	1,620,273	578,317	-	2,090,289	1,942,711	5,453,083	30,692,197
<u>\$ 675,920</u>	<u>\$ 1,538,227</u>	<u>\$ 501,226</u>	<u>\$ 104,275</u>	<u>\$ 2,342,139</u>	<u>\$ 2,316,915</u>	<u>\$ 5,204,648</u>	<u>\$ 30,216,512</u>

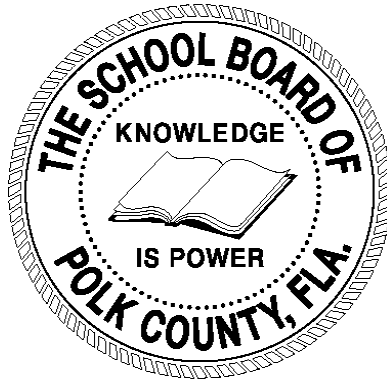


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Statistical Section

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District Statistics

This part of the Polk County School Board'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
TABLE 1
(accrual basis of accounting)
(amounts in thousands)
(unaudited)

	2012	2011	2010	2009	Fiscal 2008
Government activities:					
Invested in capital assets, net of related debt	\$ 761,407	\$ 781,310	\$ 741,501	\$ 589,452	\$ 484,019
Restricted	124,599	116,197	136,135	271,820	342,777
Unrestricted	10,170	31,676	23,514	17,242	32,202
Total governmental activities net assets	<u>\$ 896,176</u>	<u>\$ 929,183</u>	<u>\$ 901,150</u>	<u>\$ 878,514</u>	<u>\$ 858,998</u>

Note: The District has no business-type activities.

Source: District Records

Year				
2007	2006	2005	2004	2003
\$ 517,184	\$ 413,427	\$ 333,000	\$ 310,296	\$ 303,037
106,704	103,186	44,745	56,918	61,194
68,715	31,385	91,652	4,956	(15,487)
<u>\$ 692,603</u>	<u>\$ 547,998</u>	<u>\$ 469,397</u>	<u>\$ 372,170</u>	<u>\$ 348,744</u>

**SCHOOL DISTRICT OF POLK COUNTY
CHANGES IN NET ASSETS - GOVERNMENT WIDE
LAST TEN FISCAL YEARS**

TABLE 2

(accrual basis of accounting)

(amounts in thousands)

(unaudited)

	2012	2011	2010
EXPENSES			
Instructional services	\$ 501,427	\$ 538,107	\$ 523,680
Instructional support services	83,720	91,279	85,524
Pupil transportation services	36,358	36,143	34,430
Operation and maintenance of plant	65,551	73,481	76,631
Non capitalizable facilities acquisition and construction	26,496	5,276	7,218
School administration	40,310	43,096	42,785
General administration	33,190	34,456	36,651
Food services	43,949	45,588	45,300
Community services and other	3,194	3,327	3,045
Interest on long term debt	19,908	19,776	22,488
Unallocated fiscal charges on longterm debt and depreciation expense	186	189	533
Total primary government expenses	<u>854,289</u>	<u>890,718</u>	<u>878,285</u>
PROGRAM REVENUES			
Charges for services:			
Adult course and childcare fees	2,346	1,888	1,908
Transportation	470	505	463
Food Services	7,304	8,649	9,599
Operating grants and contributions	34,978	35,862	33,547
Capital grants and contributions	3,372	11,212	12,107
Total primary government program revenues	<u>48,470</u>	<u>58,116</u>	<u>57,624</u>
Total primary government net (expenses) revenues	<u>(805,819)</u>	<u>(832,602)</u>	<u>(820,661)</u>
GENERAL REVENUES			
Property taxes			
Levied for general purposes	158,902	173,763	195,839
Levied for capital projects	38,651	41,306	48,373
Sales taxes	32,341	30,459	29,510
Unrestricted grants and contributions	524,209	600,709	551,962
Investment earnings	696	2,904	4,207
Miscellaneous	18,013	11,494	13,406
Total primary government general revenues	<u>772,812</u>	<u>860,635</u>	<u>843,297</u>
CHANGE IN NET ASSETS			
Total primary government	<u>\$ (33,007)</u>	<u>\$ 28,033</u>	<u>\$ 22,636</u>

Note: The District has no business-type activities.

Impact fees are included in miscellaneous earnings.

Source: District Records

Fiscal Year						
2009	2008	2007	2006	2005	2004	2003
\$ 517,548	\$ 526,183	\$ 485,034	\$ 423,950	\$ 381,656	\$ 334,407	\$ 319,726
75,282	77,000	72,944	66,077	56,843	52,765	48,897
34,329	34,030	31,224	28,520	26,234	18,479	22,146
75,762	79,806	74,787	68,968	67,899	60,696	54,125
4,413	9,403	7,454	19,363	4,774	12,388	255
42,743	43,573	40,007	36,739	34,466	32,817	32,998
36,250	33,970	32,143	29,581	27,962	34,379	23,915
43,818	41,184	36,892	34,468	33,912	35,178	32,318
1,511	961	850	895	857	969	939
27,460	20,128	18,245	14,262	14,100	15,495	11,980
1,284	329	389	418	910	196	2,417
860,400	866,567	799,969	723,241	649,613	597,769	549,716
1,376	1,173	1,420	5,059	1,430	1,315	1,416
482	490	450	403	379	370	314
10,488	10,656	10,862	11,734	10,028	10,764	10,595
53,178	52,533	50,178	98,151	125,431	41,070	40,279
29,196	36,580	24,422	12,538	47,540	3,958	13,854
94,720	101,432	87,332	127,885	184,808	57,477	66,458
(765,680)	(765,135)	(712,637)	(595,356)	(464,805)	(540,292)	(483,258)
210,238	189,956	169,885	140,449	124,808	117,551	115,089
62,631	68,866	58,864	46,146	40,196	37,177	34,971
31,071	33,370	36,393	36,773	34,413	15,258	-
476,204	608,245	546,668	398,310	325,239	370,631	340,206
2,590	13,922	18,073	13,804	6,035	2,132	1,600
8,305	17,171	27,359	41,954	31,341	20,969	5,167
791,039	931,530	857,242	677,436	562,032	563,718	497,033
\$ 25,359	\$ 166,395	\$ 144,605	\$ 82,080	\$ 97,227	\$ 23,426	\$ 13,775

