

**SUPPLEMENT TO
OFFICIAL STATEMENT**

Relating to

**\$115,000,000
School District of Palm Beach County, Florida
Tax Anticipation Notes, Series 2019**

This Supplement (the "Supplement") provides information amendatory to the Official Statement, dated September 24, 2019 (as herein supplemented, the "Official Statement"), relating to the Notes described above.

This Supplement must be read in conjunction with the Official Statement, including the appendices thereto. All capitalized terms used in this Supplement but not otherwise defined herein shall have the same meanings ascribed to such terms in the Official Statement. *This Supplement should not be separated from the Official Statement, and neither this Supplement nor the Official Statement should be relied upon in any way independently of each other.*

The cover of the Official Statement incorrectly stated the Yield on the Notes. The Interest Rate, Price and Initial CUSIP No. were correctly shown.

Accordingly, the Yield on the Notes stated on the cover pages of the Official Statement is hereby amended and restated in its entirety to read as follows:

<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>Initial CUSIP No.</u>
2.25%	1.300%	100.847	696552EW4

**SCHOOL DISTRICT OF PALM BEACH COUNTY,
FLORIDA**

By: /s/ Frank A. Barbieri, Jr., Esq.
Chairman, The School Board of Palm
Beach County, Florida

Dated: October 2, 2019

In the opinion of Note Counsel, assuming the accuracy of certain certifications and continuing compliance with certain tax covenants, under existing statutes, regulations, rulings and court decisions, interest on the Notes is excludable from gross income for federal income tax purposes. Further, interest on the Notes is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. See "TAX EXEMPTION" herein for a description of certain other federal tax consequences of ownership of the Notes. Note Counsel is further of the opinion that the Notes and the interest thereon are not subject to taxation under the laws of the State of Florida, except as to estate taxes, and taxes under Chapter 220, Florida Statutes, on interest, income or profits on debt obligations owned by corporations as defined in said Chapter 220. See "TAX EXEMPTION" herein.



\$115,000,000
SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
TAX ANTICIPATION NOTES, SERIES 2019

Dated: Date of Delivery

Due: August 28, 2020

The Tax Anticipation Notes, Series 2019 (the "Notes") are being issued by the School District of Palm Beach County, Florida (the "District") to provide interim funds for the payment of operating expenses of the District for its fiscal year which commenced July 1, 2019 and ends June 30, 2020 (the "Current Fiscal Year"), in anticipation of the receipt of the ad valorem taxes as herein described.

The Notes and the interest thereon will be limited obligations of the District, payable from and secured by a pledge of the ad valorem taxes levied and collected for the benefit of the District during its Current Fiscal Year for operating purposes (excluding ad valorem taxes collected for other purposes) and amounts on deposit in a sinking fund (collectively, the "Pledged Revenues"), all as defined and described in the resolution authorizing their issuance (the "Resolution") adopted by The School Board of Palm Beach County, Florida (the "Board") on August 21, 2019. If necessary, the Notes are additionally payable from, but are not secured by, all legally available funds of the District derived from sources other than ad valorem taxation (the "Non-Ad Valorem Funds"). See "SECURITY FOR THE NOTES" herein.

The Notes and the interest thereon do not constitute a general obligation or indebtedness of, or pledge of the faith and credit of the District, Palm Beach County, Florida (the "County"), or the State of Florida (the "State"), within the meaning of any constitutional or statutory provisions or limitations, but shall be payable solely from the Pledged Revenues and, if necessary, the Non-Ad Valorem Funds. No holder of the Notes shall ever have the right to compel the exercise of the ad valorem taxing power of the District, the County, or the State for payment of the Notes or the interest thereon. The Notes and the obligation evidenced thereby shall not constitute a lien upon any property of or in the District, other than the Pledged Revenues, in the manner and to the extent described in the Resolution.

The Notes will be issued in fully registered form in denominations of \$5,000 or any integral multiple thereof and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"). The Notes will be deposited with DTC, which will be responsible for maintaining a book-entry only system for recording the interests of its participants, which in turn will be responsible for maintaining records with respect to beneficial ownership interests of individual purchasers of the Notes. Purchasers of the Notes (the "Beneficial Owners") will not receive physical delivery of note certificates. As long as Cede & Co. is the registered owner of the Notes, the Board, as Registrar and Paying Agent, will make principal and interest payments directly to Cede & Co., as registered owner. DTC will in turn remit such payments to its participants for subsequent disbursement to the Beneficial Owners. The Notes are not subject to redemption prior to their maturity.

<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>Initial CUSIP No.</u>
2.25%	1.298%	100.847	696552EW4

This cover page contains certain information for quick reference only. It is not a summary of the issue. Investors must read the entire Official Statement, including the appendices, to obtain information essential to the making of an informed investment decision.

The Notes are offered when, as and if delivered subject to the approval of their legality by Greenberg Traurig, P.A., Miami, Florida, Note Counsel. Nabors, Giblin & Nickerson, P.A., Tampa, Florida, is acting as Disclosure Counsel to the District. Certain legal matters will be passed upon for the District by the District's Office of General Counsel. PFM Financial Advisors LLC, Orlando, Florida is acting as Financial Advisor to the District. It is expected that the Notes will be available for delivery through DTC in New York, New York, on or about October 3, 2019.

BofA Merrill Lynch

SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA

BOARD MEMBERS

District 5 - Frank A. Barbieri, Jr., Esq., Chairman
District 2 - Chuck Shaw, Vice Chairman
District 1 - Barbara McQuinn
District 3 - Karen Brill
District 4 - Erica Whitfield
District 6 - Marcia Andrews
District 7 - Debra Robinson, M.D.

SUPERINTENDENT OF SCHOOLS

Donald E. Fennoy II, Ed.D.

CHIEF FINANCIAL OFFICER

Michael J. Burke

TREASURER

Leanne Evans, CTP

GENERAL COUNSEL TO THE SCHOOL BOARD

Office of General Counsel

FINANCIAL ADVISOR

PFM Financial Advisors LLC
Orlando, Florida

NOTE COUNSEL

Greenberg Traurig, P.A.
Miami, Florida

DISCLOSURE COUNSEL

Nabors, Giblin & Nickerson, P.A.
Tampa, Florida

This Official Statement does not constitute an offer to sell the Notes in any state or other jurisdiction to any person to whom it is unlawful to make such offer in such state or jurisdiction. No dealer, salesman or any other person has been authorized to give any information or to make any representation other than those contained herein in connection with the offering of the Notes, and if given or made, such information or representation must not be relied upon.

The information contained in this Official Statement has been obtained from the District, the Board, The Depository Trust Company ("DTC") and other sources that are considered to be reliable and, while not guaranteed as to completeness or accuracy, is believed to be correct. However, the information related to DTC is not to be construed as a representation of the District, the Board, the Financial Advisor or the Underwriter and the information related to the District and the Board is not to be construed as a representation of the Financial Advisor or the Underwriter.

Any statements in this Official Statement involving estimates, assumptions and matters of opinion, whether or not so expressly stated, are intended as such and not as representations of fact, and the District, the Board, the Financial Advisor and the Underwriter expressly make no representations that such estimates, assumptions and opinions will be realized or fulfilled. Any information, estimates, assumptions and matters of opinion contained in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement, nor any sale made hereunder, shall under any circumstances create any implication that there has been no change in the affairs of the District or the Board since the date hereof or the earliest date as of which such information was given.

UPON ISSUANCE, THE NOTES WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAW, AND WILL NOT BE LISTED ON ANY STOCK OR OTHER SECURITIES EXCHANGE. NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER INDEPENDENT FEDERAL, STATE OR GOVERNMENTAL ENTITY OR AGENCY WILL HAVE PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT OR APPROVED THE NOTES FOR SALE. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

THIS OFFICIAL STATEMENT SHALL NOT CONSTITUTE A CONTRACT BETWEEN THE DISTRICT, THE BOARD OR THE UNDERWRITER AND ANY ONE OR MORE HOLDERS OF THE NOTES.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

All summaries herein of documents and agreements are qualified in their entirety by reference to such documents and agreements, and all summaries herein of the Notes are qualified in their entirety by reference to the form thereof included in the aforesaid documents and agreements.

THIS OFFICIAL STATEMENT IS BEING PROVIDED TO PROSPECTIVE PURCHASERS EITHER IN BOUND PRINTED FORM ("ORIGINAL BOUND FORMAT") OR IN ELECTRONIC FORMAT ON THE FOLLOWING WEBSITES: WWW.MUNIOS.COM AND WWW.EMMA.MSRB.ORG. THIS OFFICIAL STATEMENT SHOULD BE RELIED UPON ONLY IF IT IS IN ITS ORIGINAL BOUND FORMAT OR AS PRINTED IN ITS ENTIRETY DIRECTLY FROM SUCH WEBSITES.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

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APPENDIX E:	AUTHORIZING RESOLUTION
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OFFICIAL STATEMENT
\$115,000,000
SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
TAX ANTICIPATION NOTES, SERIES 2019

INTRODUCTORY STATEMENT

The purpose of this Official Statement, which includes the cover page and the appendices hereto, is to provide information concerning the School District of Palm Beach County, Florida (the "District"), its \$115,000,000 aggregate principal amount of Tax Anticipation Notes, Series 2019 (the "Notes") and The School Board of Palm Beach County, Florida (the "Board"). Capitalized terms used, but not defined, herein shall have the meaning assigned thereto in the Resolution (as defined under "PURPOSE OF THE NOTES" below) included as "APPENDIX E – AUTHORIZING RESOLUTION" hereto.

The references, excerpts and summaries of all documents referred to herein do not purport to be complete statements of the provisions of such documents, and reference is made to all such documents for full and complete statements of all matters of fact relating to the Notes, the security for the payment of the Notes, and the rights and obligations of holders thereof.

The information contained in this Official Statement involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. This Official Statement is a disclosure document only and does not constitute a contract with the holders of the Notes.

PURPOSE OF THE NOTES

The Notes are being issued pursuant to Section 1011.13, Florida Statutes, and other applicable provisions of law, and a resolution of the Board, as the governing body of the District, adopted on August 21, 2019 (the "Resolution"). The Note proceeds will be used by the District to provide interim funds for the payment of current operating expenses of the District incurred during its fiscal year which commenced on July 1, 2019 and ends on June 30, 2020 (the "Current Fiscal Year"), in anticipation of the receipt of ad valorem taxes levied and collected for operating purposes for such fiscal year, and to pay expenses incurred in issuing the Notes to the extent not paid from other legally available funds of the District. See "APPENDIX E – AUTHORIZING RESOLUTION."

SECURITY FOR THE NOTES

General

The Notes and interest thereon will be limited obligations of the District, payable solely from and secured by (a) gross, real, and tangible personal property ad valorem tax receipts collected by the Palm Beach County Tax Collector (the "Tax Collector") for the benefit of the District during the Current Fiscal Year, but only to the extent such tax receipts are legally available

to be used for operating purposes (excluding ad valorem taxes collected to pay the principal of and interest on bonds of the District issued pursuant to Sections 1010.40 – 1010.55, Florida Statutes, or to pay the principal of and interest on any obligations issued by the District pursuant to Section 1011.14, Florida Statutes, or otherwise levied pursuant to Section 1011.71(2), Florida Statutes), and (b) amounts on deposit in the Sinking Fund established pursuant to the Resolution (collectively, the "Pledged Revenues"). If necessary, the Notes are additionally payable from, but are not secured by, all legally available funds of the District derived from sources other than ad valorem taxation (the "Non-Ad Valorem Funds").

The Notes and the interest thereon shall not constitute a general obligation or indebtedness of, or pledge of the faith and credit of, the District, Palm Beach County, Florida (the "County"), or the State of Florida (the "State"), within the meaning of any constitutional or statutory provision or limitation. The Notes and the interest thereon are payable from and secured by a pledge of the Pledged Revenues and, if necessary, are payable from, but are not secured by, Non-Ad Valorem Funds, in the manner and to the extent provided in the Resolution.

No holder of any Notes shall ever have the right to compel the exercise of the ad valorem taxing power of the District, the County, the State, or any political subdivision or agency thereof, or taxation in any form on any real or personal property therein, to pay the Notes or interest thereon, except for the Pledged Revenues of the District for the Current Fiscal Year. The Notes and the obligation evidenced thereby shall not constitute a lien upon any property of or in the District, other than the levy with respect to the Pledged Revenues in the manner provided in the Resolution.

The Sinking Fund

In accordance with the terms of the Resolution, the District has established a fund designated the "Sinking Fund." The District will make or cause to be made deposits of the Pledged Revenues and other revenues into the Sinking Fund to ensure the payment of the principal of and interest on the Notes at maturity.

