

POLK COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY:

Polk County is a political subdivision of the State of Florida governed by the State Constitution and general laws of the State of Florida.

The legislative and governing body of the County is the five-member Board of County Commissioners. Each County Commissioner is elected on a county-wide basis for a four year term of office and each County Commissioner is a resident of their Commission District. Polk County became a Home Rule Charter County on January 1, 1999, with an appointed County Manager, and with separate legislative and executive functions. The County Manager is the head of the administrative branch of county government and is responsible to the Board of County Commissioners for the proper administration of all affairs of the County, except for those powers, duties and functions residing, as specified by law, with the elected constitutional officers.

There are six offices elected countywide which are as follows: Board of County Commissioners, composed of five (5) members, Clerk of the Circuit Court, Property Appraiser, Sheriff, Supervisor of Elections, and Tax Collector.

The Board of County Commissioners and all Constitutional Officers maintain their accounts in accordance with the uniform classification of accounts required by Section 218.33, Florida Statutes. Pursuant to Section 125.17, Florida Statutes, the Clerk of the Courts of the County is designated as clerk, auditor and accountant for the Board.

During fiscal year 2004, a funding change occurred for the circuit and county court systems. Effective July 1, 2004, Revision 7 to Article V, Section 14 of Florida's State Constitution allocates state court system funding between the state, counties, and users of the courts. All funding for the court-related functions of the offices of clerks of the circuit and county courts is to be provided through user fees. If related costs exceed these fees, the State must appropriate supplemental funding from State revenues.

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The County is financially responsible if it appoints a voting majority of the organization's governing body and (a) is able to impose its will on that organization or (b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the County. The County may be financially accountable if an organization is fiscally dependent on the County regardless of whether the organization has (a) a separately elected governing board, (b) a governing board appointed by a higher level of government, or (c) a jointly appointed board. If a component unit is, in substance, part of the government's operations, it should be reported as a blended component unit. Otherwise, a component unit should be discretely presented.

Discretely Presented Component Unit – The Eloise Community Redevelopment Agency, created pursuant to Chapter 163.387, Florida Statutes, and by County Ordinance 00-34, provides for rehabilitation, conservation, or a combination thereof within the Eloise Community in the interest of the public health, safety, morals, or welfare of the residents in the Eloise Community which is an unincorporated area of Polk County. The Eloise Community Redevelopment Agency is presented as a governmental fund type. It is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. The governing body is appointed by the Board of County Commissioners. Separate financial statements for the Eloise Community Redevelopment Agency are not presently developed.

POLK COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

REPORTING ENTITY: (Continued)

Blended Component Units – The North Ridge and Harden/Parkway Community Redevelopment Agencies (CRAs), were created pursuant to Chapter 163.360 of the Florida Statutes and by County Ordinance 02-29 and 4-10, respectively. The CRAs provide for the rehabilitation and/or conservation of the communities in the interest of the public health, safety, morals or welfare of the residents in these unincorporated areas of Polk County. The financial information for these component units are included with the financial information of the primary government in the government-wide statements since the Board of County Commissioners serves as the governing body of these CRAs and approves the annual budgets. Both the North Ridge and the Harden/Parkway CRAs are operated as special revenue funds of Polk County.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING:

The basic financial statements of the County are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

Government-wide Financial Statements - Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the primary government, as well as its discretely presented component unit. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 – *Accounting and Financial Reporting for Nonexchange Transactions*.

Program revenues derive directly from the program itself or from parties outside the reporting government's taxpayers or citizenry, as a whole; they reduce the cost of the function to be financed from the government's general revenues. Program revenues include charges for services, program specific operating grants and contributions, and program specific capital grants and contributions. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. The County chooses to eliminate the indirect costs between governmental activities to avoid a "doubling up" effect.

POLK COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING: (Continued)

Government-Wide and Fund Financial Statements – The underlying accounting system of the County is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the primary government's governmental, proprietary, and fiduciary funds are presented after the government-wide financial statements. These statements display information about major funds individually and nonmajor funds in the aggregate for governmental and enterprise funds. The fiduciary statement includes financial information for the agency fund. The agency fund of the County primarily represents assets held by the County in a custodial capacity for other individuals or governments.

When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources and then from unrestricted resources.

Governmental Activity Funds

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Property taxes, intergovernmental revenues and interest earned associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the County.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of "available spendable resources". Governmental funds operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Non-current portions of long-term receivables (special assessment) due to governmental funds are reported on their balance sheets in spite of their spending measurement focus.

Because of their spending measurement focus, expenditure recognition for governmental fund types exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as an other financing source rather than as a fund liability. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

POLK COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING:

Business Type Funds

In the fund financial statements, enterprise funds are presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, enterprise funds are presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Enterprise fund type operating statements present increases (revenues) and decreases (expenses) in total net assets. The Board applies all Statement of Financial Accounting Standards and Interpretations issued before November 30, 1989, except those that conflict with or contradict Statements of Government Accounting Standards. The County has elected not to apply Financial Accounting Standards Board Pronouncements issued after November 30, 1989.

Enterprise fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as grants, investment earnings and miscellaneous other revenues result from nonexchange transactions or ancillary activities.

Amounts paid to acquire capital assets are capitalized as assets in the fund financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the fund financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liabilities, rather than as an expense.

BASIS OF PRESENTATION:

GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category and the governmental and enterprise combined) for the determination of major funds. The County has used GASB Statement No. 34 minimum criteria for major fund determination. The non-major funds are combined in a column in the fund financial statements and detailed in the combining section.

Governmental Major Funds:

General Fund – The General Fund is the general operating fund of the County. It is used to account for all financial resources, except those required to be accounted for in another fund.

Special Revenue Grants Fund - This fund accounts for the various federal and state grants obtained by the County.

Impact Fee Fund – This fund accounts for impact fees used for the construction or improvement of the County's emergency medical system, roads, and correctional facilities.

Road Construction Fund – This fund is used to account for the acquisition, construction and reconstruction and maintenance of certain roads in the County which are funded by Public Service Taxes, and a transfer from the County Transportation Trust Fund.

Business Type Major Funds:

Utilities Fund – This fund accounts for all activities necessary to provide water and sewer services to residents in certain unincorporated areas of the County.

Solid Waste Management Program (Landfill) Fund – This fund accounts for all activities necessary to provide solid waste management services to public and private refuse collection operations and to residents of the County.

POLK COUNTY, FLORIDA

**NOTES TO FINANCIAL STATEMENTS
September 30, 2005**

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

BASIS OF PRESENTATION: (Continued)

Other Fund Types:

Internal Service Funds – Internal Service Funds account for Fleet Management and Employee Health Insurance services provided to other departments of the County on a cost reimbursement basis.

Agency Fund – The Agency Fund accounts for all assets held by the County in its capacity as custodian or agent for individuals, other governmental units, and non-public organizations. The Agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

Non-current Governmental Assets/Liabilities:

GASB Statement No. 34 requires non-current governmental assets, such as land and buildings, and non-current governmental liabilities, such as general obligation bonds and capital leases, be reported in the governmental activities column in the government-wide statement of net assets.

CASH AND CASH EQUIVALENTS:

All funds participate in the pooled cash investment program. Interest earned is allocated on a monthly basis to individual funds based upon their average monthly balance in the cash pool.

In accordance with GASB Statement No. 9, each fund's equity in the County's investment pool is considered to be a cash equivalent since the funds can deposit or effectively withdraw cash at any time without prior notice or penalty.

INVESTMENTS:

Investments, which are comprised of treasury notes and other U.S. obligations and amounts invested with the State Board of Administration, are recorded at fair value.

Revenue from investments owned by the individual funds is recorded in the respective funds as it is earned.

The various funds of the Board of County Commissioners are partially combined into an investment pool for the purpose of maximizing investment yields.

ALLOWANCE FOR DOUBTFUL ACCOUNTS:

The County provides an allowance for water and sewer accounts, solid waste management, nursing home and ambulance receivables that may become uncollectible. At September 30, 2005, this allowance was \$1,356,377, \$12,453, \$58,841, \$19,714,058, respectively. No other allowances for doubtful accounts are maintained since other fund accounts receivable are considered collectable as reported at September 30, 2005.

RECEIVABLES AND PAYABLES:

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

POLK COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

INVENTORY:

Inventories are stated at cost using the first-in, first-out, (FIFO) method except for Central Supply inventory, which uses the weighted average method. Inventories in the General Fund and special revenue funds consist of expendable supplies held for consumption (consumption method).

RESTRICTED ASSETS:

Certain funds of the County are classified as restricted assets on the statement of net assets because the restriction is either imposed by law through constitutional provisions or enabling legislation or imposed externally by creditors, grantors, contributors, or laws or regulations of other governments. Therefore, their use is limited by applicable laws and regulations.