SCHOOL DISTRICT OF POLK COUNTY
PLEDGED-REVENUE COVERAGE
LAST TEN FISCAL YEARS
TABLE 3
(accrual basis of accounting)
(amounts in thousands)
(unaudited)

Fiscal Year Ending June 30,	Sales Tax Revenue Bonds			
	Sales Tax	Debt Service		Coverage
		Principal	Interest	
2012	\$ 32,341	\$ 18,525	\$ 7,970	81.9%
2011	30,459	17,765	8,728	87.0%
2010	29,510	17,115	9,380	89.8%
2009	31,071	16,535	9,959	85.3%
2008	33,370	8,480	6,919	46.1%
2007	36,393	8,245	5,417	37.5%
2006	36,773	9,185	4,472	37.1%
2005	34,413	3,145	1,809	14.4%
2004	15,258	-	-	0.0%
2003	-	-	-	-

Source: District Records

SCHOOL DISTRICT OF POLK COUNTY
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS

TABLE 4

(accrual basis of accounting)
(amounts in thousands)
(unaudited)

Fiscal Year Ending June 30,	Property Tax		Sales Tax	Total
	General Purposes	Capital Projects		
2012	\$ 158,902	\$ 38,651	\$ 32,341	\$ 229,894
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

Source: District Records

SCHOOL DISTRICT OF POLK COUNTY
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
TABLE 5
(modified accrual basis of accounting)
(amounts in thousands)
(unaudited)

	2012	2011	2010	2009	2008
General Fund					
Nonspendable	\$ 7,653	\$ 7,664	\$ -	\$ -	\$ -
Restricted	12,580	8,237	-	-	-
Assigned	2,850	10,449	-	-	-
Unassigned	52,230	53,049	-	-	-
Reserved	-	-	11,857	15,991	16,122
Unreserved	-	-	56,961	46,071	41,620
Total general fund	<u>\$ 75,313</u>	<u>\$ 79,399</u>	<u>\$ 68,818</u>	<u>\$ 62,062</u>	<u>\$ 57,742</u>
All Other Governmental Funds					
Nonspendable, reported in:					
Special revenue funds	\$ 1,270	\$ 1,332	\$ -	\$ -	\$ -
Restricted, reported in:					
Special revenue funds	9,930	8,063	-	-	-
Capital projects funds	127,646	170,725	-	-	-
Debt service funds	7,086	4,520	-	-	-
Reserved	-	-	84,283	33,136	69,551
Unreserved, reported in:					
Special revenue funds	-	-	7,279	5,996	5,696
Capital projects funds	-	-	156,370	226,743	262,524
Total all other governmental funds	<u>\$ 145,932</u>	<u>\$ 184,640</u>	<u>\$ 247,932</u>	<u>\$ 265,875</u>	<u>\$ 337,771</u>

Note: GASB Statement 54 Fund Balance Reporting and Governmental Fund Type Definitions was implemented for the 2010-11 fiscal year.

Source: District Records

Fiscal Year				
2007	2006	2005	2004	2003
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
24,415	20,111	15,733	17,927	19,701
37,696	27,129	31,609	28,918	17,930
<u>\$ 62,111</u>	<u>\$ 47,240</u>	<u>\$ 47,342</u>	<u>\$ 46,845</u>	<u>\$ 37,631</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
80,711	82,457	40,931	46,770	16,523
5,040	2,879	247	(1,236)	157
92,970	117,261	123,149	107,659	33,766
<u>\$ 178,721</u>	<u>\$ 202,597</u>	<u>\$ 164,327</u>	<u>\$ 153,193</u>	<u>\$ 50,446</u>

SCHOOL DISTRICT OF POLK COUNTY
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN YEARS
TABLE 6
(modified accrual basis of accounting)
(amounts expressed in thousands)
(unaudited)

	Fiscal				
	2012	2011	2010	2009	2008
REVENUES					
Local sources:					
Ad valorem taxes	\$ 197,553	\$ 215,069	\$ 244,212	\$ 272,869	\$ 258,822
Local sales tax	32,341	30,459	29,510	31,070	33,370
Impact Fees	3,764	2,738	4,284	6,437	10,308
Food services	7,304	8,649	9,600	10,488	10,657
Interest income	543	1,796	2,998	5,986	11,434
Other	18,138	12,357	11,605	6,455	7,727
Total local sources	259,643	271,068	302,209	333,305	332,318
State sources:					
Florida education finance program	313,381	438,439	414,238	277,874	322,935
Public education capital outlay	-	7,855	8,750	19,385	33,133
Food services	707	734	736	733	692
Grants and other	127,261	13,287	13,591	156,113	255,051
Total state sources	441,349	460,315	437,315	454,105	611,811
Federal sources:					
Food services	34,271	35,128	32,819	30,222	27,980
Federal grants direct	15,513	15,014	10,370	8,194	1,411
Federal grants through state	70,575	136,834	116,671	59,096	55,614
Total federal sources	120,359	186,976	159,860	97,512	85,005
Total revenues	821,351	918,359	899,384	884,922	1,029,134
EXPENDITURES					
Current:					
Instructional services:	468,983	508,593	494,238	488,565	499,244
Instructional support services:					
Pupil personnel services	31,602	34,874	33,814	30,713	30,133
Instructional media services	8,245	11,347	11,731	11,126	11,943
Instruction and curriculum development services	16,405	16,351	14,634	12,501	13,893
Instructional staff training services	13,002	18,582	14,424	12,765	13,754
Instructional related technology	8,980	5,202	6,157	4,054	3,871
Total instructional support services	78,234	86,356	80,760	71,159	73,594
Pupil transportation services	33,051	34,683	33,736	32,509	33,041
Operation and maintenance of plant:					
Operation of plant	43,936	48,873	49,965	47,770	50,201
Maintenance of plant	16,501	20,844	22,604	24,323	27,086
Total operation and maintenance of plant	60,437	69,717	72,569	72,093	77,287
School administration	37,670	40,648	40,253	40,310	41,645
General administration:					
Central services	10,505	15,771	12,209	14,482	14,647
Board of education	2,372	2,398	2,469	2,450	2,087
General administration	5,379	6,689	7,140	5,119	6,134
Fiscal services	3,017	3,267	2,945	2,714	2,865
Administrative technology services	5,054	4,833	4,778	4,931	4,798
Total general administration	26,327	32,958	29,541	29,696	30,531