The Sinking Fund shall be held by the District as a separate special account for the benefit of the Noteholders; provided, however, that the cash required to be accounted for therein may be pooled with other funds of the District so long as adequate accounting records are maintained to reflect and control the restricted purposes of such Sinking Fund moneys. The moneys and investments in the Sinking Fund shall be held in trust by the District for the sole benefit of the Noteholders, and the Noteholders are granted an express lien on the money and/or investments held in the Sinking Fund. The Holders shall have no lien upon any Non-Ad Valorem Funds unless and until such funds are deposited into the Sinking Fund.

The District covenants that it will deposit sufficient moneys or Permitted Investments into the Sinking Fund no later than twenty-one (21) days prior to the maturity date of the Notes, or the first business day thereafter, so that the balance on deposit therein, together with the earnings to be received thereon, if any, will equal the amount of principal and interest becoming due on the Notes at maturity. Funds in the Sinking Fund may be invested only in Permitted Investments that mature on or prior to the maturity date of the Notes. Earnings on investments held in the Sinking Fund shall be retained and reinvested in the Sinking Fund until the amount on deposit in the Sinking Fund, together with the earnings to be received thereon, is equal to the entire principal of and interest on the Notes due at their maturity. Thereafter, such earnings may be withdrawn by

the District and used in the District's discretion as provided by law. Realized losses, if any, on investments held in the Sinking Fund shall be restored by the District by deposit of additional moneys into the Sinking Fund on or prior to the maturity date of the Notes.

The proceeds of the Notes are not pledged as security for payment of principal and interest on the Notes and will be expended by the District to pay the obligations created by the District in accordance with its budget for the Current Fiscal Year. The Noteholders will have no responsibility for use of the proceeds of the Notes, and the use of such proceeds by the District will in no way affect the rights of such Noteholders.

Permitted Investments

The Board is authorized to invest the amounts on deposit in the Sinking Fund in investments specified by Sections 1010.53(2) and 218.415, Florida Statutes, as amended from time to time pursuant to Board policy.

Defeasance

If, at any time the District shall have paid, or shall have made provision for the full payment of, all of the principal of and interest becoming due on the Notes at maturity, then, and in that event, the pledge of and lien on the Pledged Revenues in favor of the holders of the Notes will no longer be in effect and the Notes will no longer be deemed to be outstanding and unpaid for the purposes of the Resolution. For purposes of the preceding sentence, deposit, in irrevocable trust, with a bank or trust company for the sole benefit of the Noteholders, of sufficient Permitted Investments or any other securities or investments which may be authorized by law from time to time and sufficient under such law to effect such a defeasance, the principal of which, together with the earnings to be received thereon, will be sufficient to make timely payment of the principal of and interest on the Notes, will constitute provision for payment. For purposes of defeasance, "Permitted Investments" will mean direct obligations of, or obligations the timely payment of principal of and interest on which are unconditionally guaranteed by, the United States of America.

DESCRIPTION OF THE NOTES

General

The Notes are authorized to be issued pursuant to Section 1011.13, Florida Statutes, and other applicable provisions of law, and the Resolution. The Notes will be dated the date of delivery (currently expected to be October 3, 2019) and will bear interest from such date at the rate specified on the cover page of this Official Statement, calculated on a 360-day year basis comprised of twelve 30-day months. Both the principal and interest on the Notes will be payable at maturity upon presentation and surrender thereof at the principal office of the Board in its capacity as Registrar and Paying Agent.

The Notes are issuable as fully-registered notes in book-entry-only form and shall initially be issued in the form of one fully registered Note and shall be held in such form until maturity. Individuals may purchase beneficial interests in the amount of \$5,000 or integral multiples thereof in book-entry-only form, without certificated Notes, through the Direct Participants. See "DESCRIPTION OF THE NOTES - Book-Entry Provisions" below.

No Redemption

The Notes are not subject to redemption prior to maturity.

Book-Entry Provisions

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY ONLY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE DISTRICT BELIEVES TO BE RELIABLE, BUT THE DISTRICT TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

The Depository Trust Company ("DTC") New York, New York, will act as securities depository for the Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered note certificate will be issued for the Notes and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+." The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct

and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as defaults and proposed amendments to the documents securing the Notes. For example, Beneficial Owners of the Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent and request that copies of notices are provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments with respect to the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District, as Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments with respect to the Notes to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Paying Agent or the District, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursements of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

NEITHER THE BOARD NOR THE DISTRICT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY

PARTICIPANT, (2) THE PAYMENT BY DTC OR ANY PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OF OR INTEREST ON THE NOTES, (3) THE DELIVERY BY DTC OR ANY PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO NOTEHOLDERS UNDER THE TERMS OF THE RESOLUTION, OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY CEDE & CO., AS THE NOMINEE OF DTC, AS REGISTERED OWNER. SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE NOTES, AS NOMINEE OF DTC, REFERENCES IN THIS OFFICIAL STATEMENT TO THE NOTEHOLDERS OR REGISTERED OWNERS OF THE NOTES (OTHER THAN UNDER THE CAPTION "TAX EXEMPTION" HEREIN) SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE NOTES.

Neither the Board nor the District can give any assurances that Direct Participants, Indirect Participants or others will distribute payments of debt service on the Notes made to DTC or its nominee as the registered owner, or any notices to the Beneficial Owners, or that they will do so on a timely basis, or that DTC will service or act in a manner described in this Official Statement.

For every transfer and exchange of beneficial interests in the Notes, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other government charge that may be imposed in relation thereto.

DTC may discontinue providing its services as securities depository with respect to the Notes at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Note certificates are required to be printed and delivered. In addition, the District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, certificated Notes will be printed and delivered.

APPLICATION OF NOTE PROCEEDS

The proceeds from the sale of the Notes shall initially be applied by the District to pay the costs of preparation and issuance of the Notes to the extent not paid from other legally available funds of the District. The remaining proceeds from the sale of the Notes will be used by the District to pay the lawful current operating expenses of the District, as the Board shall direct. The Noteholders will have no responsibility for the use of the proceeds of the Notes, and the use of the Note proceeds by the District will in no way affect the rights of the Noteholders.

THE SCHOOL DISTRICT AND SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA

The District

The District is organized under Section 4, Article IX, of the Constitution of Florida and Chapter 1001, Florida Statutes. The District is the tenth largest school district in the United States and the fifth largest in Florida as measured by student enrollment. The geographic boundaries of the District are coterminous with those of the County. The County, established in 1909, had a

2018 population of 1,433,417. It is the third largest county in Florida in terms of population and encompasses a land area of approximately 2,023 square miles. The District services the unincorporated areas of the County and all 39 incorporated municipalities within the boundaries of the County, including the municipalities of Palm Beach, West Palm Beach, Jupiter, Delray Beach and Boca Raton.

As of June 30, 2019, the District included 179 District operated schools and had approximately 190,177 unweighted full time equivalent students and approximately 22,886 full-time equivalent employees, including approximately 15,987 instructional personnel. Management of the schools is independent of the County and the various municipal governments in the County. The Tax Collector collects ad valorem taxes for the District, but the County exercises no control over expenditures by the District. Additional information concerning the County is contained in "APPENDIX A – INFORMATION REGARDING PALM BEACH COUNTY, FLORIDA."

Certain Statistical Information

The following table sets forth certain statistical information about the District. Statistical and demographic data concerning the County are set forth in "APPENDIX A – INFORMATION REGARDING PALM BEACH COUNTY, FLORIDA."

School Year	Number of Schools	Number of Instructional Personnel at Fiscal Year End	Average FTE Enrollment ⁽¹⁾	Expenditures per FTE Student ⁽²⁾
2018-19	179	15,987	190,177	\$7,848
2017-18	180	15,822	190,008	7,730
2016-17	181	15,528	189,324	7,537
2015-16	181	15,329	186,291	7,387
2014-15	181	15,333	183,489	7,160
2013-14	181	15,355	180,285	7,016

⁽¹⁾ Unweighted, includes adults and charter school students.

⁽²⁾ Excludes outgoing transfers. Includes adults.

Source: School District of Palm Beach County, Florida.

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FTE Growth

The Full-Time Equivalent (FTE) Enrollment for School Years 2014-15 through 2018-19 was as follows:

School District of Palm Beach, Florida
Profile of Enrollments – Unweighted Full-Time Equivalent Students⁽¹⁾
2014-15 – 2018-19

	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>
Grades K-3	49,923	49,956	48,722	48,373	48,614
Grades 4-8	64,407	65,617	66,997	68,034	68,907
Grades 9-12	48,451	48,944	50,067	49,987	49,469
Exceptional Education	1,301	1,280	1,297	1,392	1,490
Vocational Education	4,205	4,226	4,158	4,289	4,207
At Risk Programs	15,202	16,268	18,083	17,933	17,490
Total	<u>183,489</u>	<u>186,291</u>	<u>189,324</u>	<u>190,008</u>	<u>190,177</u>
Percentage Change	1.78%	1.53%	1.63%	0.36%	0.09%

⁽¹⁾ Enrollments are calculated on a full-time equivalent student basis for the number of students in grades kindergarten through twelve for the regular school term. A full-time equivalent (FTE) student is defined as equal to not less than 900 net hours of instruction time for grades 4-12 and not less than 720 net hours of instruction time for K-3. Figures as of fourth FEFP (Florida Education Finance Program) calculation (including charter school students).

Tax Anticipation Notes

The following table is a summary of the amount of money borrowed by the District for the past five fiscal years in anticipation of tax receipts to fund the operating expenses of the District until the receipt of tax revenues each year, as more fully described under the caption "Ad Valorem Taxation – Procedures for Tax Collection and Distribution."

School District of Palm Beach County, Florida
Historical Tax Anticipation Note Issues

<u>Fiscal Year</u>	<u>Description</u>	<u>Amount Issued</u>
2018-19	Tax Anticipation Notes, Series 2018	\$115,000,000
2017-18	Tax Anticipation Notes, Series 2017	115,000,000
2016-17	Tax Anticipation Notes, Series 2016	115,000,000
2015-16	Tax Anticipation Notes, Series 2015	115,000,000
2014-15	Tax Anticipation Notes, Series 2014	115,000,000

Budgetary Process

Florida law requires the Board to adopt in each fiscal year a tentative budget and a final budget, each of which is required to be balanced with available funds. The Superintendent, with input from staff, principals and interested community groups, prepares and submits to the Board a recommended budget. The Board adopts the recommended budget, with such modifications, as it deems necessary, as the tentative budget for the District. After public hearings on the tentative

budget, the Board adopts a final budget and forwards it to the State of Florida Department of Education. When approved by the State of Florida Department of Education, the final budget is designated as the official budget and governs the general operations for the fiscal year, unless subsequently amended by the Board. After public hearings, the final budget for Fiscal Year 2019-20 was adopted by the School Board on September 11, 2019. Revisions may be made to the adopted budget in accordance with Florida law.

The Board

The Board is a public body corporate existing under the laws of the State of Florida, particularly Section 1001.40, Florida Statutes, and is the governing body of the District. The Board consists of seven members elected from single member districts for overlapping four-year terms. The principal office of the Board is located in West Palm Beach, Florida.

Under existing statutes, the Board's duties and powers include, but are not limited to, the acquisition, maintenance and disposition of school property within the District; the development and adoption of a school program for the District; the establishment, organization and operation of schools, including vocational and evening schools and programs for gifted students and handicapped students, including students in residential care facilities; the appointment, compensation, promotion, suspension and dismissal of employees; the establishment of courses of study and the provision of adequate instructional aids; and the establishment of a system to transport students to school or school-related activities.

The Board also has broad financial responsibilities, including the approval of the annual budget, adoption of the school tax levy and the establishment of a system of accounting and budgetary controls. The annual budget and accounting reports must be filed with the State of Florida Department of Education.

The Chairman of the Board is elected by the members of the Board annually. The Superintendent of Schools is the ex-officio Secretary of the Board. The present members of the Board, their respective offices and the expiration of their respective terms are as follows:

Name/Office	Term Expires
Frank A. Barbieri, Jr., Esq., Chairman	November 2020
Chuck Shaw, Vice Chairman	November 2020
Barbara McQuinn, Member	November 2020
Karen Brill, Member	November 2022
Erica Whitfield, Member	November 2022
Marcia Andrews, Member	November 2022
Debra Robinson, M.D., Member	November 2022

Administration

The chief executive officer of the District is the Superintendent of Schools (the "Superintendent"), who is appointed by and serves at the discretion of the Board, and serves pursuant to a negotiated contract. The Superintendent oversees operations of the school system, makes policy recommendations to the Board and performs the duties assigned by law and the regulations of the State of Florida Department of Education. The Superintendent prepares the

annual budget for approval by the Board, recommends the tax levy based upon needs illustrated by the budget, recommends debt issuance and borrowing plans of the District when necessary, provides recommendations for the investment of District funds and keeps records with respect to all funds and financial transactions of the District.