CAPITAL ASSETS:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, right-of-ways, water and sewer distribution systems and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Infrastructure assets acquired or constructed beginning with fiscal year 2002 are reported and depreciated. Retroactive reporting will be implemented by fiscal year 2006 in accordance with the requirements of GASB Statement No. 34.

Capital assets are defined by the County as assets with an initial, individual cost of \$1,000 or more and an estimated useful life in excess of one year. Capital assets are valued at historical cost or estimated historical cost if actual is not available. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Capital assets acquired by lease/purchase agreements or multiple year installment purchase contracts are recorded in the governmental funds in the year acquired as capital outlay expenditures and as other financing sources in the amount of the discounted present value of the total stipulated payments.

The Sheriff is accountable for and thus maintains capital asset records pertaining only to equipment used in his operations. These assets have been combined with the Board's governmental activities capital assets in the statement of net assets.

Property, plant, equipment, and infrastructure of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	10, 40 - 45
Equipment	5 - 15
Infrastructure	10 - 75

POLK COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS
September 30, 2005

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

AD VALOREM TAXES:

The property tax calendar for 2005 is as follows:

Lien date	January 1, 2005
Levy date	January 1, 2005
Due dates	November 1, 2005 through March 31, 2006
Delinquent date	April 1, 2006
Tax certificate sale	Not later than June 1, 2006

No accrual for the property tax levy becoming due in November of 2005 is included in the accompanying financial statements since such taxes are collected to finance expenditures of the subsequent period.

LONG TERM DEBT:

Bonds and other long-term payables at September 30, 2005 are serviced as follows:

Utility System Revenue Bonds, Series 1997A - Serviced annually by the Utilities Fund with net revenues derived from operations and connection fees of the water and sewer system.

Utility System Revenue Refunding Bonds, Series 1997B - Serviced annually by the Utilities Fund with net revenues derived from operations and connection fees of the water and sewer system.

Utility System Revenue Bonds, Series 2003 - Serviced annually beginning in 2018 by the Utilities Fund with net revenues derived from operations and connection fees of the water and sewer system.

Capital Improvement Revenue Bonds, Series 2000, and Capital Improvement Refunding Revenue Bonds, Series 1994 - Serviced annually by the Debt Service Fund with the half-cent sales tax revenues received by the County under the provisions of Chapter 212, Part I, Florida Statutes.

Constitutional Fuel Tax Revenue Refunding Bonds, Series 1996 - Serviced annually by the Debt Service Fund with Constitutional Fuel Tax Revenues received by the County under the provisions of Chapter 206, Florida Statutes.

Transportation Improvement Revenue Bonds, Series 2000 - Serviced annually by the Debt Service Fund with revenues from a 5 cents per gallon local option fuel tax and a 2% public service tax.

Interlocal Agreement - Lakeland - Serviced by the 4th cent tourism tax revenue collected by the County.

Interlocal Agreement - Winter Haven - Serviced by the 4th cent tourism tax revenue collected by the County.

Capital Improvement and Refunding Revenue Bonds, Series 2002 - Serviced annually by the Debt Service Fund with revenues from the half-cent sales tax collected in the County by the State of Florida and remitted to the County by the State pursuant to Chapter 218 Part VI, Florida Statutes.

Transportation Improvement Revenue Bonds, Series 2004 - Serviced annually by the Debt Service Fund with revenues from a 5 cents per gallon local option fuel tax and a 2% public service tax.

Capital Improvement Revenue Bonds, Series 2004 - Serviced annually by the Debt Service Fund with revenues from the half-cent sales tax collected in the County by the State of Florida and remitted to the County by the State pursuant to Chapter 218 Part VI, Florida Statutes.

Interlocal Agreement - Joker Marchant - Serviced by the 4th cent tourism tax revenue collected by the County.

Capital Improvement Refunding Revenue Bonds, Series 2004A - Serviced annually by the Debt Service Fund with the half-cent sales tax revenues received by the County under the provisions of Chapter 212, Part I, Florida Statutes.

Utility System Revenue Bonds, Series 2004A - Serviced annually by the Utilities Fund with net revenues derived from operations and connection fees of the water and sewer system.

Utility System Revenue Refunding Bonds, Series 2004B - Serviced annually by the Utilities Fund with net revenues derived from operations and connection fees of the water and sewer system.

POLK COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

CAPITALIZED LEASE OBLIGATIONS:

Assets acquired under capitalized lease obligations for governmental and enterprise fund types are accounted for as assets and liabilities in the government-wide statement of net assets. In the individual fund statements, these lease obligations are included in the enterprise funds, but not in the governmental funds. The capitalized lease obligations are stated at the original fair market value of leased assets capitalized, less payments since the inception of the lease discounted at the implicit rate in the lease.

ACCUMULATED UNPAID VACATION AND SICK PAY:

The amounts of unpaid vacation and sick leave accumulated by employees are accrued as expenses when incurred in the government-wide statement of activities and the proprietary funds. Therefore, the entire unpaid liability for vacation and sick leave is recorded in the government-wide statement of net assets.

In the governmental funds, only the amounts that normally would be liquidated with expendable available financial resources are accrued as current year expenditures. The liability for compensated absences is liquidated in the fund in which an employee's payroll expense is normally recorded. Total available vacation and sick leave hours are multiplied by the current pay rate to determine the accrued liability. The County uses the last-in, first-out (LIFO) method of recognizing the use of vacation and sick leave hours. Employees are charged for the last day of vacation or sick leave earned when the leave is used. Thus, unless it is anticipated that vacation or sick leave will be used in excess of a normal year's accumulation, no additional expenditures are accrued.

DEFERRED REVENUE:

Property Appraiser - Chapter 218, Florida Statutes, requires that any excess of revenues over expenditures held by a property appraiser shall be allocated to each governmental unit which was billed and paid for the operation of the Property Appraiser's office. This excess shall be treated as an advance on the following year's bill. Generally accepted accounting principles require that revenues collected in advance of the fiscal year be recorded as revenue of the period to which they apply. Therefore, the excess of revenues over expenditures at the end of each fiscal year is reflected as deferred revenue on the balance sheet.

Special Assessments - Special assessments are recognized in governmental funds as revenue only to the extent that individual installments are considered current assets. Non-current special assessments receivable are reflected as deferred revenue on the balance sheet. Revenue from the deferred installment receivables will be recognized when it becomes measurable and available as current assets.

Grants - Revenue related to federal and state financial assistance programs is recognized when the funds are expended. Unexpended funds received are reported as deferred revenue.

AMORTIZATION:

Debt issue costs are amortized over the life of the issue using the straight-line method. Bond premiums and discounts are presented as additions or reductions of the face amount of bonds payable while issuance costs are recorded as deferred charges. Deferred amounts on refunding are amortized over the lesser of the life of the new bond or the defeased issue.

POLK COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

CONTRIBUTIONS:

Contributions of cash or property received from other County funds, other governmental units and from contractors or developers are credited directly to the contribution accounts in the proprietary funds. Transfers between funds, which arise from non-routine transfers of capital from one fund to another, are accounted for as direct transfers of fund equity. Property and equipment contributed for general governmental purposes are recorded in the government-wide statement of net assets.

OTHER SIGNIFICANT ACCOUNTING POLICIES:

Chapter 218, Florida Statutes, requires that the Constitutional Officers make an annual report to the Board of County Commissioners, within 31 days of the close of their fiscal year, reflecting the excess of revenues over expenditures or the unexpended budget balance as of the close of the fiscal year.

NEW ACCOUNTING STANDARD:

In the fiscal year ended September 30, 2005, Polk County implemented Governmental Accounting Standards Board Statement No. 40 – *Deposit and Investment Risk Disclosure, an amendment of GASB Statement No. 3.*

Other significant accounting policies are set forth in the financial statements and the notes thereto.

B - BUDGETS AND BUDGETARY ACCOUNTING

The Board follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1) Prior to July 15, the County Manager, as County Budget Officer, submits to the Board of County Commissioners a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- 2) Public hearings are conducted to obtain taxpayer comments.
- 3) Prior to October 1, the budget is legally enacted through passage of a resolution.
- 4) Formal budgetary integration is employed as a management control device during the year for the general fund, special revenue funds, debt service funds and capital projects funds.
- 5) Budgets for the general, certain special revenue, debt service and capital projects funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- 6) The County Budget Officer approves budget changes at the departmental level within a fund. All other budget changes are approved by the Board. Supplemental appropriations were necessary and the budgetary data presented herein was amended by the Board during the year in a legally permissible manner.
- 7) Florida Statute 129, Section 7, as amended in 1978, provides that only expenditures in excess of total fund budgets are unlawful. However, because the Board acts on all budget changes between departments, the lower of fund or department becomes the level of control.
- 8) Unused appropriations lapse at the end of each fiscal year. However, some amounts may be carried forward to the following fiscal year in the form of a new appropriation which must be approved by the County Commission.