Year					
2007		2006		2005	
				2004	
				2003	
\$	228,748	\$	186,595	\$	165,004
	36,393		36,773	\$	154,727
	21,140		29,788		15,258
	10,861		11,734		6,609
	13,475		11,867		10,760
	10,841		18,691		1,834
	321,458		295,448		13,043
					11,356
					173,366
	327,391		298,629		277,639
	21,046		9,277		17,604
	726		718		844
	187,445		113,249		114,148
	536,608		421,873		410,235
					340,113
					320,743
	26,254		24,358		33,222
	1,221		1,195		1,114
	56,894		58,501		53,657
	84,369		84,054		87,993
	942,435		801,375		732,979
					616,818
					563,171
	463,201		413,748		370,168
					329,194
					303,267
	28,490		24,858		22,762
	11,223		10,679		9,777
	18,223		17,649		15,547
	8,734		8,143		7,064
	3,831		3,244		-
	70,501		64,573		55,150
					51,971
					47,150
	30,226		28,108		25,436
					22,604
					20,870
	47,462		41,008		36,700
	24,955		26,172		28,924
	72,417		67,180		65,624
					54,614
					51,083
	38,626		35,885		33,470
					32,127
					31,114
	13,493		11,504		14,681
	2,222		2,169		1,616
	4,526		5,840		5,520
	2,630		2,504		2,172
	4,629		4,099		-
	27,500		26,116		23,989
					23,209
					22,994

(continued)

SCHOOL DISTRICT OF POLK COUNTY
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN YEARS
TABLE 6
(modified accrual basis of accounting)
(amounts expressed in thousands)
(unaudited)

	Fiscal				
	2012	2011	2010	2009	2008
Non-capitalizable facilities acquisition and construction	11,525	8,183	7,505	9,019	7,091
Food services	40,630	43,121	42,764	41,357	39,504
Community services and other	3,017	3,147	2,609	1,441	924
Debt Service:					
Principal retirement	30,077	28,749	27,340	26,232	17,739
Interest	18,998	19,743	21,806	22,662	18,679
Fiscal charges	1,210	1,210	3,110	5,439	1,487
Capital outlay					
Facilities acquisitions & construction	43,073	92,108	66,320	93,864	145,912
Other capital outlay	12,673	18,089	16,736	19,554	4,048
Total expenditures	865,905	987,305	939,287	953,900	990,726
Excess (deficiency) of revenues over (under) expenditures	(44,554)	(68,946)	(39,903)	(68,978)	38,408
OTHER FINANCING SOURCES (USES):					
Long term bonds issued	-	21,223	24,763	-	109,445
Premium on sale of bonds	48	55	177	-	5,757
Discount on sale of bonds	-	-	(71)	-	-
Refunding bonds issued	440	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	(487)	(43,636)	(139,130)	(36,388)	-
Proceeds from capital leases	-	-	-	-	-
Sale of capital assets	-	-	-	-	-
Insurance loss recoveries	183	11	13	18	271
Transfers in	82,405	77,136	80,792	82,677	62,729
Transfers out	(80,830)	(75,514)	(79,378)	(81,881)	(61,929)
Total other financing sources and uses	1,759	23,760	28,716	1,402	116,273
Net change in fund balances	<u>\$ (42,795)</u>	<u>\$ (45,186)</u>	<u>\$ (11,187)</u>	<u>\$ (67,576)</u>	<u>\$ 154,681</u>
Debt service as a percentage of non-capital expenditures	6.06%	5.53%	5.74%	5.82%	4.33%

Note: Technology expenses were included in central services until the 2005-2006 fiscal year.

Source: District Records

Year					
2007	2006	2005	2004	2003	
5,329	9,188	4,533	3,798	4,878	
35,701	33,998	33,030	34,959	32,599	
821	861	825	969	939	
17,750	17,686	12,553	12,951	9,325	
16,973	16,715	13,411	12,869	11,318	
510	1,666	209	1,850	377	
166,793	138,534	86,375	32,094	23,011	
5,574	6,540	5,781	4,382	8,583	
951,922	860,798	730,554	617,591	567,508	
(9,487)	(59,423)	2,425	(773)	(4,337)	
-	93,280	1,645	109,084	-	
-	4,203	-	1,796	-	
-	(5)	-	-	-	
-	2,595	-	19,700	30,270	
-	-	-	-	-	
-	-	-	-	-	
-	-	-	-	-	
-	-	-	-	-	
-	-	-	-	-	
-	-	-	-	-	
-	(2,838)	-	(19,337)	(29,934)	
-	-	-	-	-	
444	226	271	1,342	415	
37	132	7,290	148	55	
58,123	57,849	44,856	42,615	29,537	
(58,123)	(57,849)	(44,856)	(42,615)	(29,537)	
481	97,593	9,206	112,733	806	
\$ (9,006)	\$ 38,170	\$ 11,631	\$ 111,960	\$ (3,531)	
4.45%	4.81%	4.07%	4.44%	3.85%	

**SCHOOL DISTRICT OF POLK COUNTY
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS**

**TABLE 7
(amounts in thousands)
(unaudited)**

Fiscal Year Ended June 30,	Taxable Value for the School District						
	Residential Property	Commercial Property	Industrial Property	Agricultural Property	Other (1) Property	Tangible Property	Less: Exemptions
2011	\$ 19,307,684	\$ 3,745,586	\$ 1,529,632	\$ 1,781,720	\$ 3,076,148	\$ 5,797,920	\$ 8,749,410
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

(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 2012 fiscal year are based on 2011 net taxable values

Source: Florida Department of Revenue

Net Taxable Assessed Value	Total Direct Tax Rate	Estimated Taxable Value	Net Assessed Value as a Percentage of of Estimated Taxable Value
26,567,774	7.6700	\$ 35,317,184	75.23%
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%

SCHOOL DISTRICT OF POLK COUNTY
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
RATES PER \$1,000 ASSESSED VALUATION
TABLE 8
(unaudited)