Set forth below are biographical descriptions of the Superintendent and certain other administrative personnel of the District:

Donald E. Fennoy II, Ed.D., Superintendent, was named as Superintendent in June 2018. Prior to his appointment as Superintendent of Schools, Dr. Fennoy served as the District's Chief Operating Officer from May 2016 to March 2018. Before coming to Palm Beach County, he served as the Senior Area Superintendent of the South Learning Community for the Fulton County School District and Executive Director of the New Leaders for New Schools, Maryland Program. He is a member of the 2015-2016 class of the Broad Academy, part of the Broad Center for the Management of School Systems, in addition to being part of Leadership Florida's Executive Leadership Class X. He graduated from Florida A&M University with a degree in Elementary Education. He went on to earn a Master's Degree in Educational Leadership, and a Doctorate in Educational Leadership and Administration from the University of Central Florida.

Michael J. Burke, Chief Financial Officer, joined the District in April 1998. Prior to that, Mr. Burke had eight years of experience with the School District of Broward County, Florida's Budget Office. He received his Bachelor's Degree in Finance from Florida State University and a Master's Degree in Public Administration from Florida Atlantic University. For a four-year period (March 2012 to April 2016), Mr. Burke served as both the Chief Financial Officer and Chief Operating Officer of the District. In 2015, Mr. Burke received the "Bill Wise Award" for professionalism, commitment, integrity and leadership at the Council of the Great City Schools' Chief Financial Officers Conference. He currently serves on the Florida School Finance Council for the Florida Department of Education.

Leanne Evans, Treasurer, joined the District in February 1997 with six years of cash management experience in private industry. Ms. Evans graduated from Florida Atlantic University with a Bachelor of Business Administration in Finance and a Bachelor of Science in International Business and is a Certified Treasury Professional, as designated by the Association of Financial Professionals. Ms. Evans is a past president of the Florida School Finance Officers Association (FSFOA) and currently serves on the FSFOA board of directors. During her tenure with the District, she has overseen more than \$7 billion in debt and derivative transactions.

Total District Personnel

The professional staff of the District includes supervisors, analysts, specialists, administrators, and instructional personnel. Other personnel include teachers' aides, clerks and secretaries, bus drivers, cafeteria personnel, custodial and maintenance workers, mechanics and warehousemen. The total number of District personnel as of June 30, 2019 was approximately 22,886, the largest number of employees of any single employer in the County.

Employee Relations

Approximately 56% of all employees of the District are represented by the Palm Beach County Classroom Teachers Association ("CTA"), which is affiliated with Florida Education

Association-United. Another 33% are represented by non-instructional collective bargaining agents and 11% are non-union represented staff.

As of June 30, 2019, the Board employed 22,886 full-time persons representing the following groups:

Instructional	13,712
Instructional Support Services	2,275
Central Support Services	5,113
Administrative Support Services	1,547
Community Services	239
Total	<u>22,886</u>

Union members include both instructional and non-instructional personnel. Current union contracts expire as follows:

Teachers	June 30, 2020
Clerical	December 31, 2019
Police	December 31, 2020
Bus, Custodial, Maintenance and Mechanics	December 31, 2018*

* When a collective bargaining agreement expires, Florida law requires the parties to operate under the expired agreement until such time that a successor agreement has been negotiated and ratified.

Basic Financial Statements

The audited basic financial statements of the District for the Fiscal Year ended June 30, 2018 are included as "APPENDIX B – EXCERPTED INFORMATION FROM THE COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA FOR FISCAL YEAR ENDED JUNE 30, 2018" to this Official Statement. Such excerpts from the Comprehensive Annual Financial Report have been included in this Official Statement as public documents and consent from the auditor was not requested. The auditor has not performed any services relating to, and is therefore not associated with, the issuance of the Notes.

Audited financial statements for the Fiscal Year ended June 30, 2019 are not available as of the date hereof. Excerpted pages from the Superintendent's Annual Financial Report (Unaudited) of The School Board of Palm Beach County, Florida for the Fiscal Year ended June 30, 2019 are also appended hereto as APPENDIX C as part of this Official Statement. The figures in such report are not audited and are subject to change during the auditing process.

Accreditation

All public schools of the District are fully accredited by AdvancEd, formerly the Southern Association of Colleges and Schools. Every five years, the public schools in the District undergo an AdvancEd re-accreditation review, with the most recent review having taken place in January 2018. All public schools in the District were fully re-accredited.

Florida Retirement System

The District participates in the Florida Retirement System ("FRS"), a cost sharing, multiple-employer, public employee retirement system, which covers substantially all regular employees of the District. Beginning in 2002, the FRS became one system with two primary plans, a defined benefit pension plan (the "FRS Pension Plan") and a defined contribution plan known as the Public Employee Optional Retirement Program (the "FRS Investment Plan"). FRS membership is required for all employees filling a regularly established position in a State agency, district school board, county, State university or State community college. Some municipalities, special districts, charter schools and metropolitan planning organizations also choose to participate in the FRS; however, participation is generally irrevocable after the entity elects to participate.

The information relating to the FRS contained herein has been obtained from the FRS Annual Reports which are available by writing to the Division of Retirement, P.O. Box 9000, Tallahassee, Florida 32315-9000, by phoning (850) 488-5706 or visiting the following website: www.dms.myflorida.com/workforce_operations/retirement/publications/annual_reports. No representation is made by the Board as to the accuracy or adequacy of such information or that there has not been any material adverse change in such information subsequent to the date of such information.

There are five general classes of membership in the FRS: (1) Senior Management Service Class ("SMSC") members which include, among others, senior management level positions in State and local governments (including school districts) and assistant state attorneys, prosecutors and public defenders; (2) Special Risk Class which includes, among others, positions such as law enforcement officers, firefighters, correctional officers, emergency medical technicians and paramedics; (3) Special Risk Administrative Support Class which include, among others, non-special risk law enforcement, firefighting, emergency medical care or correctional administrative support positions within a FRS special risk-employing agency; (4) Elected Officers' Class ("EOC") which includes members who are elected State and city officers and the elected officers of cities and special districts that choose to place their officials in this class; and (5) Regular Class members includes members that do not qualify for membership in the other classes.

The FRS is a cost-sharing multiple-employer public-employee retirement system with two primary plans. The Department of Management Services, Division of Retirement administers the FRS Pension Plan and the Florida State Board of Administration (the "SBA") invests the assets of the FRS Pension Plan held in the FRS Trust Fund. Administration costs of the FRS Pension Plan are funded through investment earnings of the FRS Trust Fund. Reporting of the FRS is on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the obligation is incurred.

The SBA administers the FRS Investment Plan, a defined contribution plan available to eligible FRS members as an alternative to the FRS Pension Plan. Retirement benefits are based upon the value of the member's account upon retirement. Regardless of membership class, FRS Investment Plan contributions vest after one year of service. A member vests immediately in all employee contributions paid to the FRS Investment Plan. If a member elects to transfer amounts from the FRS Pension Plan to that member's FRS Investment Plan account, the member must meet the eight-year vesting requirement (six-year vesting requirement if enrolled prior to July 1, 2011) for any such transferred funds and associated earnings. The FRS Investment Plan is funded by

employer contributions that are based on salary. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Administration costs of the FRS Investment Plan are funded through a 0.06% employer contribution and forfeited benefits. After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the FRS Investment Plan, receive a lump-sum distribution, or leave the funds invested for future distribution. Disability coverage is provided; the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan or remain in the FRS Investment Plan and rely upon that account balance for retirement income.

Since July 1, 2001, the FRS Pension Plan has provided for vesting of benefits after six years of creditable service. Members not actively working in a position covered by the FRS on July 1, 2001, must return to covered employment for up to one work year to be eligible to vest with less service than was required under the law in effect before July 1, 2001. Members initially enrolled on or after July 1, 2001, through June 30, 2011, vest after six years of service. Members initially enrolled on or after July 1, 2011, vest after eight years of creditable service. Members are eligible for normal retirement when they have met the various plan requirements applicable to each class of membership. Regardless of class, a member may take early retirement any time after vesting within 20 years of normal retirement age; however, there is a five percent benefit reduction for each year prior to normal retirement age.

Benefits under the FRS Pension Plan are computed on the basis of age, average final compensation, creditable years of service, and accrual value by membership class. Members are also eligible for in-line-of-duty or regular disability and survivors' benefits. Pension benefits of retirees and annuitants are increased each July 1 by a cost-of-living adjustment. If the member was initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3% per year. If the member was initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3% determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3%. FRS Pension Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Effective July 1, 2011, all members of FRS were required to contribute 3% of their gross compensation toward their retirement. In addition, the legislation reduced the required employer contribution rates for each membership class and subclass of the FRS.

Additional legislative changes that only apply to employees who initially enroll on or after July 1, 2011, include: (1) the average final compensation upon which retirement benefits are calculated are based on the eight highest (formerly five highest) fiscal years of compensation prior to retirement; (2) the DROP (as defined herein) is maintained but the interest accrual rate is reduced from 6.5% to 1.3%; (3) the normal retirement age is increased from 62 to 65; and (4) the years of creditable service is increased from 30 to 33 and the vesting period is increased to eight years (formerly six).

Subject to provisions of Section 121.091, Florida Statutes, the Defined Retirement Option Program (the "DROP") permits employees eligible for normal retirement under the FRS to defer

receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in the DROP for a period not to exceed 60 months while the member's benefits accumulate in the FRS Trust Fund. Authorized instructional personnel may participate in the DROP for up to 36 additional months beyond their initial 60-month participation period. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. As of June 30, 2018, the FRS Trust Fund held \$2,432,971,600 in accumulated benefits and interest for 36,001 DROP participants. Of those 36,001 DROP Participants, 34,173 were active in DROP with balances totaling \$2,185,360,679. The remaining participants were no longer active in the DROP and had balances totaling \$247,610,920 to be processed after June 30, 2018.

The Retiree Health Insurance Subsidy ("HIS") Program is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Division of Retirement within the Department of Management Services. Beginning July 1, 2002, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of creditable service completed at the time of retirement multiplied by \$5. The payments are at least \$30 but not more than \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

The HIS Program is funded by required contributions from FRS participating employers as set by the Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. Beginning July 1, 2015, the contribution rate was 1.66% of payroll pursuant to Section 112.363, Florida Statutes. HIS contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, the legislature may reduce or cancel HIS payments.

Participating employers must comply with the statutory contribution requirements. Section 121.031(3), Florida Statutes, requires an annual actuarial valuation of the FRS Pension Plan, which is provided to the Florida Legislature as guidance for funding decisions. Employer contribution rates under the uniform rate structure (a blending of both the FRS Pension Plan and FRS Investment Plan rates) are recommended by the actuary but set by the Florida Legislature. Statutes require that any unfunded actuarial liability ("UAL") be amortized within 30 plan years and any surplus amounts available to offset total retirement system costs are to be amortized over a 10-year rolling period on a level-dollar basis. As of June 30, 2018, the balance of legally required reserves for all defined benefit pension plans was \$161,196,880,609. Such funds are reserved to provide for total current and future benefits, refunds and administration of the FRS Pension Plan.

The District's liability for participation 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, including employee contributions, to the FRS Pension Plan and FRS Investment Plan for the Fiscal Year ended June 30, 2019, totaled \$101.7 million (unaudited), which was equal to the required contribution for such Fiscal Year. This excludes the HIS Program contribution. The District's contributions to the HIS Plan for the Fiscal Year ended June 30, 2019, totaled \$17.9 million (unaudited).

As a participating employer in the Florida Retirement System, the District implemented Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date (an amendment to GASB Statement No. 68)*, effective for fiscal years beginning after June 15, 2014. The implementation of these Statements requires the District to record a liability for its proportionate share of the net pension liabilities of the Florida Retirement System plans.