For the year ended September 30, 2005, Chapter 195, Florida Statutes, governs the preparation, adoption and administration of the Tax Collector and Property Appraiser's annual budgets. The annual budget of the Tax Collector and the Property Appraiser must be submitted to and approved by the Department of Revenue, State of Florida.

POLK COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS
September 30, 2005

B - BUDGETS AND BUDGETARY ACCOUNTING – (Continued)

The Property Appraiser's Special Revenue Fund was created through interlocal agreements and is managed only by the Property Appraiser under said agreement. The Department of Revenue does not require this fund to be budgeted.

The budget for the Clerk of the Circuit Court is prepared, adopted and administered in accordance with Sections 129.03 and 218.35, Florida Statutes, which also requires separation of the part pertaining to the court system from that pertaining to the Clerk, Auditor and Accountant of the Board of County Commissioners.

The budget for the Sheriff is prepared, adopted and administered in accordance with Section 30.49, Florida Statutes.

C – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets:

“Total fund balances” of the County’s governmental funds (\$282,550,012) differs from “net assets” of governmental activities (\$480,540,480) reported in the statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheet.

Capital related items

When capital assets (property, plant, equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net assets included those capital assets among the assets of the County as a whole.

Cost of capital assets	\$ 477,389,593
Accumulated depreciation	<u>(124,561,202)</u>
Total capital assets added	<u>\$ 352,828,391</u>

Long-term debt transactions

Long-term liabilities applicable to the County’s governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the statement of net assets. Balances as of September 30, 2005 were:

Bonds Payable	\$ (150,893,368)
Interlocal agreements	(3,233,639)
Capital leases	(3,110,109)
Compensated absences	(27,459,389)
Self-insurance claims payable	<u>(19,120,000)</u>
Total	<u>\$ (203,816,505)</u>

Accrued interest

Accrued liabilities in the statement of net assets differ from the amount reported in governmental funds due to accrued interest on revenue bonds.

Accrued interest on revenue bonds	<u>\$ (2,480,840)</u>
-----------------------------------	-----------------------

POLK COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

C – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS– (Continued)

Explanation of Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets: (Continued)

Deferred revenues

Deferred revenues in the statement of net assets differ from the amount reported in governmental funds due to special assessment receivables. Governmental fund financial statements report unearned revenues or revenues which are measurable but not available as deferred revenues. However, deferred revenues in governmental funds are susceptible to full accrual on government-wide financial statements.

Deferred revenues reduced	\$ <u>(557,333)</u>
---------------------------	---------------------

Internal service funds

Internal service funds are used by management to charge the costs of fleet management and insurance activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets because they primarily serve governmental activities of the County.

Internal service funds	\$ <u>37,865,480</u>
------------------------	----------------------

Allocation of internal service funds operating income

The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets because they primarily serve governmental activities of the County. The operating income is allocated between governmental activities and business-type activities based on usage of the services. In fiscal year 2005, internal service funds sustained a total gain of \$2,622,342.

Internal service funds operating income allocated to business-type activities	\$ <u>1,902,758</u>
--	---------------------

Accrued revenues

Some interest revenues and ambulance receivables are not recognized in the current period because the resources are not available, therefore these revenues are not reported in the fund.

Ambulance receivables	\$ 10,506,879
Accrued interest revenues	<u>626,972</u>
Total	\$ <u>11,133,851</u>

Elimination of interfund receivables/payables

Interfund receivables and payables in the amount of \$1,633,612 between governmental funds must be eliminated for the statement of net assets.

POLK COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

C – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS – (Continued)

Explanation of Differences Between the Governmental Fund Operating Statement and the Statement of Activities:

The “net change in fund balances” for governmental funds (\$55,665,541) differs from the “change in net assets” for governmental activities \$124,689,475 reported in the statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

Capital related items

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense.

As a result, fund balances decrease by the amount of financial resources expended, whereas net assets decrease by the amount of depreciation expense charged for the year.

Capital outlay	\$ 62,870,286
Depreciation expense	<u>(15,664,612)</u>
Difference	<u>\$ 47,205,674</u>

In the statement of activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. In the statement of activities, donated capital assets increase revenues. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold and by the value of donated capital assets.

Donated capital assets	\$ 11,353,884
Sale of capital assets	<u>(168,240)</u>
Net adjustment	<u>\$ 11,185,644</u>

Long-term debt transactions

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Principal repayments:	
Revenue bonds	\$ 5,135,000
Capital leases	675,537
Fiscal charges	58,425
Interlocal agreements	<u>298,398</u>
Net adjustment	<u>\$ 6,167,360</u>

POLK COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS
September 30, 2005

C – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS – (Continued)

Explanation of Differences Between the Governmental Fund Operating Statement and the Statement of Activities: (Continued)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

Net change in self-insurance claims	\$ (2,432,777)
Net change in compensated absences	(943,278)
Net change in bond interest payable	<u>(211,643)</u>
Net adjustment	<u>\$ (3,587,698)</u>

Deferred revenues

Governmental funds report unearned revenues such as special assessments receivable as deferred revenues. However, deferred revenues are subject to full accrual on government-wide financial statements.

Net change in deferred revenues	\$ <u>(129,803)</u>
---------------------------------	---------------------

Internal service funds change in net assets

The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets because they primarily serve governmental activities of the County. The cumulative operating loss is allocated between governmental activities and business-type activities based on usage of the services. In fiscal year 2005, internal service funds had an operating income of \$2,622,342.

Internal service funds operating income	
allocated to governmental activities	\$ 2,957,064
Internal service funds non-operating activities and transfers	<u>1,487,274</u>
Net adjustment	<u>\$ 4,444,338</u>

Accrued revenues

Some revenues are not recognized in the current period because the resources are not available and, therefore these revenues are not reported in the fund.

Ambulance receivables	\$ 3,687,926
Accrued interest revenues	<u>50,489</u>
Net adjustment	<u>\$ 3,738,415</u>

Reclassification and Eliminations

The general fund recognizes revenues in the amount of \$3,516,981 for the general administrative charges to the public safety and transportation functions. These revenues and expenditures must be eliminated to avoid double counting. Transfers in and transfers out in the amount of \$28,176,262 between governmental activities are eliminated.

POLK COUNTY, FLORIDA

**NOTES TO FINANCIAL STATEMENTS
September 30, 2005**

D - CASH AND INVESTMENTS

Custodial Credit Risk

Custodial credit risk is defined as the risk that, in the event of failure of the counterparty, the County will not be able to recover the value of its securities that are in the possession of an outside party.

As of September 30, 2005 the County's book balance of cash was \$23,465,331 and the bank balance was \$32,992,391. The County's bank balances are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$100,000 for each banking relationship. The remaining balances are collateralized pursuant to Chapter 280, Florida Statutes. The County's investment policy requires that deposits be entirely covered by federal depository insurance by collateral pledged with the State Treasurer pursuant to Chapter 280, Florida Statutes. Under this Chapter, in the event of default by a participating financial institution (a qualified public depository), all participating institutions are obligated to reimburse the governmental entity for the loss.

The County's investment policy requires that securities be secured through third-party custody in the County's name and safekeeping procedures. All of the County's investments are held by the counterparty's trust department in the County's name.

The carrying amount of deposits of the Lake Eloise CRA, a discretely presented component unit, was \$1,468 with a bank balance of \$1,468. This deposit was entirely covered by Federal Depository Insurance or by collateral pledged with the State Treasurer pursuant to Chapter 280, Florida Statutes.

Interest Rate Risk

As of September 30, 2005, the County had the following investments and maturities:

	Fair Value	Investment Maturities(in Years)		
		< 1 year	1 – 5 years	> 6 years
U. S Agencies				
Fixed	36,021,428	14,390,003	21,631,425	-
Adjustable Rates	121,879,714	24,914,075	58,355,407	38,610,231
Standard Mortgage Backed Securities	2,167,191	8,365	204,047	1,954,778
Commercial Paper	18,866,588	18,866,588	-	-
FLGIT	42,166,173	42,166,173	-	-
SBA	254,704,061	254,704,061	-	-
Commercial Deposit	26,562,544	26,562,544	-	-
Guaranteed Investment Contract	41,899,493	41,899,493	-	-
Total	\$544,267,192	\$423,511,302	\$80,190,879	\$40,565,009

* Investment Securities categorized as greater than 6 years are callable agency step-ups, which are expected to be called within 5 years. **U.S.

Agency Fixed Securities are 84% callable.