	Fiscal Year						
	2012	2011	2010	2009	2008	2007	2006
District School Board:							
Required Local Effort	5.4220	5.2940	5.0880	5.1360	4.7520	5.0100	5.3180
Discretionary Local	0.7480	0.7480	0.7480	0.4980	0.5100	0.5100	0.5100
Supplemental Discretionary	0.0000	0.2500	0.2500	0.2500	0.2500	0.2500	0.2500
Debt Service	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Capital Improvement	1.5000	1.5000	1.5000	1.7500	2.0000	2.0000	2.0000
Total District School Board	7.6700	7.7920	7.5860	7.6340	7.5120	7.7700	8.0780
Other County-Wide:							
Board of County Commissioners	6.8665	6.8665	6.8665	6.8665	6.8665	8.3330	8.7270
Total County-Wide	14.5365	14.6585	14.4525	14.5005	14.3785	16.1030	16.8050
Non-County Wide:							
Board of County Commissioners							
Public Library Service	0.2109	0.2109	0.2109	0.2109	0.2109	0.2500	0.2500
Parks & Recreation (unincorporated)	0.4219	0.4219	0.4219	0.4219	0.4219	0.5000	0.5000
Municipalities:							
Auburndale	3.8393	3.8393	3.8393	3.3317	3.3317	4.4100	4.5160
Bartow	3.9962	3.9962	3.9962	3.9962	3.1161	4.5000	4.5000
Davenport	6.9900	6.0000	5.9792	4.5695	4.6911	6.5000	6.5000
Eagle Lake	7.6516	7.6516	7.6516	7.4225	6.7614	8.5000	8.5000
Fort Meade	3.3509	3.3509	3.3509	3.0435	2.7959	3.5000	3.5000
Frostproof	7.8209	7.8209	7.8209	7.8209	7.1395	8.5000	7.0000
Haines City	6.9900	6.9900	6.9900	6.9900	6.8185	6.8900	6.9900
Lake Alfred	6.9990	6.5800	6.5800	6.5800	6.5800	7.0580	7.0580
Lake Wales	7.9998	7.3277	7.3277	7.3277	7.3521	8.4400	8.9400
Lakeland	4.1644	4.1644	3.6538	3.4031	3.2296	3.5450	3.5450
Mulberry	8.9000	8.9000	8.0500	8.0573	7.8358	8.5000	8.5000
Polk City	8.6547	8.6547	7.8000	6.7425	6.6707	6.7425	6.7425
Winter Haven	5.7900	5.7900	5.7900	5.7900	5.8644	6.9000	6.9500

Note: Overlapping debt is the debt of a political entity, such as a state where its tax base overlaps the tax base of another political entity, such as a city within the county.

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

2005	2004	2003
5.4770	5.5780	5.8300
0.5100	0.5100	0.5100
0.2190	0.2290	0.2380
0.0000	0.0000	0.0000
2.0000	2.0000	2.0000
8.2060	8.3170	8.5780
7.7270	7.7270	7.7270
15.9330	16.0440	16.3050
0.0000	0.0000	0.0000
0.0000	0.0000	0.0000
4.5160	4.5160	4.5160
4.5000	3.5000	3.5000
6.5000	6.5000	6.0000
8.5000	7.0000	7.0000
1.0000	1.0000	1.0000
7.0000	7.0000	7.0000
6.9900	6.9990	6.9900
7.0580	7.0580	7.0580
9.4400	9.4400	8.9400
3.5450	3.5450	2.9950
8.5000	8.5000	8.5000
6.7425	6.6880	5.5000
6.9900	6.9990	6.7500

SCHOOL DISTRICT OF POLK COUNTY
 PRINCIPAL PROPERTY TAX PAYERS
 CURRENT AND NINE YEARS AGO
 TABLE 9
 (amounts in thousands)
 (unaudited)

Fiscal Year						
Taxpayer	2012			2003		
	Rank	Taxable Value	Percentage of Total Assessed Value	Rank	Taxable Value	Percentage of Total Assessed Value
Progress Energy	1	\$ 1,026,380	3.21%		\$ -	
Tampa Electric	2	492,505	1.54%	1	402,285	1.58%
Mosaic	3	434,087	1.36%			
Publix Super Markets	4	256,698	0.80%	7	255,727	1.00%
Verizon Florida	5	221,225	0.69%	4	287,672	1.18%
Coca-Cola	6	163,059	0.51%			
Calpine Construction Finance	7	153,301	0.48%			
Gulfstream Natural Gas	8	150,849	0.47%	8	144,504	0.57%
Walmart	9	104,204	0.33%	9	107,785	0.42%
Brighthouse	10	92,530	0.29%			
I M C Agrico Co.				5	277,403	1.09%
Cargill				6	272,291	1.07%
Florida Power Corporation				3	309,010	1.21%
Auburndale Power Partners				10	103,506	0.41%
CSX Transportation				2	318,300	1.25%
Total		<u>\$ 3,094,838</u>	<u>9.70%</u>		<u>\$ 2,478,483</u>	<u>9.73%</u>

Source: Polk County Property Appraiser

**SCHOOL DISTRICT OF POLK COUNTY
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
TABLE 10
(unaudited)**

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
2012	\$	203,981,107	\$ 196,437,667	96.30%	\$ 1,115,156	\$ 197,552,823 96.85%
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%

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: District Records

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

TABLE 11

(amounts in thousands, except per capita)
(unaudited)

Fiscal Year	Governmental Activities (A)						Percentage of Personal Income (B)	Per Capita (B)
	Sales Tax Revenue Bonds	State Board of Education Bonds	Capital Leases	Certificates Of Participation	Notes Payable	Total Primary Government		
2012	\$ 156,935	\$ 15,790	-	\$ 239,562	\$ 4,231	416,518	N/A	N/A
2011	175,460	17,930	-	247,862	5,413	446,665	N/A	739
2010	193,225	19,935	-	231,521	6,522	451,203	2.36%	749
2009	216,875	18,214	-	215,480	7,563	458,132	2.48%	767
2008	234,063	19,982	-	221,961	8,328	484,334	2.51%	819
2007	129,297	21,712	-	228,526	9,148	388,683	2.10%	670
2006	139,609	23,484	-	236,934	9,903	409,930	2.34%	729
2005	51,095	24,125	-	244,520	10,524	330,264	2.04%	609
2004	54,240	23,945	-	250,630	12,402	341,217	2.33%	651
2003	-	24,795	-	201,135	17,404	243,334	1.83%	477

(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.