The scope of GASB Statements Nos. 68 and 71 address accounting and financial reporting for pensions that are provided to employees of state and local governmental employers that meet certain characteristics. These Statements establish standards for measuring and recognizing liabilities, deferred outflows/inflows of resources and expense/expenditures. For defined benefit pensions such as the Florida Retirement System plans, GASB Statements Nos. 68 and 71 identify methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service. Pursuant to these Statements, the District is required to record a liability for its proportionate share of pension liabilities as reported by the Florida Retirement System plans. While these Statements require recognition and disclosure of the unfunded pension liability, there is no requirement that such liability be funded. Accordingly, a deficit in unrestricted net position should not be considered, solely, as evidence of financial difficulties. The adoption of GASB Statements Nos. 68 and 71 resulted in a material increase in the District's liabilities and a material decrease in the District's net position. The District's proportionate share of the net pension liabilities of the Florida Retirement System Pension Plan totaled \$697.7 million (unaudited) at June 30, 2019. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined an actuarial valuation as of July 1, 2018. The District's proportion of the net pension liability was based on the District's fiscal year 2017-18 contributions relative to the fiscal year 2017-18 contributions of all participating members. At June 30, 2018, the District's proportionate share was 2.316%, which was a decrease of 0.004% from its proportionate share as measured as of June 30, 2017.

As of June 30, 2019, the District reported a net pension liability of \$344.0 million (unaudited) for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The District's proportionate share of the net pension liability was based on the District's fiscal year 2017-18 contributions relative to the total fiscal year 2017-18 contributions of all participating members. At June 30, 2018, the District's proportionate share was 3.250%, which was an increase of 0.004% from its proportionate share measured as of June 30, 2017. See APPENDIX B hereto, including Management's Discussion and Analysis, Note 12 to the Basic Financial Statements and the Required Supplementary Information, to the District's audited financial statements for the Fiscal Years ended June 30, 2018 and APPENDIX C hereto, including management discussions and analysis, Note 10 to the Basic Financial Statements and required supplementary information to the District's Annual Financial Report (Unaudited) for the Fiscal Year ended June 30, 2019, for additional information relating to the District's implementation of GASB Statements Nos. 68 and 71.

Other Post Employment Benefit Program.

In addition to its contributions under the State's retirement plan described above, the District provides other postemployment benefits ("OPEB") for certain of its retired employees in the form of an implicit rate subsidy by providing access to health insurance plans. The offering of this health insurance coverage is required by Section 112.0801, Florida Statutes.

In June 2015, the Governmental Accounting Standards Board issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB No. 75"), which was adopted by the District for the year ended June 30, 2018. GASB No. 75 addresses accounting and financial reporting for OPEB provided to employees of state and local government employers; establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses; requires governments to report a liability, deferred outflows of resources, deferred inflows of resources, and expenses on the face of the financial statement for the OPEB that they provide; and requires more extensive note disclosures and supplementary information about their OPEB liability. The beginning net position of the District was decreased by \$40.1 million due to the implementation of GASB Statement No. 75. The District's total OPEB liability reported at June 30, 2017 increased by \$27.5 million to \$139.4 million as of July 1, 2017, due to the transition in the valuation methods under GASB Statement No. 45 to GASB Statement No. 75, and beginning balances for deferred outflows/inflows of resources were not restated.

The District has historically accounted for its OPEB contributions on a pay-as-you-go basis and the District currently plans to continue such pay-as-you-go funding of its OPEB contributions. For fiscal year 2019, 799 retirees received healthcare benefits. The District provided required contributions of approximately \$7.4 million (unaudited) toward the annual OPEB cost. Retiree contributions total approximately \$6.5 million (unaudited). The pay-as-you-go method of funding OPEB allows the District to continue to pay only the current OPEB costs each Fiscal Year, but will produce a growing unfunded actuarial liability for the future. The net OPEB obligation was \$157.7 million at the end of Fiscal Year 2018-19.

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Below are the details regarding the total OPEB liability from June 30, 2018 to June 30, 2019 (in thousands):

	Total OPEB Liability
Balance Recognized at 07/01/2018	\$ 138,163
Changes for the Fiscal Year:	
Service Cost	\$ 7,418
Interest on the Total OPEB Liability	5,591
Difference between Expected and Actual Experience	(3,464)
Changes in Assumptions and Other Inputs	14,398
Benefit Payments	(4,455)
Net Changes	<u>19,488</u>
Total OPEB Liability at 06/30/2019	<u>\$ 157,651</u>

Changes of assumptions and other inputs include the change in the discount rate from 3.87 percent as of June 30, 2019 to 3.50 percent as of June 30, 2019.

Source: Superintendent's Annual Financial Report (Unaudited) of The School Board of Palm Beach County, Florida for the Fiscal Year Ended June 30, 2019.

For additional information on OPEB liability, including assumptions on which the calculation is based, see Note 13 and the Required Supplementary Information to the District's audited financial statements for the Fiscal Year ended June 30, 2018 and Note 11 and the Required Supplementary Information to the District's unaudited financial statements for the Fiscal Year ended June 30, 2019, which are attached hereto as APPENDIX B and APPENDIX C hereto, respectively.

Indebtedness

Set forth below is selected information regarding outstanding debt of the District. For more detailed financial information concerning the District, see "APPENDIX B - EXCERPTED INFORMATION FROM THE COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA FOR FISCAL YEAR ENDED JUNE 30, 2018" and "APPENDIX C - EXCERPTED INFORMATION FROM THE SUPERINTENDENT'S ANNUAL FINANCIAL REPORT (UNAUDITED) OF THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA FOR FISCAL YEAR ENDED JUNE 30, 2019."

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School District of Palm Beach County, Florida
Outstanding Long-Term Direct Debt
June 30, 2019

Description	Principal Amount Outstanding
Self-Supporting State Bonds: ⁽¹⁾	
State Board of Education, Capital Outlay Bonds, Series 2010-A	\$ 5,775,000
State Board of Education, Capital Outlay Bonds, Series 2010-A Ref	700,000
State Board of Education, Capital Outlay Bonds, Series 2011-A	2,025,000
State Board of Education, Capital Outlay Bonds, Series 2014-B	42,000
	<u>\$8,542,000</u>
Sub-Total State Board Bonds:	
Capital Leases ⁽²⁾⁽³⁾	
2015 Bus Lease	\$ 2,902,891
2015 Equipment (Chiller) Lease	2,185,236
2016 Bus Lease	2,827,757
2018 Equipment (Chiller) Lease	14,458,493
	<u>\$22,374,377</u>
Sub-Total Capital Leases	
Certificates of Participation ⁽²⁾	
Certificates of Participation, Series 2004-QZAB	\$ 294,237 ⁽⁴⁾
Certificates of Participation, Series 2005-QZAB	322,885 ⁽⁴⁾
Certificates of Participation, Series 2010	59,535,502
Certificates of Participation, Series 2011A	17,860,000
Certificates of Participation, Series 2011D	10,890,000
Certificates of Participation, Series 2012A	1,795,000
Certificates of Participation, Series 2012C	56,140,000
Certificates of Participation, Series 2014B	124,445,000
Certificates of Participation, Series 2014C	33,280,000
Certificates of Participation, Series 2015A	42,735,000
Certificates of Participation, Series 2015B	131,710,000
Certificates of Participation, Series 2015C	62,970,000
Certificates of Participation, Series 2015D	202,725,000
Certificates of Participation, Series 2017A	147,850,000
Certificates of Participation, Series 2017B	41,945,000
Certificates of Participation, Series 2018A	111,990,000
Certificates of Participation, Series 2018B	98,480,000
Certificates of Participation, Series 2018C	120,790,000
	<u>\$1,265,757,624</u>
Sub-Total Certificates of Participation:	
<u>\$1,296,674,001</u>	
TOTAL LONG-TERM DIRECT DEBT OUTSTANDING	

⁽¹⁾ Bonds are issued by the State Board of Education on behalf of the District and are secured by a pledge of the District's portion of the State assessed motor vehicle license tax, as well as a pledge of the State's full faith and credit.

⁽²⁾ Subject to annual appropriation.

⁽³⁾ Additionally, on September 6, 2019, the District entered in a 2019 Equipment (Chiller) Lease in the principal amount of \$14.7 million.

⁽⁴⁾ Reflects remaining sinking fund payments net of earnings on guaranteed investment contracts.

Source: School District of Palm Beach County, Florida.

School District of Palm Beach County, Florida
Direct and Overlapping Debt
June 30, 2019
(in thousands)

Direct Debt	
Certificates of Participation	\$1,265,758
Capital Leases	22,374
Special Obligation ⁽¹⁾	8,542
General Obligation	-
Total Direct Debt	\$1,296,674
Overlapping Debt ⁽²⁾	
Palm Beach County Debt	\$1,028,088
Estimated Percentage Applicable ⁽³⁾	8.06%
Total Overlapping Debt	82,850
Total Direct and Overlapping Debt	\$1,379,524

⁽¹⁾ Special obligation debt is payable from motor vehicle license taxes.

⁽²⁾ Overlapping debt consists of Palm Beach County debt.

⁽³⁾ Percent of County's General Obligation Bonds for County's Total Primary Government Debt as shown in the Palm Beach County, Florida Comprehensive Annual Financial Report for the Fiscal Year ended September 30, 2018.

Source: School District of Palm Beach County, Florida.

GENERAL FUND OPERATIONS AND REVENUE SOURCES

The District's general fund revenues are derived from Federal and State appropriations and local sources of funds.

State Sources

The District's two major sources of funds from the State are (i) the basic Florida Education Finance Program ("FEFP") receipts and (ii) FEFP categorical program receipts.

Florida Education Finance Program. The major portion of State support is distributed under the provisions of the Florida Education Finance Program, which was enacted by the State Legislature in 1973. Basic FEFP funds are provided on a weighted full-time equivalent ("FTE") student basis and through a formula that takes into account: (i) varying program costs; (ii) cost differentials between districts; (iii) differences in per-student costs due to the density of student population; and (iv) the required level of local support. Program cost factors are determined by the State Legislature each year. The amount of FEFP funds disbursed by the State is adjusted four times during each year to reflect changes in FTE and in other variables comprising the formula, as well as to compensate for increases or decreases in ad valorem tax revenue resulting from adjustments to the valuation of non-exempt property in each county. To participate in FEFP funding, the District must levy a minimum millage for operating purposes, which is set by the State Department of Education. The District's general fund receipts from the State for FEFP pursuant

to the above formula for Fiscal Years 2017-18 and 2018-19 were \$315,035,811 and \$322,660,495 (unaudited), respectively, and are budgeted at \$356,583,314 for Fiscal Year 2019-20.

FEFP categorical programs are lump sum appropriations from the State intended to supplement local school district revenues to enhance the delivery of educational and support services by each school district. In recent years, most categorical programs have been eliminated and the funds are now earmarked within the FEFP base student allocation. The only remaining categorical program is class size reduction. The allocation for class size reduction is based on a funding formula. The majority of the funds available require appropriation by the Board for the purposes for which they were provided. Class size reduction funds were \$218,990,137 and \$219,999,565 (unaudited) for Fiscal Years 2017-18 and 2018-19, respectively, and are budgeted at \$220,360,782 for Fiscal Year 2019-20.

Student enrollment trends have changed over the past several years. Following five years of high growth of more than 5,000 students per year from Fiscal Year 2001 through Fiscal Year 2005 enrollment was flat in Fiscal Year 2006, and decreased by 3,000 students during Fiscal Year 2007. Enrollment was flat again during Fiscal Years 2008 and 2009 but increased by an average of just over 2,500 for Fiscal Years 2011 through 2017 and has remained relatively flat from 2017 to the Current Fiscal Year.

FEFP funding is derived from two main sources: state sales tax revenues and local property taxes. The State determines the funding split between the two sources for each district. As a property rich county, Palm Beach County property taxes have increasingly shouldered much of the financial burden. For Fiscal Year 2018-19, local property taxes provided 70.1% (unaudited) of the FEFP funds and are budgeted to provide 68.3% of the FEFP funds for Fiscal Year 2019-20.

State Lottery Revenues. A portion of the revenues generated from the State lottery is distributed to each Florida school district as Discretionary Lottery revenue and Florida School Recognition Program revenue. The Florida School Recognition program recognizes schools that have received an "A" or improved at least one letter grade from the previous school year and, under Florida Statutes, is required to be used for nonrecurring bonuses for school faculty and staff, nonrecurring expenditures for educational equipment or materials, for temporary personnel to assist schools in maintaining or improving student performance, or any combination of these. The District received approximately \$9.41 million and \$11.62 million (unaudited) in Florida School Recognition Program revenues for Fiscal Years 2017-18 and 2018-19, respectively, and the District has budgeted \$11.62 million in Florida School Recognition Program revenues for Fiscal Year 2019-20. The District received \$364,853 million in Discretionary Lottery revenues for Fiscal Year 2017-18, \$704,139 (unaudited) in Fiscal Year 2018-19 and is budgeted to receive \$701,865 of such revenues for Fiscal Year 2019-20.

Recent State Budgets. A large portion of the District's funding is derived from State sources. A significantly large percentage of such State revenues is generated from the levy of the State sales tax. The amounts budgeted for distribution from the State to the District are subject to change in the event that projected revenues are not realized.