POLK COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

D - CASH AND INVESTMENTS - (Continued)

In accordance with the County's investment policy, the County invests in certain derivative products, including collateralized mortgage backed securities. In management's opinion, the credit and legal risk associated with these investments would be comparable to other investments within the portfolio. The collateralized mortgage backed securities are based on cash flows from underlying mortgages. The principal repayment portions could be sensitive to prepayment by mortgagors, which may be affected by interest rate changes. The prepayments and anticipated interest rate changes can therefore affect the market value of the investments.

Credit Risk

The County's investment policy limits credit risk by restricting the authorized investment type and percentage of portfolio concentration. The following table illustrates the credit quality distribution with credit exposure as a percentage of the County's investment securities.

<u>Investment Type</u>	<u>Credit Rating</u>	<u>Percent of Portfolio</u>
U. S. Agencies		
Fixed	AAA	6.62%
Adjustable Rates	AAA	22.39%
Standard Mortgage Backed Securities *	-----	.40%
Commercial Paper **	A1, P1, F1	3.47%
FLGIT	AAAf	7.75%
SBA	Unrated	46.80%
Commercial Deposit	-----	4.88%
Guaranteed Investment Contract	-----	7.70%

***Standard Mortgage Backed Securities are backed by the full faith of the U.S. Government.**

****Commercial Paper Investments had two of the three noted ratings, as required by the Investment Policy.**

The County's investment policy establishes limitations on portfolio composition by investment type in order to control concentration of credit risk. The following limits are established to serve as guidelines for diversification by instrument:

Local Government Surplus Funds Trust Fund	100%
United States Treasury Bills/Notes/Bonds	75%
Other United States Government Agencies	75%
Repurchase Agreements	35%
Florida Local Government Investment Trust	20%
Commercial Paper	20%
Banker's Acceptances	10%
Certificates of Deposit	10%
Collateralized Mortgage Obligations	10%

POLK COUNTY, FLORIDA

**NOTES TO FINANCIAL STATEMENTS
September 30, 2005**

D - CASH AND INVESTMENTS - (Continued)

The County invests funds throughout the year with the Local Government Surplus Funds Trust Fund (SBA), an investment pool administered by the State Board of Administration, under the regulatory oversight of the State of Florida. Throughout the year and as of September 30, 2005, the SBA contained certain floating and adjustable rate securities which were indexed based on the prime rate and/or one and three month LIBOR rates. These investments represented 32.37% of the SBA's portfolio at September 30, 2005. In accordance with GASB Statement No. 31, the SBA has reported that the Local Government Investment Trust, which it operates, is a "2A-7 like" pool, and thus, these investments are valued using the pool share price.

Investments with the SBA may be made or liquidated by wire on a same-day basis. Based on the SBA's investment structure and its availability to all local governmental units, individual unit perfection is not provided.

The County's investment pool also includes investment in the Florida Local Government Investment Trust (FLGIT), which is a public entity investment trust organized under the laws of the State of Florida. At September 30, 2005, the FLGIT portfolio included certain floating and adjustable rate securities. These securities amounted to 18.33% of the FLGIT portfolio and included four investments indexed on the one month LIBOR and/or the one-year CMT index. The Florida Local Government Investment Trust reports all share information at Net Asset Value (NAV) and reflects fair value accounting in accordance with GASB Statement No. 31.

E - RESTRICTED NET ASSETS - ENTERPRISE FUNDS

Revenue bond ordinances and certain other agreements generally require the restriction of certain fund assets for specific purposes. Reserves, representing the excess of amounts provided for certain restricted asset accounts over the liabilities payable therefrom, are established by a reduction of unrestricted net assets.

Restricted net assets as of September 30, 2005, consist of the following:

	Revenue Bonds Debt Service	Renewal Replacement and Improvements	Customer Deposits	Capital Projects	Total
<u>UTILITIES FUND</u>					
Equity in pooled cash	\$ 3,089,586	\$ 6,371,977	\$ 2,829,722	\$ 39,890,823	\$ 52,182,108
Liabilities, payable from restricted assets	-	-	(2,829,722)	-	(2,829,722)
Restricted net assets	<u>\$ 3,089,586</u>	<u>\$ 6,371,977</u>	<u>\$ -</u>	<u>\$ 39,890,823</u>	<u>\$ 49,352,386</u>

POLK COUNTY, FLORIDA

**NOTES TO FINANCIAL STATEMENTS
September 30, 2005**

E - RESTRICTED NET ASSETS - ENTERPRISE FUNDS – (Continued)

<u>SOLID WASTE MANAGEMENT PROGRAM (LANDFILL) FUND</u>	<u>Landfill Closure</u>	<u>Customer Deposits</u>	<u>Total</u>
Equity in pooled cash and investments	\$ 63,882,437	\$ 344,334	\$ 64,226,771
Interfund receivables	604,588	-	604,588
Interest receivable	<u>227,844</u>	<u>-</u>	<u>227,844</u>
Restricted assets	64,714,869	344,334	65,059,203
Liabilities, payable from restricted assets	<u>(56,180,780)</u>	<u>(344,334)</u>	<u>(56,525,114)</u>
Restricted net assets	<u>\$ 8,534,089</u>	<u>\$ -</u>	<u>\$ 8,534,089</u>

Rule 62-701 of the Florida Administrative Code requires owners or operators of existing landfills to establish and maintain a landfill management escrow account or an alternative financial mechanism to show proof of financial responsibility for future landfill closure costs. The reserve for landfill closure represents funds restricted by the County for this purpose.

F –INTERFUND BALANCES

The composition of interfund balances as of September 30, 2005, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue Grants	\$ 347
	Other Governmental Funds	587,512
	Utilities	3,784
	Solid Waste	37,511
	Internal Service Funds	3
Other Nonmajor Governmental Funds	Solid Waste	110,933
	Solid Waste Management Program	345,015
Internal Service Funds	General Fund	1,870,830
	Special Revenue Grants	604,588
	Other Governmental Funds	<u>1,902,758</u>
		<u>\$ 5,463,281</u>

The outstanding balances between funds result mainly from a time lag between the dates that (1) interfund services are provided or reimbursable occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All amounts are expected to be collected in the subsequent year.

POLK COUNTY, FLORIDA

**NOTES TO FINANCIAL STATEMENTS
September 30, 2005**

G – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2005 was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Governmental activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 31,689,593	\$ 1,322,926	\$ (63,945)	\$ 32,948,574
Construction in progress	19,957,026	39,925,944	(20,761,916)	39,121,054
Right-of-way	<u>31,249,159</u>	<u>11,292,121</u>	<u>-</u>	<u>42,541,280</u>
Total capital assets, not being depreciated	<u>82,895,778</u>	<u>52,540,991</u>	<u>(20,825,861)</u>	<u>114,610,908</u>
Capital assets, being depreciated:				
Buildings & improvements	211,080,408	4,196,921	(1,252,013)	214,025,315
Equipment	129,475,067	21,681,628	(20,119,383)	131,037,311
Infrastructure	<u>48,016,157</u>	<u>27,408,374</u>	<u>-</u>	<u>75,424,531</u>
Total capital assets, being depreciated	<u>388,571,632</u>	<u>53,286,923</u>	<u>(21,371,396)</u>	<u>420,487,157</u>
Less accumulated depreciation for:				
Building & improvements	(75,207,586)	(5,966,955)	4,928,373	(76,246,168)
Equipment	(82,196,070)	(15,880,347)	11,834,224	(86,242,193)
Infrastructure	<u>(1,086,199)</u>	<u>(1,285,779)</u>	<u>-</u>	<u>(2,371,978)</u>
Total accumulated depreciation	<u>(158,489,855)</u>	<u>(23,133,081)</u>	<u>16,762,597</u>	<u>(164,860,339)</u>
Total capital assets, being depreciated, net	<u>230,081,777</u>	<u>30,153,842</u>	<u>(4,608,801)</u>	<u>255,626,820</u>
Governmental activities capital assets, net	<u>\$ 312,977,555</u>	<u>\$ 82,694,833</u>	<u>\$(25,434,662)</u>	<u>\$ 370,237,728</u>
<u>Business-type activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 10,422,168	\$ 98,200	\$ -	\$ 10,520,368
Construction in progress	<u>1,884,558</u>	<u>35,525,843</u>	<u>(33,534,770)</u>	<u>3,875,631</u>
Total capital assets, not being depreciated	<u>12,306,726</u>	<u>35,624,043</u>	<u>(33,534,770)</u>	<u>14,395,999</u>
Capital assets, being depreciated:				
Buildings, distribution systems, & improvements	239,753,652	42,609,816	-	282,363,468
Equipment	5,302,686	326,271	(690,882)	4,938,075
Infrastructure	<u>-</u>	<u>82,833</u>	<u>-</u>	<u>82,833</u>
Total capital assets, being depreciated	<u>245,056,338</u>	<u>43,018,920</u>	<u>(690,882)</u>	<u>287,384,376</u>
Less accumulated depreciation for:				
Buildings, distributions systems & Improvements	(41,270,420)	(6,789,254)	-	(48,059,674)
Equipment	(4,032,984)	(368,999)	474,276	(3,927,707)
Infrastructure	<u>-</u>	<u>(460)</u>	<u>-</u>	<u>(460)</u>
Total accumulated depreciation	<u>(45,303,404)</u>	<u>(7,158,713)</u>	<u>474,276</u>	<u>(51,987,841)</u>
Total capital assets, being depreciated, net	<u>199,752,934</u>	<u>35,860,207</u>	<u>(216,606)</u>	<u>235,396,535</u>
Business-type activities capital assets, net	<u>\$ 212,059,660</u>	<u>\$ 71,484,250</u>	<u>\$(33,751,376)</u>	<u>\$ 249,792,534</u>