Note: The sources for the this year's data for (B) have changed to provide more reliable and consistent reporting from year to year.

Therefore, the current year's data will not tie to previous reports.

Source District Records

SCHOOL DISTRICT OF POLK COUNTY
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
JUNE 30, 2012
TABLE 12
(unaudited)

<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	\$ 209,714,962	100%	\$ 209,714,962	100%	\$ 209,714,962
Polk County District School Board	-	100%	-	100%	-
Totals	<u>\$ 209,714,962</u>		<u>\$ 209,714,962</u>		<u>\$ 209,714,962</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

SCHOOL DISTRICT OF POLK COUNTY
 ANTICIPATED CAPITAL OUTLAY MILLAGE LEVY
 REQUIRED TO COVER CERTIFICATES OF PARTICIPATION PAYMENTS
 LAST TEN FISCAL YEARS
 TABLE 13
 (unaudited)

Fiscal Year	Taxable Assessed Value (A)	Annual Lease Payment	Millage Levy to Provide 1.00x Coverage (B)
2012	\$ 25,439,084	\$ 17,177,448	0.7108
2011	26,567,774	17,718,778	0.7012
2010	28,429,603	18,486,759	0.6845
2009	32,956,178	18,172,213	0.5804
2008	36,826,457	16,971,019	0.4851
2007	35,812,163	17,025,912	0.5004
2006	30,240,903	17,176,586	0.5979
2005	23,764,413	16,248,727	0.7197
2004	20,624,282	16,929,692	0.8641
2003	18,976,603	14,463,040	0.8023

(A) Assessed Value is in Thousands.

(B) Millage rate calculated using 95 percent 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: Florida Department of Revenue and District Records

**SCHOOL DISTRICT OF POLK COUNTY
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN YEARS
TABLE 14
(unaudited)**

Fiscal Year	Population (A)	Personal Income (1) (C)	Per Capita Personal Income (A)	Unemployment Rate (B)
2011	604,792	\$ N/A	\$ N/A	11.6%
2010	602,095	19,150,836	31,807	12.2%
2009	597,560	18,496,275	30,953	11.1%
2008	591,659	19,300,508	32,621	6.7%
2007	580,352	18,477,247	31,838	4.4%
2006	562,297	17,481,814	31,090	3.6%
2005	542,260	16,177,243	29,833	4.0%
2004	524,410	14,665,126	27,965	4.9%
2003	510,503	13,275,120	26,004	5.5%
2002	499,747	12,546,648	25,106	5.8%

(1) Personal Income in thousands.

Sources:

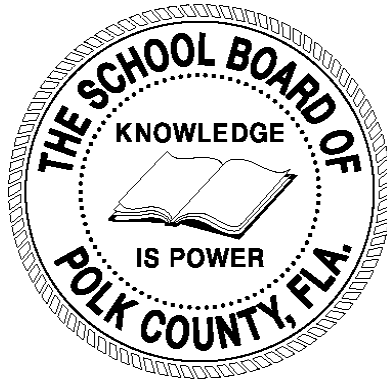
(A) University of Florida Bureau of Economic and Business Research

(B) Central Florida Development Council

(C) Personal income is derived from multiplying Per Capita Personal Income times Population

Note: 2012 data was not available at time of print.

Note: The sources for this year's data have changed to provide more reliable and consistent reporting from year to year. Therefore, the current year's data will not tie to previous reports.



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PRINCIPAL EMPLOYERS
POLK COUNTY EMPLOYMENT
CURRENT YEAR AND NINE YEARS AGO
TABLE 15
(unaudited)

Employer	Calendar Year					
	2011			2002		
	Employees	Rank	Percentage of County Employment	Employees	Rank	Percentage of County Employment
Polk County School Board	14,000	1	5.14%	11,000	1	4.62%
Publix Super Markets	9,500	2	3.49%	8,500	2	3.57%
Wal-Mart	5,100	3	1.87%	4,000	4	1.68%
Polk County Government	4,700	4	1.72%	3,500	5	1.47%
Lakeland Regional Medical Center	4,600	5	1.69%	3,500	6	1.47%
State of Florida	4,300	6	1.58%	4,500	3	1.89%
Winter Haven Hospital	2,500	7	0.92%	2,500	7	1.05%
City of Lakeland	2,500	8	0.92%	2,500	8	1.05%
GEICO Insurance	2,000	9	0.73%	2,100	10	0.88%
State Farm Insurance	2,000	10	0.73%	2,200	9	0.92%
	<u>51,200</u>		<u>18.79%</u>	<u>44,300</u>		<u>18.60%</u>

Note: 2012 data was not available at time of publishing.

Sources: Polk County CAFR 2011, pg I-24

SCHOOL DISTRICT OF POLK COUNTY
SCHOOL BUILDING INFORMATION & FULL-TIME EQUIVALENT ENROLLMENT DATA
LAST TEN FISCAL YEARS
TABLE 16
(unaudited)

	2012	2011	2010	2009	Fiscal 2008
<u>Schools</u>					
Elementary					
Locations	66	67	67	66	66
Square feet	6,281,975	6,311,927	6,307,785	6,248,097	6,127,789
Capacity	51,507	51,853	53,259	51,863	50,765
Enrollment	40,167	40,337	40,159	39,531	39,909
Middle					
Locations	18	19	19	19	19
Square feet	2,641,924	2,639,634	2,581,660	2,499,317	2,502,485
Capacity	238,884	21,071	20,510	20,107	23,459
Enrollment	16,006	15,338	15,113	15,276	15,542
Senior High					
Locations	18	16	16	16	15
Square feet	4,323,615	4,394,670	4,319,245	4,110,653	3,536,315
Capacity	34,432	34,863	32,088	28,009	28,505
Enrollment	22,312	22,117	22,301	21,960	21,823
Other (A)					
Locations	14	10	10	10	10
Square feet	921,463	771,564	778,035	779,735	810,047
Capacity	5,893	5,575	4,936	5,121	4,547
Enrollment	3,976	3,980	4,151	4,147	4,082
Conversion Charter (B)					
Locations	9	9	9	9	9
Square feet	1,167,797	1,167,797	1,160,449	1,144,887	1,122,148
Capacity	8,318	8,184	8,237	8,020	8,078
Enrollment	6,904	6,758	6,653	6,685	6,654
<u>Administrative / Support Services</u>					
Locations	17	17	17	14	14
Square feet	569,433	570,691	569,721	545,873	542,311

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

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

Note: Does not include start-up charter schools or their enrollment.