On May 4, 2019, the Florida Legislature adopted a State education budget for State fiscal year 2019-20 providing for an approximately \$685.6 million or 4.20% increase in State and local FEFP funding for K-12 public schools over State fiscal year 2018-19 reflecting a per-pupil increase

of approximately \$243 per student or 3.27% over fiscal year 2018-19. The estimated increase for the District is approximately \$44.9 million in funds over fiscal year 2018-19. The Governor approved the State fiscal year 2019-20 budget on June 21, 2019. However, there can be no assurance that funding for K-12 public schools will increase exactly as provided for in the approved budget. See also, "RECENT GOVERNMENTAL ACTIONS AFFECTING DISTRICT REVENUES – Public Safety Mandate" herein.

Local Sources

Ad Valorem Taxes. Local revenue for District operating support is derived almost entirely from ad valorem real and tangible personal property taxes. In addition, the District earns interest on cash invested and collects other miscellaneous revenues.

The Florida Constitution limits the non-voted millage rate that school boards may levy on an annual basis for school purposes to 10 mills (\$10 per \$1,000 of taxable real and personal property value). The millage limitation does not apply to taxes approved at referendum by qualified electors in the County for general obligation bonds and certain other short-term, voter approved levies. Chapter 1011, Florida Statutes, further limits the millage levy for operational purposes to an amount established each year by the State appropriations act and finally certified by the Commissioner of the State of Florida Department of Education. Within this operational limit, each school district desiring to participate in the State's allocation of FEFP funds for current operations must levy a non-voted millage rate that is determined annually by the State Legislature and certified by the Commissioner of the State of Florida Department of Education and is referred to as the district "required local effort." For Fiscal Year ending June 30, 2020, the District's required local effort is 3.908 mills and for the Fiscal Year ending June 30, 2019, was 4.062 mills. In addition to such required local effort millage for Fiscal Year 2018-19, the District levied a Prior Period Funding Adjustment Millage of 0.012 mills and is levying 0.008 mills for Fiscal Year 2019-20 as required by Section 1011.62(4)(e), Florida Statutes. Such Prior Period Funding Adjustment Millage is levied when the preliminary taxable value for the prior year is greater than the final taxable value for such year, thereby resulting in lower than expected revenues from the required local effort millage.

In addition to the "required local effort," school districts are entitled an additional non-voted current operating "discretionary millage" not to exceed an amount established annually by the Legislature and up to 1.5 mills for capital outlay and maintenance of school facilities. However, the District may levy up to an additional 0.25 mills for capital outlay and maintenance of school facilities in lieu of operating discretionary millage. For Fiscal Year ended June 30, 2019, the District's discretionary operating millage was 0.748 mills and is 0.748 mills for the Fiscal Year ending June 30, 2020. The District did not levy any capital outlay discretionary millage for the Fiscal Year ended June 30, 2019 and is not levying any capital outlay discretionary millage for the Fiscal Year ended June 30, 2020. See "AD VALOREM TAXATION - Millage Set by Local Governing Body - District Millage Rates" herein.

The District, pursuant to authority granted in Section 1011.71(9), Florida Statutes, sought voter approval for the levy of an additional 0.25 mills for operating purposes for a period of four years, commencing with Fiscal Year 2011-12. The voters approved such levy at the November 2010 general election. The levy was renewed by the voters for an additional four years at the November 2014 general election, with the levy to continue through Fiscal Year 2018-19. In the

November 2018 general election, the voters approved a request to levy 1.00 mills for operating purposes. The levy will begin in fiscal year 2019-20 and continue through fiscal year 2022-23. See "AD VALOREM TAXATION - Tax Collection and Distribution by Tax Collector" herein. The District is involved in certain litigation regarding whether it must share revenues from this millage with charter schools in the District. See "LITIGATION" herein.

The following table sets forth the District's budgeted operating millage levies for Fiscal Year 2019-20:

Operating Millage	District Levy	Description	Max
Required Local Effort	3.908 mills	Each school district desiring to participate in the State's allocation of FEFP funds for current operations must levy a non-voted millage rate that is determined annually by the State Legislature	3.908 mills
Prior Period RLE Adjustment	0.008 mills	Non-voted; not to exceed amount established annually by the State	0.008 mills
Current Operating Discretionary Millage	0.748 mills	Non-voted; not to exceed amount established annually by the State Legislature	0.748 mills
Additional Operating Millage (Voter Approved)	1.000 mills	School boards may, upon approval by voters in a local referendum or general election, levy an additional millage for operating needs up to an amount that when combined with the non-voted millage does not exceed 10 mills. Such levy shall be for a maximum of four years.	1.000 mills

Budgeted revenues from ad valorem taxes were based on applying millage levies to ninety-six percent (96%) of the non-exempt assessed valuation of real and personal property within the County. Ad valorem tax receipts for operating purposes increased from \$963,059,480 for Fiscal Year 2017-18 to \$979,947,604 (unaudited) for Fiscal Year 2018-19. Ad valorem taxes for operating purposes are budgeted to be \$1,150,814,234 for Fiscal Year 2019-20. The budgeted increase in ad valorem tax receipts for operating purposes for Fiscal year 2019-20 is due to the increase in the additional voter approved operating millage from 0.25 mills to 1.00 mills described above.

Federal Sources

The District receives certain Federal moneys, both directly and through the State, substantially all of which are restricted for specific programs. Direct Federal revenue sources were \$1,006,049 and \$1,279,704 (unaudited) in Fiscal Years 2017-18 and 2018-19, respectively, and are budgeted at \$804,000 for Fiscal Year 2019-20. Federal funds through the State totaled \$5,252,690 and \$10,976,384 (unaudited) in Fiscal Years 2017-18 and 2018-19, respectively, and are budgeted to be \$5,000,000 in Fiscal Year 2019-20.

General Fund Operations

The following tables briefly describe revenues available to the District for operating purposes, financial results of the District and certain District liabilities. For additional information concerning such matters see "APPENDIX B - EXCERPTED INFORMATION FROM THE COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA FOR FISCAL YEAR ENDED JUNE 30, 2018" and "APPENDIX C - EXCERPTED INFORMATION FROM THE SUPERINTENDENT'S ANNUAL FINANCIAL REPORT (UNAUDITED) OF THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA FOR FISCAL YEAR ENDED JUNE 30, 2019."

The following table summarizes results of operations for the general fund of the District for the Fiscal Years ended June 30, 2016 through June 30, 2018 (audited), June 30, 2019 (unaudited) and the budgeted figures for the Fiscal Year ending June 30, 2020.

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School District of Palm Beach County, Florida
Summary of Revenues and Expenditures - General Fund
(In Millions)⁽¹⁾

	For the Fiscal Years Ended June 30				
	Audited			Unaudited	Budgeted
	2016	2017	2018	2019 ⁽²⁾	2020 ⁽³⁾
Beginning Fund Balance:	\$117.1	\$127.3	\$138.5	\$158.2	\$182.8
Revenues:					
Local Sources and Other Financing Sources:					
Ad Valorem Taxes	\$960.5	\$959.9	\$963.1	\$980.0	\$1,150.8
Interest Income and Other	2.1	3.9	6.5	11.5	6.0
Other Revenue	69.5	70.8	71.1	69.4	62.7
Transfers In	89.4	90.3	89.1	89.3	103.1
Total Local Sources and Other Financing Sources:	\$1,121.5	\$1,124.8	\$1,129.8	\$1,150.1	\$1,322.6
State Sources:					
FL Educ. Finance Pr. & Lottery	\$232.7	\$280.8	\$315.4	\$322.7	\$356.6
Categorical Grants	212.4	230.2	233.2	231.6	232.0
Other	31.0	17.8	18.1	24.2	24.0
Total State Sources	\$476.1	\$528.8	\$566.7	\$578.4	\$612.6
Federal Sources	\$3.2	\$8.0	\$6.3	\$12.3	\$5.8
Total Revenues	\$1,600.8	\$1,661.6	\$1,702.8	\$1,740.8	\$1,941.0
Adjustments to Fund Balance					
Total Rev. & Fund Balance	\$1,717.9	\$1,788.9	\$1,841.3	\$1,899.0	\$2,123.8
Expenditures:					
Salaries	\$921.9	\$939.0	\$975.3	\$996.2	\$1,144.7
Employee Benefits	292.4	333.6	324.1	321.3	372.2
Purchased Services and other	361.9	377.6	383.5	398.7	423.9
Transfer Out	14.5	0.1	0.2	-	0.2
Total Expenditures	\$1,590.7	\$1,650.3	\$1,683.1	\$1,716.2	\$1,941.0
Excess of Revenues Over (Under)					
Expenditures	\$10.1	\$11.3	\$19.6	\$24.6	-
Ending Fund Balance					
Nonspendable	\$6.0	\$8.0	\$8.2	\$6.4	\$6.4
Restricted	18.3	20.4	25.5	29.9	29.9
Committed	-	-	-	-	-
Assigned	53.0	58.2	69.5	82.6	82.6
Unassigned	50.0	52.0	55.0	64.0	64.0
Total Fund Balance	\$127.3	\$138.5	\$158.2	\$182.8	\$182.8
Total Expenditures & Fund Balance	\$1,718.0	\$1,788.9	\$1,841.3	\$1,899.0	\$2,123.8

(1) Totals may not add due to rounding.

(2) Unaudited figures.

(3) Budgeted figures.

Source: School District of Palm Beach County, Florida.

General Fund Balance Guidelines

Section 1011.051, Florida Statutes, entitled "Guidelines for general funds" requires that if a school district's General Fund ending balance not classified as restricted, committed or nonspendable in the approved operating budget is projected to fall below three percent (3%) of projected General Fund revenues, the Superintendent shall provide written notification to the district school board and the Commissioner of Education. The section further requires that if the General Fund ending balance not classified as restricted, committed or nonspendable is projected to fall below two percent (2%) of projected General Fund revenues, the Superintendent shall provide written notification to the district school board and the Commissioner of Education. Within 14 days after receiving such notification of an ending balance below two percent (2%), if the Commissioner determines that the district does not have a plan that is reasonably anticipated to avoid a financial emergency as determined pursuant to Florida Statutes pertaining thereto, the Commissioner shall appoint a financial emergency board that may take certain delineated steps to assist a district school board in complying with the General Fund requirements. In Fiscal Year 2017-18, the District's General Fund ending balance not classified as restricted, committed or nonspendable was 7.31% of General Fund Revenues and in Fiscal Year 2018-19 was 8.42% (unaudited) of General Fund Revenues. For Fiscal Year 2019-20, the District's General Fund ending balance not classified as restricted, committed or nonspendable is budgeted to be 7.55% of General Fund Revenues.

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The School Board of Palm Beach County
 General Fund Cash Flow
 Fiscal Year July 1, 2018 Through June 30, 2019
 (in thousands)

	Jul-18	Aug-18	Sep-18	Oct-18	Through Nov 20	After Nov 20	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Total
*Beginning C&I Balance	\$239,695	\$188,796	\$136,322	\$68,138	\$121,126	\$40,428	\$178,279	\$747,627	\$610,520	\$581,931	\$528,430	\$501,346	\$395,830	
Receipts:														
Federal Revenues														
Medicaid	18	8	-	1,667	64	-	37	59	25	1,718	464	53	767	4,879
ROTC	-	18	59	31	1,823	72	81	75	77	138	142	0	161	2,677
State Revenues:														
FL Ed. Finance Program	31,441	28,919	28,558	28,558	14,279	14,279	28,558	26,443	24,329	24,329	24,329	24,320	24,320	322,660
Instructional Material	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lottery	-	-	-	-	-	-	-	-	-	528	59	59	59	704
Transportation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
School Recognition Funds	-	-	-	11,621	-	-	-	-	-	-	-	-	-	11,621
Class Size Reduction	18,596	18,596	18,596	18,596	-	18,596	18,596	18,068	18,068	18,068	18,068	18,068	18,082	220,000
Other State Revenues	1,515	1,498	1,787	2,007	1,369	743	1,966	1,993	1,974	2,056	2,100	2,095	2,353	23,456
Local Revenues:														
Ad Valorem Tax	17,942	552	-	-	10,821	157,235	629,016	39,506	42,840	19,849	41,940	14,944	5,236	979,880
Interest	779	405	124	69	34	52	1,464	1,443	1,139	1,196	1,210	1,044	2,529	11,490
Other Local Revenues	4,030	3,587	13,288	6,772	2,839	2,839	6,399	5,778	6,159	6,505	6,865	7,091	1,837	73,988
Loss Recoveries	-	-	-	-	0	-	-	-	-	-	-	-	-	0
Transfers In	-	-	-	-	6	-	44,057	15,772	7,343	7,343	7,343	7,404	-	89,269
Sale of Capital Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2018 Note Proceeds	-	-	1,150	114,897	-	-	-	-	-	-	-	-	-	116,047
Total Receipts	\$74,321	\$53,584	\$63,562	\$184,217	\$31,235	\$193,817	\$730,174	\$109,137	\$101,953	\$81,728	\$102,518	\$75,078	\$55,345	\$1,856,669
Disbursements:														
Salaries	71,159	58,828	72,206	72,626	68,586	34,293	87,930	75,833	75,182	77,198	73,511	121,723	104,322	993,396
Benefits	23,194	13,448	21,316	25,202	18,113	9,056	33,347	25,988	25,548	23,929	25,624	28,911	50,524	324,201
Vendors	30,867	33,782	38,193	33,401	25,235	12,617	39,547	26,290	29,812	34,102	30,467	29,961	36,366	400,641
Transfers Out	-	-	30	-	-	-	-	-	-	-	-	-	-	30
Transfer to TAN Sinking Fund	-	-	-	-	-	-	-	118,134	-	-	-	-	-	118,134
Total Disbursements	\$125,220	\$106,057	\$131,746	\$131,230	\$111,933	\$55,966	\$160,825	\$246,245	\$130,542	\$135,230	\$129,602	\$180,594	\$191,212	\$1,836,402
Ending C&I Balance	188,796	136,322	68,138	121,126	40,428	178,279	747,627	610,520	581,931	528,430	501,346	395,830	259,963	