POLK COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

G – CAPITAL ASSETS – (Continued)

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

Governmental activities:	
General government	\$ (3,605,241)
Public safety	(8,028,496)
Physical environment	(199,871)
Transportation	(2,155,265)
Economic environment	(151,350)
Human services	(749,146)
Culture/recreation	(775,243)
Capital assets held by the government's internal service funds	<u>(6,222,192)</u>
Total depreciation expense	(21,886,804)
Other additions to accumulated depreciation	<u>(1,246,277)</u>
Total additions to accumulated depreciation	<u><u>\$ (23,133,081)</u></u>
 Business-type activities:	
Water and sewer	\$ (5,236,753)
Solid waste	(1,879,334)
Nursing home	<u>(27,349)</u>
Total depreciation expense	(7,143,436)
Other additions to accumulated depreciation	<u>(15,277)</u>
Total additions to accumulated depreciation	<u><u>\$ (7,158,713)</u></u>

POLK COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

H - CONTRACTS PAYABLE (UTILITIES FUND)

Contracts payable consist of non-interest bearing contracts for the acquisition of certain water and sewer systems by the Utilities Fund. An analysis of changes in contracts payable for the year ended September 30, 2005 is as follows:

	Balance, October 1, <u>2004</u>	Add New Contracts <u>During Year</u>	Less Connection Fees Remitted, <u>Due, or Expired</u>	Balance, September 30, <u>2005</u>
Bridgewater	\$ 71,841	\$ -	\$ -	\$ 71,841
Mt. Olive Shores N.	222,536	-	16,050	206,486
Four Corners	54,800	-	3,600	51,200
Twin Oaks	1,600	-	1,600	-
Amanda Oaks	12,800	-	4,800	8,000
Canterbury Phase II	1,600	-	-	1,600
Preserve at Sundance	400	-	400	-
Reflection West	49,600	-	39,200	10,400
Summer Oaks Phase II	1,200	-	-	1,200
Palm Key Village	7,504	-	6,967	537
Windmill Ranch Phase I	<u>10,452</u>	<u>-</u>	<u>2,948</u>	<u>7,504</u>
	<u>\$ 434,333</u>	<u>\$ -</u>	<u>\$ 75,567</u>	<u>\$ 358,768</u>

The contracts contain repayment provisions based on connection fees collected by the County.

POLK COUNTY, FLORIDA

**NOTES TO FINANCIAL STATEMENTS
September 30, 2005**

I – LONG-TERM LIABILITIES

The following is a summary of the changes in long-term liabilities of the County for the year ended September 30, 2005:

	Payable at October 1, 2004	Additions	Deletions	Payable at September 30, 2005	Due Within One Year
Governmental Activities:					
Revenue bonds	\$ 156,915,000	\$ 15,960,000	\$ 21,095,000	\$ 151,780,000	\$ 5,265,000
Plus deferred amounts:					
For issuance premium	8,104,939	250,179	538,617	7,816,501	538,617
Less deferred amounts:					
On refunding	<u>(8,933,146)</u>	<u>(360,246)</u>	<u>(590,259)</u>	<u>(8,703,133)</u>	<u>(590,259)</u>
Total bonds payable	156,086,793	15,849,933	21,043,358	150,893,368	5,213,358
Interlocal agreements	3,532,037	-	298,398	3,233,639	308,318
Capitalized lease obligations	3,785,646	-	675,537	3,110,109	714,256
Unpaid vacation & sick pay	26,741,663	4,378,493	3,424,826	27,695,330	1,158,361
Self-insurance claims	<u>16,687,223</u>	<u>44,219,854</u>	<u>41,787,077</u>	<u>19,120,000</u>	<u>6,290,000</u>
Governmental activities long-term liabilities	<u>\$ 206,833,362</u>	<u>\$ 64,448,280</u>	<u>\$ 67,229,196</u>	<u>\$ 204,052,446</u>	<u>\$ 13,684,293</u>
Business-type Activities:					
Revenue bonds	78,515,000	56,800,000	17,520,000	117,795,000	1,935,000
Plus deferred amounts:					
For issuance premium	1,453,003	2,212,148	199,107	3,466,044	234,508
Less deferred amounts:					
For issuance discounts	(372,454)	-	(368,978)	(3,476)	(3,476)
On refunding	(1,011,008)	-	(268,836)	(742,172)	(268,836)
Issue costs	<u>(800,479)</u>	<u>(2,695,857)</u>	<u>(207,320)</u>	<u>(3,289,016)</u>	<u>(171,918)</u>
Total bonds payable	77,784,062	56,316,291	16,873,973	117,226,380	1,725,278
Contracts payable	434,333	-	75,565	358,768-	-
Capitalized lease obligations	316,133	-	78,152	237,981	46,010
Closure and long-term care	52,878,490	3,294,945	-	56,173,435	-
Unpaid vacation & sick pay	<u>635,158</u>	<u>665,775</u>	<u>621,534</u>	<u>679,399</u>	<u>28,416</u>
Business-type activities long-term liabilities	<u>\$ 132,048,176</u>	<u>\$ 60,277,011</u>	<u>\$ 17,649,224</u>	<u>\$ 174,675,963</u>	<u>\$ 1,799,704</u>

Long-term liabilities, including claims and judgments, are typically liquidated by the individual fund to which the liability is directly associated.

The self-insurance claims liability consists of \$19,120,000 for general liabilities, medical malpractice and worker's compensation.

POLK COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS
September 30, 2005

I - LONG TERM LIABILITIES - (Continued)

Revenue bonds payable and interlocal agreements at September 30, 2005, are comprised of the following individual issues:

Business-type Activities Revenue Bonds Payable:

\$38,210,000 in Utility System Revenue Bonds, Series 1997A and Utility System Revenue Bonds, Series 1997B; due in annual installments of \$2,939,088 to \$3,027,106, including interest, through October 1, 2017; interest ranged from 4.0% to 5.0%; collateralized by an irrevocable senior lien on gross revenues derived from the operation of the system and certain connection charges. \$ 11,225,000

\$49,770,000 in Utility System Revenue Bonds, Series 2003, due in annual installments of \$2,497,694 to \$5,439,681, through October 1, 2029, with principal payments beginning October 1, 2018; interest ranged from 4.625% to 5.25%; collateralized by an irrevocable senior lien on gross revenues derived from the operation of the system and certain connection charges. 49,770,000

\$56,815,000 in Utility System Revenue Bonds, Series 2004A and Utility System Revenue Bonds, Series 2004B; due in annual installments of \$2,150,263 to \$7,756,000, including interest, through October 1, 2034; interest ranged from 2.1% to 5.0%; collateralized by an irrevocable senior lien on gross revenues derived from the operation of the system and certain connection charges. 56,800,000

Total Enterprise Funds revenue bonds payable 117,795,000

Governmental Activities Revenue Bonds Payable:

\$24,365,000 in Constitutional Fuel Tax Revenue Refunding Bonds, Series 1996 due in annual installments of \$1,903,693 to \$1,937,108, including interest, through December 2016; interest ranged from 4.0% to 5.25%; collateralized by a pledge of Constitutional Fuel Tax Revenues accruing to the County under provisions of Section 206.41, Florida Statutes. 17,165,000

\$41,925,000 in Capital Improvement Revenue Bonds, Series 2000 due in annual installments of \$3,240,563 to \$3,306,589, including interest, through December 2021; interest ranged from 3.85% to 5.75%; collateralized by a pledge of local government half-cent sales tax accruing to the County under provisions of Part VI of Chapter 218, Florida Statutes. 6,755,000