Source: District Records

Years				
2007	2006	2005	2004	2003
62	61	60	64	65
5,457,527	5,361,039	5,029,125	5,100,232	5,144,871
45,305	43,804	N/A	39,064	48,896
39,610	38,290	35,173	36,304	36,657
19	19	19	19	19
2,460,937	2,460,937	2,452,297	2,429,507	2,415,813
22,900	222,169	N/A	20,112	23,113
15,851	15,847	16,041	15,577	15,401
15	15	14	15	15
3,440,230	3,440,230	3,164,310	3,325,121	3,274,117
29,850	27,993	N/A	25,639	27,847
21,308	20,432	19,313	20,086	19,620
10	10	10	10	10
793,371	793,371	774,245	739,385	739,385
5,252	5,112	N/A	4,211	4,710
4,100	4,031	4,690	3,285	3,618
9	9	9	4	3
1,093,278	1,078,723	1,071,895	555,717	444,037
8,014	7,982	N/A	3,164	3,219
6,659	6,699	6,610	2,938	2,200
14	13	12	12	12
541,780	541,780	455,420	455,420	455,420

SCHOOL DISTRICT OF POLK COUNTY
NUMBER OF PERSONNEL
LAST TEN FISCAL YEARS
TABLE 17
(unaudited)

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
2012	9,457	384	3,536	13,377	10.04	247.19	24.63
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

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
TABLE 18
(unaudited)

<u>Fiscal Year</u>	<u>Minimum Salary</u>	<u>Maximum Salary</u>	<u>Average Salary</u>
2012	\$ 35,000	\$ 55,675	\$ 42,671
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

Note: Includes only 10 Month Teachers

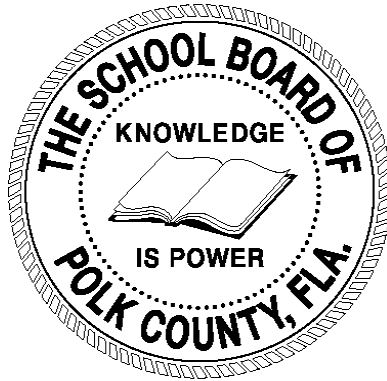
Source: District Records

SCHOOL DISTRICT OF POLK COUNTY
FOOD SERVICE OPERATING DATA
LAST TEN YEARS
TABLE 19
(unaudited)

	Fiscal					Year
	2012	2011	2010	2009	2008	2007
Days Meals Served:	180	180	180	225	225	225
Student Lunches Served:						
Paid Lunches (regular)	1,631,888	2,113,892	2,279,097	2,586,630	2,754,874	2,825,352
Reduced Lunches (regular)	756,400	817,978	1,110,348	1,275,683	1,249,385	1,233,332
Free Lunches (regular)	7,736,169	7,953,136	7,554,767	6,951,128	6,715,156	6,435,021
Total Student Lunches Served	10,124,457	10,885,006	10,944,212	10,813,441	10,719,415	10,493,705
Daily Average Student Lunches Served	56,247	60,472	60,801	48,060	47,642	46,639
Student Breakfasts Served:						
Paid Breakfasts (regular)	250,740	314,675	311,451	327,027	332,676	364,802
Reduced Breakfasts (regular)	206,980	229,219	299,563	325,711	322,790	321,761
Free Breakfasts (regular)	3,539,847	3,751,738	3,361,212	2,958,679	2,751,235	2,679,360
Total Student Breakfasts Served	3,997,567	4,295,632	3,972,226	3,611,417	3,406,701	3,365,923
Daily Average Student Breakfasts Served	22,209	23,865	22,068	16,051	15,141	14,960
LUNCH PRICES:						
Elementary	\$1.70	\$1.70	\$1.70	\$1.65	\$1.65	\$1.65
Secondary	\$2.00	\$2.00	\$2.00	\$1.90	\$1.90	\$1.90
BREAKFAST PRICES:						
Elementary	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
Secondary	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
Free and Reduced Percentages:						
Paid	13.3%	16.0%	17.4%	20.2%	21.8%	23.0%
Reduced	6.8%	6.9%	9.5%	11.1%	11.1%	11.2%
Free	79.8%	77.2%	73.3%	68.8%	67.0%	65.8%

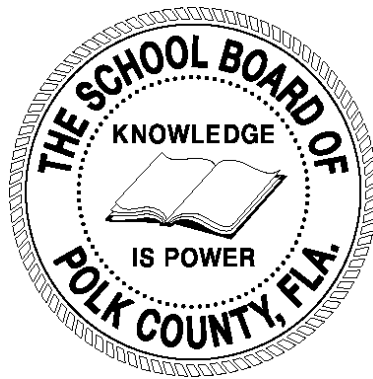
Source: District Records

2006	2005	2004	2003
218	217	225	224
2,749,311	2,280,830	2,591,292	2,553,718
1,086,899	956,428	1,070,617	1,006,805
6,128,941	6,318,011	5,748,498	5,499,806
9,965,151	9,555,269	9,410,407	9,060,329
45,712	44,033	41,824	40,448
393,004	351,760	375,664	365,532
322,211	300,416	328,177	311,287
2,720,959	2,704,746	2,771,581	2,689,000
3,436,174	3,356,922	3,475,422	3,365,819
15,762	15,470	15,446	15,026
\$1.65	\$1.65	\$1.50	\$1.50
\$1.90	\$1.90	\$1.75	\$1.75
\$1.00	\$1.00	\$0.85	\$0.85
\$1.00	\$1.00	\$0.85	\$0.85
23.4%	20.4%	23.0%	23.5%
10.5%	9.7%	10.9%	10.6%
66.0%	69.9%	66.1%	65.9%