The School Board of Palm Beach County
General Fund Cash Flow Projections
Fiscal Year July 1, 2019 Through June 30, 2020
(in thousands)

	Jul-19	Aug-19	Sep-19	Oct-19	Through Nov20	After Nov20	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Total
*Beginning C&I Balance	\$259,963	\$198,469	\$135,488	\$51,662	\$88,847	(\$4,785)	\$154,218	\$820,782	\$680,395	\$644,492	\$579,266	\$544,739	\$419,413	
Receipts:														
Federal Revenues														
Medicaid	18	8	-	1,708	66	-	38	61	25	1,760	475	55	786	5,000
ROTC	-	5	18	9	547	21	24	22	23	41	43	0	48	804
State Revenues:														
FL Ed. Finance Program	34,746	31,960	31,560	31,560	15,780	15,780	31,560	29,223	26,887	26,887	26,887	26,877	26,877	356,583
Instructional Material	-	-	-	-	-	-	-	-	-	527	59	58	58	-
Lottery	-	-	-	-	-	-	-	-	-	-	-	-	-	702
Transportation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
School Recognition Funds	-	-	-	11,621	-	-	-	-	-	-	-	-	-	11,621
Class Size Reduction	18,627	18,627	18,627	18,627	-	18,627	18,627	18,098	18,098	18,098	18,098	18,098	18,112	220,361
Other State Revenues	1,508	1,490	1,778	1,997	1,362	739	1,956	1,983	1,964	2,046	2,089	2,084	2,342	23,339
Local Revenues:														
Ad Valorem Tax	21,072	648	-	-	12,709	184,664	738,744	46,397	50,313	23,311	49,256	17,551	6,149	1,150,814
Interest	406	211	65	36	18	27	762	752	593	623	630	544	1,318	5,985
Other Local Revenues	3,417	3,041	11,266	5,742	2,407	2,407	5,426	4,899	5,222	5,515	5,820	6,012	1,558	62,731
Loss Recoveries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	7	-	50,883	18,216	8,480	8,480	8,480	8,551	-	103,098
Sale of Capital Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2019 Note Proceeds	-	-	1,150	113,850	-	-	-	-	-	-	-	-	-	115,000
Total Receipts	\$79,793	\$55,991	\$64,464	\$185,150	\$32,896	\$222,266	\$848,020	\$119,651	\$111,606	\$87,288	\$111,837	\$79,831	\$57,248	\$2,056,038
Disbursements:														
Salaries	81,997	67,787	83,204	83,688	79,032	39,516	101,323	87,383	86,633	88,956	84,708	140,262	120,210	1,144,698
Benefits	26,629	15,440	24,474	28,936	20,796	10,398	38,287	29,837	29,332	27,474	29,419	33,193	58,008	372,223
Vendors	32,661	35,745	40,412	35,342	26,701	13,350	41,845	27,817	31,544	36,083	32,237	31,702	38,479	423,917
Transfers Out	-	-	200	-	-	-	-	-	-	-	-	-	-	200
Transfer to TAN Sinking Fund	-	-	-	-	-	-	-	115,000	-	-	-	-	-	115,000
Total Disbursements	\$141,287	\$118,972	\$148,289	\$147,965	\$126,528	\$63,264	\$181,455	\$260,038	\$147,509	\$152,513	\$146,364	\$205,157	\$216,698	\$2,056,038
Ending C&I Balance	198,469	135,488	51,662	88,847	(4,785)	154,218	820,782	680,395	644,492	579,266	544,739	419,413	259,963	

* Pursuant to the Resolution, sufficient Pledged Revenues are required to be deposited in the Sinking Fund no later than 21 days prior to the Maturity Date of the Notes (January, 2020). However, the District expects to deposit such funds in the Sinking Fund in January 2020. See "SECURITY FOR THE NOTES - The Sinking Fund" herein.

AD VALOREM TAXATION

The following information is provided in view of the fact that a large portion of the Board's revenues are derived from ad valorem taxation.

Property Assessment and County Property Appraiser

General. Ad valorem taxes may be levied only by counties, school districts, municipalities, and certain special districts (railroad properties are centrally assessed at the State level). No State ad valorem taxes shall be levied upon real estate or tangible personal property. State law requires that all ad valorem taxation be assessed at a uniform rate within each taxing unit and, with certain exceptions, that real and personal property subject to ad valorem taxation be assessed at 100% of its just value. See "Limitation on Increase in Assessed Value of Property" below. The following property is generally subject to taxation in the manner provided by law: (a) all real and personal property in the State and all personal property belonging to persons residing in the State; and (b) all leasehold interests in property of the United States, of the State, or any political subdivision, municipality, agency, authority, or other public body corporate of the State. Pursuant to the Constitution of the State of Florida and State law, certain of such property may be exempt from ad valorem taxation. See "Exemptions from Ad Valorem Taxation" below.

Determination of Property Valuation. The Property Appraiser of the County (the "Property Appraiser") determines property valuation on real and tangible personal property subject to ad valorem taxation as of January 1 of each year. By July 1 of each year, the Property Appraiser notifies the County, the District, each municipality within the County, and each other legally constituted special taxing district within the County as to its just valuation, the legal adjustments and exemptions, and the taxable valuation. The taxable valuation is then used by each taxing body to calculate its ad valorem millage for the budget year. See "Millage Set by Local Governing Body" and "Limitation on Increase in Assessed Value of Property" below for limitations on increases in assessed value of property.

Limitation on Increase in Assessed Value of Property. The Constitution of the State of Florida limits the increases in assessed just value of homestead property to the lower of (a) 3% of the assessment for the prior year or (b) the percentage change in the Consumer Price Index for all urban consumers, U.S. City Average, all items 1967=100, or successor reports for the preceding calendar year as initially reported by the United States Department of Labor, Bureau of Labor Statistics. The accumulated difference between the assessed value and the just value is known as the "Save Our Homes Benefit." Further, any change of ownership of homestead property or upon termination of homestead status such property shall be reassessed at just value as of January 1 of the year following the year of sale or change of status; new homestead property shall be assessed at just value as of January 1 of the year following the establishment of the homestead; and changes, additions, reductions or improvements to the homestead shall initially be assessed as provided for by general law.

Owners of homestead property may transfer up to \$500,000 of their Save Our Homes Benefit to a new homestead property purchased within two years of the sale of their previous homestead property to which such benefit applied if the just value of the new homestead is greater

than or is equal to the just value of the prior homestead. If the just value of the new homestead is less than the just value of the prior homestead, then owners of homestead property may transfer a proportional amount of their Save Our Homes Benefit, such proportional amount equaling the just value of the new homestead divided by the just value of the prior homestead multiplied by the assessed value of the prior homestead.

For all levies other than school district levies, assessment increases for specified non-homestead real property may not exceed 10% of the assessment for the prior year. See "- Recent Amendments Relating to Ad Valorem Taxation" below.

Preparation of Tax Roll. The Property Appraiser applies the final certified millage of each taxing body to the assessed valuation on each item of real and tangible personal property, and prepares the final tax roll which is certified to the Tax Collector of the County (the "Tax Collector") by October 1. This permits the printing of tax bills for delivery on November 1 of each year. The tax bills contain all of the overlapping and underlying millages set by the various taxing bodies. All ad valorem taxes are collected by the Tax Collector and distributed to the various taxing bodies. See "- Tax Collection and Distribution by Tax Collector" below.

Appealing Property Valuation. Concurrently with notification to the various taxing bodies, the Property Appraiser notifies each property owner of the proposed valuation and the proposed millage on his or her property. If the individual property owner believes that his or her property has not been appraised at just value, the owner may (a) request an informal conference with the Property Appraiser to resolve the issue, (b) file a petition with the clerk of the County value adjustment board (the "Adjustment Board"), or (c) appeal to the Circuit Court within 60 days of the certification for collection of the tax roll or within 60 days of the issuance of a final decision by the Adjustment Board. A petition to the Adjustment Board must be signed by the taxpayer or be accompanied at the time of filing by the taxpayer's written authorization for representation by a qualified person. Property owners appealing the assessed value or assigned classification of their property must make a required partial payment of taxes (generally equal to 75% of the ad valorem taxes due, less the applicable statutory discount, if any) with respect to the properties that will have a petition pending on or after the delinquency date (normally April 1). A property owner's failure to make the required partial payment before the delinquency date will result in the denial of the property owner's petition. A taxpayer receives notice of the hearing and is required to provide the Property Appraiser with a list of evidence, copies of documentation, and summaries of testimony prior to the hearing before the Adjustment Board. The Adjustment Board holds public hearings on such petitions and may make adjustments to the valuations made by the Property Appraiser if such valuations are found not to be fair and at market value. The Adjustment Board must complete all required hearings and certify its decision with regard to all petitions and certify to the Property Appraiser the valuation to be used by June 1 following the tax year in which the assessments were made. The June 1 requirement shall be extended until December 1 in each year in which the number of petitions filed with the Adjustment Board increased by more than 10% over the previous year. These changes are then made to the final tax roll.

Assessed Valuation of Taxable Property

The following table sets forth the percentage of taxable value to total assessed value for Fiscal Years 2014-15 through 2019-20.

School District of Palm Beach County, Florida Assessed Value of Taxable Property (in thousands)

Fiscal Year Ended June 30	Gross Assessed Value ⁽¹⁾	Total Taxable Value for Operating Millages	% Taxable to Total Assessed Value
2020 ⁽²⁾	\$277,597,143	\$211,329,141	76.13%
2019	264,726,097	200,498,118	75.74
2018	251,903,133	149,734,529	50.44
2017	237,323,968	164,866,398	69.47
2016	217,421,528	178,279,409	82.00
2015	192,619,660	189,612,543	98.44

⁽¹⁾ Assessed value equals 100% of estimated value.

⁽²⁾ Preliminary certified figures. Prior to adjustments on appeals from taxpayers.

Source: Palm Beach County, Florida Property Appraiser.

Millage Set by Local Governing Body

General. The Constitution of the State of Florida provides that ad valorem taxes shall not be levied in excess of the following millages upon the assessed value of real estate and tangible personal property: for all county purposes, ten mills; for all municipal purposes, ten mills; for all school purposes, ten mills; for water management purposes for the northwest portion of the state lying west of the line between ranges two and three east, 0.05 mill; for water management purposes for the remaining portions of the state, 1.0 mill; and for all other special districts a millage authorized by law approved by voters. With respect to schools, the millage limitation does not apply to taxes approved at referendum by qualified electors in the County for general obligation bonds and certain other short-term, voter approved levies.

As described above, the Property Appraiser is required to certify to each taxing authority the aggregate taxable value of all non-exempt property within the jurisdiction of the taxing authority, as well as the prior year's tax revenues, for use in connection with the determination of the forthcoming budget and millage levy. The form on which such certification is made by the Property Appraiser is required to include instructions to each taxing authority describing the proper method of computing a millage rate, which, exclusive of new construction, additions to structures, deletions and property added due to geographic boundary changes, will provide the same ad valorem tax revenues for each taxing authority as was levied during the prior fiscal year. See "Millage Set by Local Governing Body – Millage Rollback Legislation."