\$65,000,000 in Transportation Improvement Revenue Bonds, Series 2000 due in annual installments of \$4,220,456 to \$4,964,033, including interest, through December 2025; interest ranged from 4.1% to 5.625%; collateralized by a pledge of revenues from a 5-cents per gallon local option fuel tax and a 2% public service tax accruing to the County under provisions of Chapter 125, Florida Statutes, Sections 336.025 and 166.231. 9,190,000

POLK COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS
September 30, 2005

I - LONG TERM LIABILITIES - (Continued)

\$26,435,000 in Capital Improvement and Refunding Revenue Bonds, Series 2002, due in annual installments of \$1,042,116 to \$3,817,963, including interest, through December 2011; interest ranged from 5.25% to 5.50%; collateralized by a pledge of local government half-cent sales tax accruing to the County under provisions of Part VI of Chapter 218, Florida Statutes. 21,385,000

\$50,900,000 in Transportation Improvement Revenue Bonds, Series 2004 due in annual installments of \$2,184,458 to \$4,235,329, including interest through December 2026; interest ranged from 5.0% to 10.0%; collateralized by a pledge of revenues from a 5-cents per gallon local option fuel tax and 2.0% public service tax accruing to the County under provision of Chapter 125, Florida Statutes, Sections 336.025 and 166.231. 50,900,000

\$30,425,000 in Capital Improvement Revenue Bonds, Series 2004, due in annual installments of \$1,436,314 to \$3,271,601, including interest through December 2022; interest ranged from 5.5% to 10.0%; collateralized by a pledge of local government half-cent sales tax accruing to the County under provisions of Part VI of Chapter 218, Florida Statutes. 30,425,000

\$15,960,000 in Capital Improvement Revenue Refunding Bonds, Series 2004A due in installments of \$2,020,023 to \$2,691,689, including interest, through December 2011; interest ranged from 2.0% to 5%; collateralized by a pledge of local government half-cent sales tax accruing to the County under provisions of Part VI of Chapter 218, Florida Statutes. 15,960,000

Total Governmental Activities revenue bonds payable 151,780,000

Total revenue bonds payable \$ 269,575,000

Governmental Activities - Interlocal Agreements:

\$2,000,000 interlocal agreement with the City of Lakeland due in annual installments not to exceed \$100,000, through December 2013; collateralized by one-half of the local 4th cent tourism tax accruing to the County under provisions of Chapter 125, Florida Statutes \$ 800,000

\$2,000,000 interlocal agreement with the City of Winter Haven due in annual installments not to exceed \$100,000, through December 2013; collateralized by one-half of the local 4th cent tourism tax accruing to the County under provisions of Chapter 125, Florida Statutes 800,000

\$2,000,000 interlocal agreement with the City of Lakeland due in annual installments not to exceed \$201,958, through September 2016; collateralized by a portion of the local 4th cent tourism tax accruing to the County under provisions of Chapter 125, Florida Statutes 1,633,639

Total interlocal agreements \$ 3,233,639

POLK COUNTY, FLORIDA

**NOTES TO FINANCIAL STATEMENTS
September 30, 2005**

I - LONG TERM LIABILITIES - (Continued)

Annual debt service requirements to maturity for bonds and interlocal agreements are as follows:

Year Ended September 30	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 5,573,318	\$ 7,415,034	\$ 1,935,000	\$ 8,081,773
2007	8,068,734	7,140,490	2,025,000	5,730,895
2008	10,114,421	6,766,444	2,115,000	5,640,701
2009	10,545,392	6,328,210	2,210,000	5,544,866
2010	11,011,661	5,858,913	2,315,000	5,441,679
2011-2015	45,728,146	14,352,478	13,330,000	25,445,829
2016-2020	34,396,967	6,739,496	13,495,000	21,841,402
2021-2025	25,400,000	2,198,568	20,800,000	16,995,445
2026-2030	4,175,000	60,329	32,070,000	11,126,845
2031-2035	-	-	27,500,000	3,521,250
	<u>\$ 155,013,639</u>	<u>\$ 56,859,962</u>	<u>\$117,795,000</u>	<u>\$ 109,370,685</u>

There are a number of limitations and restrictions contained in the various bond indentures. As of September 30, 2005, all funds are being maintained in accordance with the ordinances and resolutions.

During 1992, the Board defeased the Capital Improvement Refunding Revenue Bonds, Series 1986 by depositing funds in an irrevocable trust with an escrow agent to provide for all future debt service payments on these bonds. For financial reporting purposes the debt has been considered defeased and, therefore, removed as a liability of the Board. As of September 30, 2005, the amount of this defeased debt outstanding but removed as a liability is \$19,505,852.

During 1997, the Board defeased the Utility System Revenue Bonds, Series 1991 by depositing funds in an irrevocable trust with an escrow agent to provide for all future debt service payments on these bonds. For financial reporting purposes the debt has been considered defeased and, therefore, removed as a liability of the Board. As of September 30, 2005, the amount of this defeased debt outstanding but removed as a liability is \$12,380,000.

During 1996, the Board defeased the State of Florida Full Faith and Credit, Polk County Road Refunding Bonds, Series 1990 by depositing funds in an irrevocable trust with an escrow agent to provide for all future debt service payments on these bonds. For financial reporting purposes the debt has been considered defeased and, therefore, removed as a liability of the Board. As of September 30, 2005, the amount of this defeased debt outstanding but removed as a liability is \$4,360,000.

During 2002, the Board defeased the Capital Improvement Refunding Revenue Bonds, Series 1992 by depositing funds in an irrevocable trust with an escrow agent to provide for all future debt service payments on these bonds. For financial reporting purposes the debt has been considered defeased and, therefore, removed as a liability of the Board. As of September 30, 2005, the amount of this defeased debt outstanding but removed as a liability is \$19,005,000.

During 2004, the Board partially defeased the Transportation Improvement Revenue Bonds, Series 2000 by depositing funds in an irrevocable trust with an escrow agent to provide for all future debt service payments on these bonds. For financial reporting purposes the debt has been considered defeased and, therefore, removed as a liability of the Board. As of September 30, 2005, the amount of this defeased debt outstanding but removed as a liability is \$44,500,000.

POLK COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

I - LONG TERM LIABILITIES - (Continued)

During 2004, the Board partially defeased the Capital Improvement Revenue Bonds, Series 2000 by depositing funds in an irrevocable trust with an escrow agent to provide for all future debt service payments on these bonds. For financial reporting purposes the debt has been considered defeased and, therefore, removed as a liability of the Board. As of September 30, 2005, the amount of this defeased debt outstanding but removed as a liability is \$29,275,000.

During December 2004, the Board defeased the Capital Improvement Refunding Revenue Bonds, Series 1994, by depositing funds in an irrevocable trust with an escrow agent to provide for all future debt service payments on these bonds. For Financial reporting purposes, the debt has been considered defeased and, therefore, removed as a liability of the Board. As of September 30, 2005, the amount of this defeased debt outstanding but removed as a liability is \$15,615,000.

During December 2004, the Board partially defeased the Utility System Revenue Bonds, Series 1997, by depositing funds in an irrevocable trust with an escrow agent to provide for all future debt service payments on these bonds. For financial reporting purposes, the debt has been considered defeased and, therefore, removed as a liability of the Board. As of September 30, 2005, the amount of this defeased debt outstanding but removed as a liability is \$15,895,000.

J - DEFEASANCE OF DEBT

Capital Improvement Refunding Revenue Bonds, Series 1994

In December 2004, the County issued \$15,960 million in Capital Improvement Refunding Revenue Bonds with an average interest rate of 2.8%, of which \$15,975 million was used to advance refund \$15,615 million of outstanding Capital Improvement Refunding Revenue Bonds, Series 1994, with an average interest rate of 4.7%. Net proceeds of \$16,210 million were received, of which \$15,975 million was used to purchase U.S. governmental securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments of the 1994 Series Bonds. As a result, the 1994 Bonds are considered to be defeased. The 1994 Series Bonds are no longer included in the long-term debt of the County.

The County advance refunded the 1994 Series Bonds, which will decrease debt service payments over the next seven years by \$682,723. The County obtained an economic gain of \$677,156.

Utility Systems Revenue Bonds, Series 2004B

In 2005, the County issued \$15,770 million in Utility System Revenue Refunding Bonds, 2004B, with an average interest rate of 4.0% to advance refund \$15,895 million of outstanding Utility System Revenue Bonds, 1997, with an average interest rate of 4.8%. Net proceeds of \$16,967 million, plus \$138 thousand of Series 1997 Sinking Fund monies, were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments of the 1997 Series Bonds. As a result, the 1997 Series Bonds are considered to be defeased.

The advance refunding created an accounting loss of \$1.0 million, which will be amortized over the life of the new bond. Aggregate debt service payments will be reduced by \$611,871 over the next fourteen years. The County obtained an economic gain of \$477,300.