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Single Audit Section



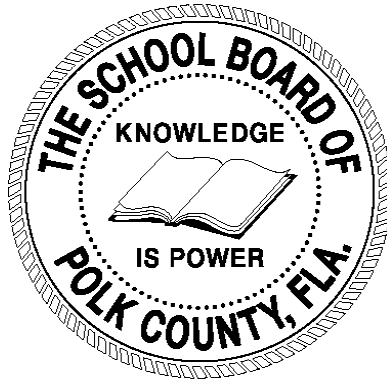
DISTRICT SCHOOL BOARD OF POLK COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Period Ending June 30, 2012

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)	Amount Provided to Subrecipients
United States Department of Agriculture:				
Indirect:				
Child Nutrition Cluster:				
Florida Department of Education:				
School Breakfast Program	10.553	321	\$ 2,883,989	
National School Lunch Program	10.555	300	10,314,801	
Summer Food Service Program for Children	10.559	323	393,855	
Florida Department of Agriculture and Consumer Services:				
School Breakfast Program	10.553	None	3,855,998	
National School Lunch Program	10.555 (2)(A)	None	16,574,544	
Summer Food Service Program for Children	10.559	None	248,036	
Total Child Nutrition Cluster			34,271,223	-
Florida Department of Financial Services				
School and Roads - Grants to States	10.665	None	21,751	
Total United States Department of Agriculture			34,292,974	-
United States Department of Labor:				
Indirect:				
Florida Department of Education:				
WIA Cluster:				
WIA Adult Program	17.258	322	48,024	878
WIA Youth Activities	17.259	322	90,506	1,654
ARRA - WIA Dislocated Workers	17.260	322	46,176	843
Total WIA Cluster			184,706	3,375
National Farmworker Jobs Program	17.264	405	287,316	
Incentive Grants - WIA Section 503	17.267	408	20,460	
Total United States Department of Labor			492,482	3,375
National Aeronautics and Space Administration				
Direct:				
Science	43.001	N/A	23,156	
United States Department of Energy				
Indirect:				
University of Central Florida:				
ARRA - State Energy Program	81.041(2)(B)	None	60,930.00	
United States Department of Education:				
Direct:				
Federal Pell Grant Program	84.063	N/A	2,453,394	
Magnet Schools Assistance	84.165	N/A	3,381,288	
Fund for the Improvement of Education	84.215	N/A	514,866	
Advance Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	84.330	N/A	747,770	
Total Direct			7,097,318	
Indirect:				
Title I, Part A Cluster:				
Florida Department of Education:				
Title I Grants to Local Educational Agencies	84.010	212, 222, 223, 226, 228	31,039,105	571,561
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	212, 223, 226	708,436	54,183
Total Title I, Part A Cluster			31,747,541	625,744
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027	261,262, 263	19,455,747	915,564
Special Education - Preschool Grants	84.173	266, 267	472,297	19,998
ARRA - Special Education Grants to States, Recovery Act	84.391	263	8,205	
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	267	43,838	
Total Special Education Cluster			19,980,087	935,562
School Improvement Grants Cluster:				
Florida Department of Education:				
School Improvement Grants	84.377	126	115,775	
ARRA - School Improvement Grants, Recovery Act	84.388	126	581,991	
Total School Improvement Grants Cluster			697,766	-

DISTRICT SCHOOL BOARD OF POLK COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Period Ending June 30, 2012

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)	Amount Provided to Subrecipients
Florida Department of Education:				
Indirect:				
Adult Education - Basic Grants to States	84.002	191, 193	1,074,004	
Migrant Education - State Grants Program	84.011	217	1,457,797	
Career and Technical Education - Basic Grants to States	84.048	161	1,166,785	6,977
Safe and Drug-Free Schools and Communities - National Program	84.184	107	21,157	
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	14,563	
Fund for the Improvement of Education	84.215	143	271,062	
Charter Schools	84.282	298	147,798	147,798
Voluntary Public School Choice	84.361	299	590,622	
English Language Acquisition State Grants	84.365	102	1,136,567	
Improving Teacher Quality State Grants	84.367	224	4,724,446	50,164
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	RA211, RG411, RL111	3,677,441	2,000
Education Jobs Fund	84.410	541	284,230	29,834
Education for Homeless Children and Youth	84.196	127	131,190	
Education Technology State Grants	84.318	122	36,743	1,198
Washington District School Board / Panhandle Area Educational Consortium:				
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	None	4,500	
Total Indirect			67,164,299	1,799,277
Total United States Department of Education			74,261,617	1,799,277
United States Department of Health and Human Services:				
Direct:				
Head Start	93.600 (3)	N/A	7,062,689	
Indirect:				
Florida Department of Health:				
The Affordable Care Act: Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	FAH60	75,000	
Total United States Department of Health and Human Services			7,137,689	0
Corporation for National and Community Service:				
Indirect:				
Florida Department of Education:				
Learn and Serve America - School and Community Based Programs	94.004	234	1,277	
United States Department of Defense:				
Direct:				
Army Junior Reserve Officers Training Corps	None	N/A	768,581	
Marine Corps Junior Reserve Officers Training Corps	None	N/A	58,585	
Air Force Junior Reserve Officers Training Corps	None	N/A	50,350	
Navy Junior Reserve Officers Training Corps	None	N/A	60,506	60,504
Total United States Department of Defense:			938,022	60,504
Total Expenditures of Federal Awards			117,208,147	1,863,156

- Notes:
- (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal programs during the fiscal year as determined based on the modified accrual basis of accounting. The amounts reported on the Schedule have been reconciled to and are in material agreement with amounts recorded in the District's accounting records from which the basic financial statements have been reported.
 - (2) Noncash Assistance:
 - (A) National School Lunch Program - Includes \$2,802,371 of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.
 - (B) State Energy Program - Includes \$45,583 representing the Federally - paid portion of solar panels and related site preparation and installation costs.
 - (3) Head Start. Expenditures include \$3,512,683 for program year 2011 and \$3,550,006 for program year 2012.



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AUDITOR GENERAL STATE OF FLORIDA

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FAX: 850-488-6975

The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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 as of and for the fiscal year ended June 30, 2012, which collectively comprise the District's basic financial statements, and have issued our report thereon under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the basic financial statements includes a 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 Polk County District School Board's financial statements. For the aggregate discretely presented component units, 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

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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District'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. However, we identified a certain deficiency in internal control over financial reporting, as described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Financial Statement Finding No. 1, that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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, rules, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the District's management in our operational audit report No. 2013-071.