Each respective millage rate, except as limited by law, is set on the basis of estimates of revenue needs and the total taxable property valuation within the taxing authority's respective jurisdiction. Ad valorem taxes are not levied in excess of actual budget requirements. State law

requires the Board to adopt and maintain a balanced tentative budget and a balanced final budget, in which anticipated revenues less certain required deductions combined with beginning fund balances equal appropriations. The Board is required to advertise its intent to adopt a tentative budget, including a capital outlay budget, within 29 days following receipt from the Property Appraiser of the preliminary certificate of taxable value. The Board holds a public hearing on the tentative budget and the proposed tax rates within five days of its advertisement, and officially adopts the tentative budget and tax rates at the hearing. Thereafter, the Property Appraiser prepares tax millage notices for property owners within the District. The final budget and tax rate are fixed in September of each year, following a final public hearing and in accordance with statutory timelines. The Superintendent is responsible for preparing the preliminary and tentative budgets for recommendation to the Board. Generally, the final budget is substantially the same as the tentative budget since the Board's hiring plans and materials purchases have been determined before the final Budget is adopted. The Board adopted the tentative budget for the Fiscal Year 2019-20 on July 31, 2019, and adopted the final budget for the Fiscal Year 2019-20 on September 11, 2019.

Millage Rollback Legislation. In 2007, the Florida Legislature adopted a property tax plan that significantly impacted ad valorem tax collections for State local governments (the "Millage Rollback Legislation"). One component of the Millage Rollback Legislation required counties, cities, and special districts to rollback their millage rates for the Fiscal Year 2007-08 to a level that, with certain adjustments and exceptions, would generate the same level of ad valorem tax revenue as in Fiscal Year 2006-07; provided, however, depending upon the relative growth of each local government's own ad valorem tax revenues from 2001 to 2006, such rolled back millage rates were determined after first reducing 2006-07 ad valorem tax revenues by 0% to 9%. In addition, the Rollback Legislation also limited how much the aggregate amount of ad valorem tax revenues may increase in future fiscal years. A local government may override certain portions of these requirements by a supermajority, and for certain requirements, a unanimous vote of its governing body. School districts are not required to comply with the particular provisions of the Millage Rollback Legislation relating to limitations on increases in future years.

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District Millage Rates. The following table contains current and historical millage rates (tax per \$1,000 of assessed value) for the Board for the Fiscal Years 2014-15 through 2019-20.

	Fiscal Year Ended June 30					
	2015	2016	2017	2018	2019	2020
General Fund						
Required Local Effort ⁽¹⁾	5.096	5.014	4.572	4.271	4.074	3.916
Discretionary	0.748	0.748	0.748	0.748	0.748	0.748
Voter Approved ⁽²⁾	0.250	0.250	0.250	0.250	0.250	1.000
Subtotal	6.094	6.012	5.570	5.269	5.072	5.664
Debt Service	0.000	0.000	0.000	0.000	0.000	0.000
Capital Improvement	1.500	1.500	1.500	1.500	1.500	1.500
Total Millage Levy	7.594	7.512	7.070	6.769	6.572	7.164

⁽¹⁾ Inclusive of Prior Period Funding Adjustment Millage, if any.

⁽²⁾ Levied for operating purposes pursuant to Section 1011.71(9), Florida Statutes.

Source: School District of Palm Beach County, Florida.

See "GENERAL FUND OPERATIONS AND REVENUE SOURCES – Local Sources – Ad Valorem Taxes" herein for additional information on the various operating millages authorized to be levied by the school districts.

In addition to the millage levies for operating purposes, pursuant to Section 1011.71, Florida Statutes, school boards may set an additional non-voted millage known as the "Capital Improvement Tax" for capital outlay and maintenance purposes of up to 1.50 mills. If the revenues generated from the Capital Improvement Tax are insufficient to make payments under a lease-purchase agreement entered into prior to June 30, 2008, an amount equal to the revenue generated from 0.50 mills of the operating millage levy may be used to make such lease payments. If the revenue from the 1.5 mills is insufficient to make payments due under a lease purchase agreement entered into prior to June 30, 2009, or to meet other critical school district fixed capital outlay needs, a school board may levy up to an additional 0.25 mills of Capital Improvement Tax in addition to the 1.5 mills, in lieu of levying an equivalent amount of the discretionary mills for operations. Prior to July 1, 2012, payment from the Capital Improvement Tax for lease-purchase agreements for educational facilities and sites were not permitted to exceed three-fourths of the proceeds of the Capital Improvement Tax. However, effective July 1, 2012, the 75% limitation on the use of Capital Improvement Tax revenues for lease-purchase agreements originally entered into prior to June 30, 2009 was waived. See also, "RECENT GOVERNMENTAL ACTIONS AFFECTING DISTRICT REVENUES - Distribution of Capital Outlay Funds to Charter Schools" for information regarding recent legislation requiring school districts to share Capital Improvement Tax revenues with charter schools in such school districts.

Each respective millage rate, except as limited by law, is set on the basis of estimates of revenue needs and the total taxable property values within the taxing authority's respective jurisdiction. Revenues derived from ad valorem property taxes are budgeted, as required by Florida law, on the application of millage levies to 96 percent of the non-exempt assessed valuation of property in the County. Ad valorem taxes are not levied in excess of actual budget requirements.

Countywide Millage Rates. The following table sets forth the tax rates in dollars per \$1,000 of taxable valuation for the County for the fiscal years 2010 through 2019.

County Wide Ad Valorem Millage Rates

Fiscal Year	District	County	Total Water District	Total County Wide
2019	6.5720	6.2964	0.2936	13.1620
2018	6.7690	6.3741	0.3100	13.4531
2017	7.0700	6.5288	0.3307	13.9295
2016	7.5120	6.6700	0.3551	14.5371
2015	7.5940	6.7619	0.3842	14.7401
2014	7.5860	6.8022	0.4110	14.7992
2013	7.7780	6.8767	0.4289	15.0836
2012	8.1800	6.8995	0.4363	15.5158
2011	8.1540	6.9269	0.6240	15.7049
2010	7.9830	6.4308	0.6240	15.0378

Source: School District of Palm Beach County, Florida Comprehensive Annual Financial Report for the Fiscal Year Ending June 30, 2018. 2019 figures provided by the School District of Palm Beach County, Florida.

Tax Collection and Distribution by Tax Collector

General. All real and tangible personal property taxes are based on assessed values as certified and delivered to the Tax Collector by the Property Appraiser as described above. The Tax Collector mails to each property owner on the tax roll a tax bill for the taxes levied by the various taxing authorities in the County. Taxes may be paid upon receipt of such notice with discounts at the rate of 4% if paid in the month of November, 3% if paid in the month of December, 2% if paid in the month of January, and 1% if paid in the month of February. Taxes paid during the month of March are without discount. Because of the discount in ad valorem taxes for payments made prior to March 1, taxes collected will likely never be 100% of the tax levy.

The Tax Collector is required to distribute the taxes collected to each governmental unit levying the tax. Such distribution is to be made four times during the first two months after the tax roll comes into its possession, and once per month thereafter.

Delinquent Taxes. All unpaid taxes on real and tangible property become delinquent on April 1 of the year following the year in which taxes were levied. Delinquent real property taxes bear interest at the rate of 18% per year from April 1 until paid, or until payment is no longer required or until a tax certificate is sold at auction (from which time the interest rate shall be as bid by the buyer of the tax certificate). Delinquent tangible personal property taxes also bear interest at the rate of 18% per year from April 1 until paid. Delinquent personal property taxes must be advertised within 45 days after delinquency, and after May 1, the property is subject to warrant, levy, seizure and sale.

Tax Certificates and Tax Deeds. On or before June 1 or the 60th day after the date of delinquency, whichever is later, the Tax Collector must advertise once each week for three weeks

and must sell tax certificates on all real property that is the subject of delinquent taxes. The tax certificates are sold to those bidding the lowest interest rate. Such certificates include the amount of delinquent taxes, the penalty interest accrued thereon and the cost of advertising. Delinquent tax certificates not sold at auction become the property of the County. State law provides that real property tax liens are superior to all other liens, except prior Internal Revenue Service liens.

To redeem a tax certificate, the owner of the property must pay all delinquent taxes, the interest that accrued prior to the date of the sale of the tax certificate, charges incurred in connection with the sale of the tax certificate, omitted taxes, if any, and interest at the rate shown on the tax certificate (or interest at the rate of 5%, whichever is higher) from the date of the sale of the tax certificate to the date of redemption. If such tax certificates or liens are not redeemed by the property owner within two years, the holder of the tax certificates can cause the property to be sold to pay off the outstanding certificates and the interest thereon.

At any time after two years have elapsed since April 1 of the year of the issuance of a tax certificate and before the expiration of seven years, the holder of the tax certificate may apply for a tax deed with respect to any tax certificate it holds. Two years after such April 1, the County may make application for a tax deed with respect to any tax certificate it holds. Upon receipt of such applications, a public sale is advertised and held (unless the property is redeemed), and the highest bidder at such sale receives a tax deed for the property. Provisions are also made for the collection of delinquent tangible personal property taxes, but in a different manner, which includes the possible seizure of the tangible personal property.

Exemptions from Ad Valorem Taxation

General. State law provides for numerous exemptions and limitations on ad valorem taxation of real property and tangible personal property. Real property used for the following purposes is generally exempt from ad valorem taxation: religious, educational, literary, charitable, scientific, and governmental uses. Certain additional exemptions and limitations are described below. This description does not purport to describe all exemptions available to property owners in the State, and reference is made to the Constitution of the State of Florida and Chapter 196, Florida Statutes, for a full description of such exemptions. In addition, State law allows for, but does not mandate, the imposition of some exemptions by local governments by ordinance. Certain recent amendments to existing provisions relating to ad valorem tax exemptions are described under "Legislation Regarding Ad Valorem Taxes – Recent Amendments Relating to Ad Valorem Taxation" below.

Constitutional Exemptions. The Constitution of the State of Florida provides for the following exemptions from ad valorem taxation:

Exempt Entities/Exempt Purposes. The Constitution of the State of Florida provides that all property owned by a municipality and used exclusively by it for municipal or public purposes shall be exempt from taxation. A municipality, owning property outside the municipality, may be required by general law to make payment to the taxing unit in which the property is located. Such portions of property as are used predominantly for educational, literary, scientific, religious or charitable purposes (exempt purposes) may be exempted by general law from taxation. State law provides that all property owned by an

exempt entity, including educational institutions, and used exclusively for exempt purposes shall be totally exempt from ad valorem taxation and all property owned by an exempt entity, including educational institutions, and used predominantly for exempt purposes (at least 50%) shall be exempted from ad valorem taxation to the extent of the ratio that such predominant use bears to the nonexempt use.

Household Goods and Personal Effects. The Constitution of the State of Florida provides that there shall be exempt from taxation, cumulatively, to every head of a family residing in the State, household goods and personal effects to the value fixed by general law, not less than \$1,000 and to every widow or widower or person who is blind or totally and permanently disabled, property to the value fixed by general law not less than \$500. State law exempts from taxation to every person residing and making his or her permanent home in the State, all household goods and personal effects and exempt property up to the value of \$500 of every widow, widower, blind person, or totally and permanently disabled person who is a resident of the State.

Tangible Personal Property and Renewable Energy Devices. The Constitution of the State of Florida provides that by general law and subject to conditions specified therein, \$25,000 of the assessed value of property subject to tangible personal property tax shall be exempt from ad valorem taxation. Effective January 1, 2018 through December 31, 2037, the assessed value of solar devices or renewable energy source devices subject to tangible personal property tax may be exempt from ad valorem taxation, subject to limitations provided by general law.

Property Dedicated In Perpetuity for Conservation. The Constitution of the State of Florida provides that there shall be granted an ad valorem tax exemption for certain real property dedicated in perpetuity for conservation purposes, including real property encumbered by perpetual conservation easements or by other perpetual conservation protections, as defined by general law.

Homestead Exemption. The Constitution of the State of Florida provides for a homestead exemption. Every person who has the legal title or beneficial title in equity to real property in the State and who resides thereon and in good faith makes the same his or her permanent residence or the permanent residence of others legally or naturally dependent upon such person is eligible to receive a homestead exemption of up to \$50,000. The first \$25,000 applies to all property taxes, including school district taxes. The additional exemption, up to \$25,000, applicable to the assessed value of the property between \$50,000 and \$75,000, applies to all levies other than school district levies. A person who is receiving or claiming the benefit of an ad valorem tax exemption or a tax credit in another state where permanent residency, or residency of another legally or naturally dependent upon the owner, is required as a basis for the granting of that ad valorem tax exemption or tax credit is not entitled to the homestead exemption. In addition to the general homestead exemption described in this paragraph, the following additional homestead exemptions are authorized by State law.