POLK COUNTY, FLORIDA

**NOTES TO FINANCIAL STATEMENTS
September 30, 2005**

K - CAPITALIZED LEASE OBLIGATIONS

The County has capitalized certain equipment under leases with options to purchase. The following is an analysis of the leased property and equipment under capital leases:

<u>Class of Property</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Asset balances at September 30, 2005			
Building and equipment	\$ 6,722,728	\$ 376,265	\$ 7,098,993
Less: Accumulated depreciation	<u>(3,612,619)</u>	<u>(138,283)</u>	<u>(3,750,902)</u>
	<u>\$ 3,110,109</u>	<u>\$ 237,982</u>	<u>\$ 3,348,091</u>

The following is a schedule by years of future minimum lease payments under capital leases with the present value of the net minimum lease payments as of September 30, 2005:

<u>Year Ended September 30,</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
2006	\$ 843,978	\$ 88,185	\$ 932,163
2007	851,463	88,185	939,648
2008	859,181	49,985	909,166
2009	867,141	24,861	892,002
2010	<u>-</u>	<u>-</u>	<u>-</u>
Total minimum lease payments	3,421,763	251,216	3,672,979
Less amounts representing interest at rates ranging from 4.56% to 8.0%	<u>311,654</u>	<u>13,235</u>	<u>324,889</u>
Present value of net minimum lease payments\$	<u>3,110,109</u>	<u>\$ 237,981</u>	<u>\$ 3,348,090</u>

POLK COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

L - PENSION PLAN

All full-time employees are participants in the Florida Retirement System (FRS), a multiple employer, cost-sharing public retirement system. The FRS, which is controlled by the State Legislature and administered by the State of Florida, Division of Retirement, covers approximately 625,000 full-time employees of various governmental units within the State of Florida. Participants can choose from two options: the FRS Pension Plan or the FRS Investment Plan.

The Pension Plan provides for vesting of benefits after six years of creditable service. Normal retirement benefits are available to employees who retire at or after age 62 or with 30 years of service. Early retirement is available after six years of service with a 5% reduction of benefits for each year prior to the normal retirement age. Retirement benefits are based upon age, average compensation, and years of service credit where average compensation is computed as the average of an individual's five highest years of earnings. Employees are not required to contribute to the Pension Plan.

The Investment Plan provides for vesting after one year of creditable service. Retirement benefits are based on the employee's account balance. Employees are not required to contribute to the Investment Plan.

The County has no responsibility to the FRS other than to make the periodic payments required by the state statutes. The Florida Division of Retirement issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The report may be obtained by writing to Florida Division of Retirement, 2639 Monroe Street, Building C, Tallahassee, Florida 32399-1560.

Participating employer contributions are based upon state-wide rates established by the State of Florida. These rates, which include the health insurance subsidy contributions of 1.11% and an administrative and educational plan fee of .05%, are applied to employee salaries as follows: regular employees – 7.83%; special risk – 18.53%; senior management – 10.45%; deferred retirement option program – 9.33%; and elected officials – 15.23%. The County's contributions made during the years ending September 30, 2005, 2004 and 2003 were \$18,196,523, \$17,568,350 and \$14,461,461, respectively, equal to the actuarially determined required contribution requirements for each year. The County has determined, in accordance with GASB Statement No. 27, that there was no pension liability before or at transition.

M - POST-EMPLOYMENT HEALTH CARE BENEFITS

In addition to providing pension benefits, the County provides certain health care and life insurance benefits for retired employees as authorized by County Ordinance 70-1, as amended by County Ordinance 85-22. Substantially all of the County's employees may become eligible for those benefits if they reach normal retirement age while working for the government and have at least ten years of service. The cost of retiree health care insurance benefits is recognized as an expenditure as premiums are paid. For the year ended September 30, 2005, there were 276 retirees who participated in the plan, incurring costs of approximately \$981,811.

POLK COUNTY, FLORIDA

**NOTES TO FINANCIAL STATEMENTS
September 30, 2005**

N - OPERATING LEASES

The following is a schedule by years of future minimum rental payments required under operating leases for certain land, buildings and equipment used in governmental operations that have initial or remaining noncancelable lease terms in excess of one year as of September 30, 2005:

Year Ended September 30,	
2006	\$ 1,268,765
2007	824,246
2008	645,596
2009	629,150
2010	540,313
Later years	<u>589,298</u>
Total minimum payments required	<u>\$ 4,497,368</u>

Rent expenditures under cancelable and noncancelable lease arrangements for the year ended September 30, 2005 were \$1,160,264. The leases generally provide for automatic termination in any year in which the County fails to appropriate funds for rental payments.

O - GUARANTEED BUY BACKS

The County has entered into agreements with equipment vendors on certain pieces of heavy equipment whereby the vendor agrees to repurchase the equipment at the expiration of a specified period, normally five years, for a guaranteed amount. The resale of this equipment to the vendor is at the option of the Board of County Commissioners and the guaranteed value is not contingent upon the County purchasing replacement equipment from the vendor. At September 30, 2005, equipment with a net book value of \$950,587 had been purchased by the Landfill Fund under the guaranteed buy back agreements. The vendors have guaranteed to buy back this equipment, at the expiration of the period specified in the agreements, for \$496,472.

P - PROPERTY TAX REVENUES

Taxable values for all property are established as of January 1, which is the date of lien, for the fiscal year starting October 1. Property tax revenues recognized for the 2004-2005 fiscal year were levied in January 2004. All taxes are due and payable on November 1, or as soon as the assessment roll is certified and delivered to the Tax Collector. Discounts are allowed for early payment at the rate of 4% in November, 3% in December, 2% in January, and 1% in February. Taxes paid in March are without discount. All unpaid taxes become delinquent as of April 1. Virtually all unpaid taxes are collected via the sale of tax certificates on or prior to June 1; therefore, there were no material taxes receivable at fiscal year end.

POLK COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

Q - RISK MANAGEMENT

SELF-INSURANCE PROGRAMS:

In an effort to combat the rising cost of insurance premiums and the unavailability of coverage, the County has initiated self-insured worker's compensation and automobile liability programs. The programs effectively interrelate between an independent risk manager, a loss control consultant, an excess reinsurer, and County management.

Worker's Compensation - The County has established retention limits in the self-insurance program for worker's compensation as follows:

Specific claims retention (per occurrence)	\$	1,000,000
Excess insurance limit	\$	Statutory

General Liability and Medical Malpractice - Effective October 1, 1994, the County obtained general liability and medical malpractice insurance coverage with Genesis Underwriting Management Company. General liability has a self-insured retention of \$500,000 and a limit of \$5,000,000 per occurrence, \$10,000,000 aggregate.

Employee Health Insurance - In 1993 the County established the Employee Health Insurance Fund as an Internal Service Fund. This fund was created to self-insure County employees and their dependents for group medical costs. Medical claims are paid from premiums contributed by employees and by the County. Premiums and contributions are determined by projected claims based on historic and actuarial experience. The self-insurance plan assumes all risk for claims up to \$400,000 per individual, per year, and has purchased a reinsurance policy to cover claims in excess of this amount. There were no claims against the reinsurance policy for the last two fiscal years.

Claim liabilities are recorded when it is probable to determine that liability has been incurred and the amount can be reasonably estimated, including an estimate for claims incurred but not reported. This estimate is based on historical experience and current trends.

The following table shows the changes in aggregate liabilities for claims:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Incurred Claims</u>	<u>Payments</u>	<u>Ending Balance</u>
1996	\$ 1,100,000	\$ 9,152,392	\$ 9,152,392	\$ 1,100,000
1997	\$ 1,100,000	\$ 9,589,019	\$ 9,546,997	\$ 1,142,022
1998	\$ 1,142,022	\$ 10,946,876	\$ 10,405,518	\$ 1,683,380
1999	\$ 1,683,380	\$ 10,797,411	\$ 10,686,830	\$ 1,793,961
2000	\$ 1,793,961	\$ 16,524,704	\$ 16,538,682	\$ 1,779,983
2001	\$ 1,779,983	\$ 20,277,867	\$ 19,931,850	\$ 2,126,000
2002	\$ 2,126,000	\$ 23,175,143	\$ 22,557,143	\$ 2,744,000
2003	\$ 2,744,000	\$ 19,664,327	\$ 19,591,806	\$ 2,816,521
2004	\$ 2,816,521	\$ 20,674,957	\$ 21,283,388	\$ 2,208,090
2005	\$ 2,208,090	\$ 25,951,599	\$ 25,327,866	\$ 2,831,823

POLK COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

R – AFFORDABLE HOUSING ASSISTANCE TRUST FUND (STATE HOUSING INITIATIVE PARTNERSHIP PROGRAM (SHIP))