Our **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*** is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



David W. Martin, CPA
December 21, 2012
Audit Report No. 2013-073



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399 1450



PHONE: 850-488-5534
FAX: 850-488-6975

The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

INDEPENDENT AUDITOR'S 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

Compliance

We have audited the Polk County District School Board's 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 fiscal year ended June 30, 2012. The District's major Federal programs are identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the **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 District management. Our responsibility is to express an opinion on the District's compliance based on our audit.

The District's basic financial statements include the operations of the Discovery Academy of Lake Alfred, Inc., a charter school reported as a discretely presented component unit on the accompanying basic financial statements. Discovery Academy of Lake Alfred, Inc., received \$795,454 in Federal awards for the fiscal year ended June 30, 2012. Our audit did not extend to the operations of the Discovery Academy of Lake Alfred, Inc., because, pursuant to the provisions of Section 1002.33(9)(f), Florida Statutes, the charter school engaged other auditors to perform an audit in accordance with OMB Circular A-133.

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 fiscal year ended June 30, 2012.

Internal Control Over Compliance

District management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program to determine 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 a 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 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.

Restricted Purpose Relating to Testing of Internal Control Over Compliance

The purpose of the provisions of this report addressing internal control over compliance is solely to describe the scope of our testing of internal control over compliance with the requirements that could have a direct and material effect on a major Federal program, and the results of that testing, and not to provide an opinion on the effectiveness of internal control over compliance. These provisions of our report are an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Circular A-133 in considering the entity's internal control over compliance. Accordingly, these provisions of our report are not suitable for any other purpose.

Respectfully submitted,



David W. Martin, CPA
December 21, 2012
Audit Report No. 2013-073

**POLK COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified that are not considered to be a material weakness(es)? Yes

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified that are not considered to be a material weakness(es)? None reported

Type of report the auditor issued on compliance for major programs: Unqualified for all major programs.

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

Identification of major programs: Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, and 10.559); Magnet Schools Assistance (CFDA No. 84.165); School Improvement Grants Cluster (CFDA Nos. 84.377 and 84.388 - ARRA); and State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants (CFDA No. 84.395 - ARRA)

Dollar threshold used to distinguish between Type A and Type B programs: \$3,000,000

Auditee qualified as low-risk auditee? Yes

FINANCIAL STATEMENT FINDING

SIGNIFICANT DEFICIENCY

Finding No. 1: Financial Reporting

The Governmental Accounting Standards Board (GASB) has established accounting and financial reporting standards that clarify definitions for governmental fund types and establish criteria for classifying fund balances into specifically defined classifications. One of the classifications, assigned fund balance, represents resources that are constrained by the intent of the governing body (Board), or a Board-authorized body or official, to be used for specific purposes. Another classification, restricted fund balance, represents resources that have externally imposed constraints by creditors, grantors, or laws that require use of the resources for specific purposes.

Our review of the District's 2011-12 fiscal year comprehensive annual financial report, as presented for audit, disclosed that financial reporting procedures could be improved. On the governmental funds balance sheet for the General Fund, the District understated unassigned fund balance by \$28.2 million and overstated assigned fund balance by \$23.2 million and restricted for capital projects fund balance by \$5 million. District personnel interpreted GASB standards to require the reporting of an assigned minimum fund balance amount established by the Board's fund balance policy; however, neither the Board policy nor other District records specified the purpose for which the minimum fund balance would be used. In addition, the District inadvertently misclassified amounts as restricted for capital projects fund balance. Misreporting fund balance classifications may cause financial statement users to incorrectly assess the District's financial position.

We extended our audit procedures to determine the adjustments necessary to properly report these account balances on the District's financial statements, and District personnel accepted these adjustments. However, our extended audit procedures cannot substitute for management's responsibility to implement adequate controls over financial reporting.

Recommendation: **The District should enhance procedures to ensure that fund balances are properly classified on the financial statements.**

PRIOR AUDIT FOLLOW-UP

Except as noted in our operational audit report No. 2013-071, the District had taken corrective actions for findings included in the previous financial audit report.

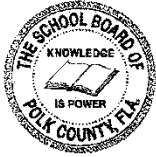
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

*POLK COUNTY
DISTRICT SCHOOL BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2012*

Listed below is the District's summary of the status of prior audit findings on Federal programs:

Audit Report No. and Federal Awards Finding No.	Program/ Area	Brief Description	Status	Comments
Cherry, Bekaert & Holland, LLP		There were no prior Federal audit findings.		

EXHIBIT A
MANAGEMENT'S RESPONSE



SCHOOL BOARD OF POLK COUNTY

P.O. BOX 391
BARTOW, FLORIDA 33831

(863) 534-0500

1915 SOUTH FLORAL AVENUE
BARTOW, FLORIDA 33830

December 19, 2012

Board Members

BOARD CHAIR
HAZEL SELLERS
DISTRICT 3

HUNT BERRYMAN
DISTRICT 1

LORI CUNNINGHAM
DISTRICT 2

DICK MULLENBAX
DISTRICT 4

KAY FIELDS
DISTRICT 5

DEBRA S. WRIGHT
DISTRICT 6

TIM HARRIS
DISTRICT 7

C. WESLEY BRIDGES, II
General Counsel

Administration
JOHN A. STEWART, Ed.D.
Superintendent

David W. Martin
State of Florida Auditor General
Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Mr. Martin:

The responses to the Preliminary and Tentative Finding on the financial audit for fiscal year ending June 30, 2012 have been completed. Please accept this letter along with the attached response as the submission from the Polk County Schools financial audit.

We understand that additional comments could be shared upon final review. If you have any questions on the responses you can contact, Pennie Zuercher, Director of Financial Reporting at (863) 534-0539.

Sincerely,

John A. Stewart, Ed. D.
Interim Superintendent

Attachment

*Polk County Schools -
an equal opportunity
institution for education
and employment*

*The Mission of Polk County Public Schools is to ensure rigorous, relevant learning experiences
that result in high achievement for our students.*

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE

Polk County District School Board
Management Response to Preliminary and Tentative Findings
Financial Audit for Fiscal Year 2011-12

Finding No. 1:

Recommendation: The District should enhance procedures to ensure that fund balances are properly classified on the financial statements.

Management Response: The Finance department will enhance its procedures over the classification of fund balance in accordance with the recommendation.