The Affordable Housing Assistance Trust Fund (SHIP) is included in the Grants Fund major fund. Separate financial information for this fund is reported below:

**Balance Sheet
September 30, 2005**

ASSETS

Cash and investments	\$	7,722,516
Accounts receivable		<u>2,003</u>
Total assets	\$	<u>7,724,519</u>

LIABILITIES AND FUND BALANCES

Accounts payable	\$	30,828
Deferred revenue		<u>7,693,691</u>
Total liabilities		<u>7,724,519</u>

FUND BALANCE

Total liabilities and fund balance	\$	<u>7,724,519</u>
------------------------------------	----	------------------

POLK COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

R – AFFORDABLE HOUSING ASSISTANCE TRUST FUND (STATE HOUSING INITIATIVE PARTNERSHIP PROGRAM (SHIP)) – (Continued)

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (GAAP basis) and Actual
For The Year Ended September 30, 2005**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 3,182,601	\$ 3,182,601	\$ 2,210,396	\$ (972,205)
Miscellaneous revenues	75,000	75,000	845,076	770,076
Nonrevenues	<u>1,764,836</u>	<u>1,764,836</u>	<u>-</u>	<u>(1,764,836)</u>
Total Revenues	<u>5,022,437</u>	<u>5,022,437</u>	<u>3,055,472</u>	<u>(1,966,965)</u>
EXPENDITURES				
Economic environment	<u>5,022,437</u>	<u>5,022,437</u>	<u>3,055,472</u>	<u>(1,966,965)</u>
Total expenditures	<u>5,022,437</u>	<u>5,022,437</u>	<u>3,055,472</u>	<u>(1,966,965)</u>
EXCESS (DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

POLK COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

S - COMMITMENTS AND CONTINGENCIES

FEDERAL GRANT PROGRAMS:

The County participates in a number of federal programs. Grant programs are subject to financial and compliance audits by the grantors or their representatives. The grantor audits of all programs for or including the year ended September 30, 2005 have not been completed. Accordingly, the County's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies, cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

LARGE CONTRACTUAL COMMITMENTS:

The County has large contractual commitments at September 30, 2005, for the following:

CR 540A Construction	\$	15,780,532
Northwest Regional Wastewater Treatment Facility		5,653,392
CR 54 Utility System Improvements		4,836,105
Widening Griffin Road		4,217,522
Kathleen Road to Widen Road from 2 lanes to 4 lanes		4,073,482
North Central Landfill Phase III Class 1 Expansion		2,988,659
Northeast WWTF Fast Track Improvements		2,812,000
CR 540A Construction Bridge		2,619,000
North Ridge East-West Connector Project		2,164,364
Construction CR 540A Capacity Road Project		2,100,000
CR 540A Utility Relocation R&R Portion		1,970,566
City of Lakeland Water CR 540A Construction		1,894,018
Champions Gate Boulevard		1,856,178
Champions Gate Corridor Design		1,663,139
North Central Landfill Class 1 Phase III Expansion		1,610,673
Central Regional Wastewater Treatment Facility Replacement		1,564,641
CR 540A Utility Relocation CIP Portion		1,508,817
CR 655 (Berkley Road) Phase II & III Improvement Project		1,459,682
Utilities Capital Expansion Program		992,480
North Central Landfill Phase III Class 1 Expansion Haul Road		970,733
Peace Creek Canal Drainage Improvements		773,982
Transportation General Engineering Consultant Services		756,000
NE Regional Utility Service Area Facility Evaluation Planning		722,188
Oakhills Regional Water Production Facility		696,185
South County Jail Expansion		682,210
Dewitt Drive Road Improvement Agreement		671,206
Green Swamp Trail Alignment Study		663,131
CR 655 (Berkley Road) at Denton Avenue Intersection Improvements		632,478
North Central Landfill Bioreactor		625,175
CR 54 Master Pump Station		606,528

POLK COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2005

S - COMMITMENTS AND CONTINGENCIES – (Continued)

LARGE CONTRACTUAL COMMITMENTS: - (Continued)

Bella Toscano Raw Water Pump Well	592,831
Spirit Lake Road Capacity Road Project	567,997
Old Polk City at Walt Williams Road Intersection Improvements	555,420
Southwest Regional Wastewater Treatment Facility	550,449
CR 630 at SR 17 Intersection Improvements	533,372
Tierra Del Sol Raw Water Pump Well Site	527,333
US Homes Raw Water Pump Well Site	500,223
Contracts from \$50,000 to \$500,000	10,618,101
Total	\$ 84,010,792

LITIGATION:

Various suits and claims involving disputed ad valorem real property taxes are pending against Polk County. Portions of these taxes have been voluntarily paid, others have been paid under protest, and in certain instances, there are unpaid balances.

Various suits and claims arising in the ordinary course of County operations, some of which may involve substantial amounts, are pending against the County. While the ultimate effect of such litigation cannot be ascertained at this time, in the opinion of counsel for the County, the liabilities which may arise from such action would not result in losses which would materially affect the financial position of Polk County or the results of its operations.

CONTINGENCIES:

No accrual has been made in the financial statements for contingencies related to claims not yet asserted, because the amount cannot be reasonably estimated. In management's opinion, any such claims, if asserted, would not have a material adverse effect on the operations or financial position of the County.

POLK COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2005

T – TRANSFERS

Transfers for the year ended September 30, 2005, consisted of the following:

Transfers to the general fund from:	
Grants	\$ 1,104,138
Impact Fees	338,214
Solid Waste	1,500,000
Non-major governmental funds	<u>124,250</u>
	<u>\$ 3,066,602</u>
Transfers to the grants fund from:	
General	\$ 5,414,705
Non-major governmental funds	<u>63,851</u>
	<u>\$ 5,478,556</u>
Transfers to road construction fund from:	
Non-major governmental funds	<u>\$ 8,197,066</u>
Transfers to non-major governmental funds from:	
General	\$ 7,536,886
Grants	1,266,877
Solid Waste	<u>400,000</u>
	<u>\$ 9,203,763</u>
Transfers to utilities fund from:	
Grants	\$ 386,149
Non-major governmental funds	<u>122,509</u>
	<u>\$ 508,658</u>
Transfers to solid waste fund from:	
General	\$ 144,140
Grants	<u>54,621</u>
	<u>\$ 198,761</u>
Transfers to Rohr Home from:	
Grants	<u>\$ 15,576</u>
Transfers to internal service fund from:	
General	\$ 30,000
Grants	<u>39,469</u>
	<u>\$ 69,469</u>

Transfers are used to 1) move revenues from the fund that state law required to collect them to the fund that state law requires to expend them, 2) provide matching funds for grants, 3) use unrestricted General Fund and other fund revenues to finance transportation or other activities which must be accounted for in another fund.

POLK COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

U – CLOSURE AND LONG-TERM CARE COSTS

State and federal laws and regulations require that a final cover be placed on all landfill sites when they are no longer accepting waste and that certain maintenance and monitoring functions are performed at the respective sites for thirty years after closure. Although closure and long-term care costs will be paid only near or after the date that the landfill stops accepting waste, a portion of these closure and long-term care costs are reported as an operating expense in each period based on the landfill capacity used as of each balance sheet date. The \$56,173,435 reported as landfill closure and long-term care liability at September 30, 2005 represents the cumulative amount reported to date based on the use of 93.93 percent of the estimated capacity for all landfill sites. The remaining \$3,630,233 will be recognized as the remaining estimated capacity is filled. These amounts are estimated based on what it would cost to perform all closure and long-term care in 2005. Expected closure dates for County landfills range from 2005 to 2015. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

State and federal laws and regulations require that annual contributions be made to a trust to finance closure and long-term care. At September 30, 2005, cash, investments and receivables of \$64,714,869 are held for these purposes, therefore the County is in compliance with financial assurance requirements. These assets are reported as restricted assets on the statement of net assets. Future inflation costs are expected to be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional long-term care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

V – DEFICIT FUND BALANCES

At September 30, 2005, the Harden/Parkway CRA fund and the Road MSBU had fund deficits of \$158,950 and \$130,680, respectively. The deficit in the Harden/Parkway CRA fund will be eliminated through future receipts of ad valorem. The deficit in the Road MSBU fund will be eliminated through future receipts of special assessments.

W – SUBSEQUENT EVENTS

On November 3, 2005, the County issued \$88,885,000 in Public Facilities Revenue Bonds, Series 2005 to finance the cost of planning, engineering, acquisition, construction, renovation, equipping, reconstruction and expansion of certain jail, public safety and operational facilities and to finance issue costs.

On January 26, 2006, the County borrowed \$9,300,000 from the Pooled Commercial Paper Program of the Florida Local Government Finance Commission to finance the acquisition of certain environmentally sensitive lands.