Certain Active Duty Military and Veterans. A military veteran who was honorably discharged, is a resident of the State, and who is disabled to a degree of 10% or more because of misfortune or while serving during wartime may be entitled to a \$5,000 reduction in the assessed value of his or her property. This exemption is not limited to homestead property. A military

veteran who was honorably discharged with a service-related total and permanent disability may be eligible for a total exemption from taxes on homestead property. Under certain circumstances, the veteran's surviving spouse may be entitled to carry over these exemptions.

Permanently and Totally Disabled Veterans. A military veteran who is a resident of the State and was honorably discharged with a service-related total and permanent disability may be eligible for a total exemption from taxes on property they own and use as their homesteads. A similar exemption is available to disabled veterans confined to wheelchairs. Under certain circumstances, the veteran's surviving spouse may be entitled to carry over these exemptions.

Discounts for Disabled Veterans. Each veteran who is age 65 or older and is partially or totally permanently disabled may receive a discount on the assessed value of the property that the veteran owns and uses as a homestead. The discount is a percentage equal to the percentage of the veteran's permanent, service-connected disability as determined by the United States Veteran's Affairs.

Deployed Military Personnel. Each person who receives a homestead exemption; who was a member of the United States military or military reserves, the United States Coast Guard or its reserves, or the Florida National Guard; and who was deployed during the preceding calendar year on active duty outside the continental United States, Alaska, or Hawaii in support of military operations designated by the Florida Legislature shall receive an additional exemption equal to a percentage of the taxable value of his or her homestead property. The applicable percentage shall be calculated as the number of days during the preceding calendar year the person was deployed on active duty outside the continental United States, Alaska, or Hawaii in support of military operations designated by the legislature divided by the number of days in that year.

Exemption for Disabled First Responders. First responders who are totally and permanently disabled as a result of injuries sustained in the line of duty receive ad valorem tax relief on their homestead property. The amount of tax relief, to be defined by general law, can equal the total amount or a portion of the ad valorem tax otherwise owed on the homestead property. Florida defines first responders as law enforcement officers, correctional officers, firefighters, emergency medical technicians and paramedics.

Survivors of First Responders. Any real estate that is owned and used as a homestead by the surviving spouse of a first responder (law enforcement officer, correctional officer, firefighter, emergency medical technician or paramedic), who died in the line of duty may be granted a total exemption on homestead property if the first responder and his or her surviving spouse were permanent residents of the State on January of the year in which the first responder died.

Certain Totally and Permanently Disabled Persons. Any real estate used and owned as a homestead by a quadriplegic, less any portion used for commercial purposes, is exempt from all ad valorem taxation. Real estate used and owned as a homestead by a paraplegic, hemiplegic, or other totally and permanently disabled person, who must use a wheelchair for mobility or who is legally blind, is exempt from taxation if the gross household income is below statutory limits.

Other Exemptions. Other exemptions include, but are not limited to, nonprofit homes for the aged (subject to income limits for residents), proprietary continuing care facilities, not for profit

sewer water/waste water systems, certain hospital facilities and nursing homes for special services, charter schools, certain historic property used for commercial purposes, and certain tangible personal property.

Legislation Relating to Ad Valorem Taxation

Recent Amendments Relating to Ad Valorem Taxation. In recent legislative sessions, several legislative proposals and constitutional amendments were passed affecting ad valorem taxation, including classification of agricultural lands during periods of eradication or quarantine, deleting requirements that conservation easements be renewed annually, providing that just value of real property shall be determined in the first tax year for income restricted persons age 65 or older who have maintained such property as the permanent residence for at least 25 years, authorizing a first responder who is totally and permanently disabled as a result of injuries sustained in the line of duty to receive relief from ad valorem taxes assessed on homestead property, revising procedures with respect to assessments, hearings and notifications by the value adjustment board, and revising the interest rate on unpaid ad valorem taxes.

Future Amendments Relating to Ad Valorem Taxation. Historically, various legislative proposals and constitutional amendments relating to ad valorem taxation have been introduced in each session of the Florida Legislature. Many of these proposals have provided for new or increased exemptions to ad valorem taxation and limited increases in assessed valuation of certain types of property or otherwise restricted the ability of local governments in the State to levy ad valorem taxes at current levels. There can be no assurance that similar or additional legislative or other proposals will not be introduced or enacted in the future that would have a material adverse effect upon the collection of ad valorem taxes by the District, the District's finances in general or the District's ad valorem taxing power.

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Property Tax Levies and Collections

The following table sets forth the amounts billed and collected for ad valorem property taxes levied by the District for the Fiscal Years 2013 through 2019.

School District of Palm Beach County, Florida
Property Tax Levies and Collections
(All Governmental Funds)
(In Thousands)

Fiscal Year Ended June 30	Property Taxes Levied	Current Tax Collections	Total Tax Collections	Percent of Current Tax Collected To Property Taxes Levied ⁽¹⁾
2019	\$1,287,232	\$1,268,072	\$1,269,724	98.51%
2018	1,283,487	1,237,398	1,237,519	96.41
2017	1,260,435	1,214,201	1,218,207	96.33
2016	1,238,476	1,193,392	1,201,557	96.36
2015	1,137,084	1,094,037	1,095,063	96.21
2014	1,049,222	1,009,053	1,012,800	96.17
2013	1,032,289	991,951	1,001,130	96.09

⁽¹⁾ Reflects percentage of current (rather than total) tax collections to taxes levied. Also, such figures are not adjusted to take into account discounts for early payment of property taxes. See "AD VALOREM TAXATION - Procedures for Tax Collections and Distribution" above.

Source: School District of Palm Beach County, Florida Comprehensive Annual Financial Report for the Fiscal Year Ending June 30, 2018. Fiscal Year 2019 figures provided by the School District of Palm Beach County, Florida.

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Principal Property Tax Payers

The following table contains the list of the County's ten largest taxpayers for the Fiscal Year ended September 30, 2018 as compared to September 30, 2009.

Palm Beach County, Florida Principal Property Tax Payers

Taxpayer	2018			2009		
	Total Tax	Rank	% of Total Taxes Levied	Total Tax	Rank	% of Total Taxes Levied
Florida Power & Light	\$97,909,664	1	8.23%	\$33,532,880	1	3.76%
Town Center	9,818,592	2	0.83	7,043,428	3	0.79
Gardens Venture LLC	6,610,064	3	0.56	-	-	-
Breakers Palm Beach Inc.	6,082,848	4	0.51	5,351,508	5	0.60
U.S. Sugar Corporation	5,493,576	5	0.46	5,520,919	4	0.62
Panthers BRHC LTD	4,827,428	6	0.41	4,757,775	6	0.53
TM Wellington Green Mall LP	4,711,335	7	0.40	-	-	-
CPT Phillips Point LLC	4,410,362	8	0.37	-	-	-
Palm Beach Outlets LLC	3,977,376	9	0.33	-	-	-
Okeelanta Corporation	3,882,433	10	0.33	-	-	-
BellSouth Telecommunications	-	-	-	8,686,146	2	0.97
Landry, Lawrence L.	-	-	-	4,588,386	7	0.52
Singer Island Condominiums	-	-	-	3,969,849	8	0.45
TJ Palm Beach Assoc LTD Ptnrs	-	-	-	3,741,678	9	0.42
Kolter City Plaza II Inc	-	-	-	3,676,396	10	0.41
Total	\$147,723,678		12.43%	\$80,868,965		9.07%

Source: Palm Beach County, Florida Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2018.

RECENT GOVERNMENTAL ACTIONS AFFECTING DISTRICT REVENUES

General

During recent years, various other legislative proposals and constitutional amendments relating to ad valorem taxation and District revenues have been introduced in the State Legislature. Many of these proposals provide for new or increased exemptions to ad valorem taxation, limit increases in assessed valuation of certain types of property or otherwise restrict the ability of local governments in the State to levy ad valorem taxes at recent, historical levels. Other proposals have sought to restrict the ability of local governments to use certain revenues for payment of debt service or provide for additional procedures and notices to issue tax-supported debt. There can be no assurance that similar or additional legislative or other proposals will not be introduced or enacted in the future that would, or might apply to, or have a material adverse effect upon, the District or its finances.

Constitutional Amendments Related to Class Size Reduction

Amendment 9 to the State Constitution required the State Legislature provide funding for sufficient classrooms so that class sizes can be reduced to certain constitutional class size maximums by the beginning of the 2010 school year. Amendment 9 and Section 1003.03, Florida Statutes and Section 1013.735, Florida Statutes, relating to the implementation of Amendment 9 are referred to herein as the "Class Size Legislation."

The Class Size Legislation established constitutional class size maximums limiting students per class to no more than 18 for pre-kindergarten through 3rd grade, 22 for grades 4 through 8 and 25 for grades 9 through 12. Compliance is determined on a period-by-period basis. Through Fiscal Year 2009-10, the District complied with the requirements of the Class Size Legislation which was based on average class size at each school. Beginning in Fiscal Year 2010-11, the requirements were based on the number of students in each individual classroom and subsequently, schools that provided choice (e.g., charter, magnet, career and technical, etc.) continued to be required to meet average class size at each school. However, as the entire District is a Choice District, class size compliance is determined on a school-by-school basis. In the event a school district is not in compliance with such requirements (based on October student enrollment), the legislation provides that the State shall reduce the class size funding, which can be adjusted for good cause. For those school districts that are in compliance with the constitutional amendment, a reallocation bonus of up to 5% of the base student allocation shall be distributed. School districts not in compliance are required to submit to the Commissioner of Education a corrective action plan that describes specific actions the district will take in order to fully comply with the requirements by October of the following year. If the district submits the certified plan by the required deadline, 75% of the funds remaining after the reallocation to school districts will be reallocated based upon each school district's proportion of the total reduction.

The Class Size Legislation further created an "Operating Categorical Fund for Class Size Reduction," the "Classroom for Kids Program," the "District Effort Recognition Grant Program" and the "Class Size Reduction Lottery Revenue Bond Program" to provide funding for capital outlays and operating expenditures necessary in relation to these mandated class size reductions.

The Class Size Legislation requires each school board to consider implementing various policies and methods to meet these constitutional class sizes, including encouraging dual enrollment courses, encouraging the Florida Virtual School, maximizing instructional staff, reducing construction costs, using joint-use facilities, implementing alternative class scheduling, redrawing attendance zones, implementing evening and multiple sessions and implementing year-round and non-traditional calendars.

As of the October 2018 Survey, the week during which the Department of Education determines compliance with class size maximums, the District had 100% of the schools in compliance. The District expects to be in compliance with the class size requirements for Fiscal Year 2019-20.

Legislative Changes Relating to School Choice

During the State Legislature's 2016 Regular Session, the Florida Legislature enacted House Bill 7029 ("HB 7029"). Among other things, a parent whose child is not subject to a current expulsion or suspension order may seek enrollment in and transport his or her child to any public school in the State, including a charter school, which has not reached capacity. The school district or charter school shall accept and report the student for purposes of funding through the FEFP. The school district or charter school may provide student transportation at their discretion. HB 7029 requires the capacity determinations of each school district and charter school to be current and identified on their respective school websites. Each school must provide preferential treatment in its controlled open enrollment process to: (1) dependent children of active duty military personnel who moved as a result of military orders, (2) children relocated due to foster care placement in a different school zone, (3) children relocated due to a court ordered change in custody as a result of separation or divorce, or the serious illness or death of a parent, and (4) students residing in the school district. Students residing in the school district may not be displaced by a student from another school district. A student who transfers may remain at the school until the student completes the highest grade level offered. This amendment will take effect with the 2017-18 school year. At present, the impact of the school choice provisions of HB 7029 on the District's finances has been minimal.

HB 7029 also revises the method for enforcing compliance with the Class Size Legislation to clarify that for purposes of enforcing compliance, the calculating is based upon the statutory formula used to determine the reduction in class size categorical funding for noncompliance. At present, it is not anticipated that the Class Size Legislation compliance enforcement provisions of HB 7029 will have any significant impact on the District's finances.

Distribution of Capital Outlay Funds to Charter Schools

During the Florida Legislature's 2017 Regular Session, the Florida Legislature passed HB 7069 ("HB 7069") which, among other things, requires school districts to distribute local capital outlay funds from the Capital Improvement Tax to charter schools. HB 7069 establishes the calculation methodology to determine the amount of local capital outlay funds from the Capital Improvement Tax a school district must distribute to each eligible charter school. Such calculation provides that the amount of local capital outlay funds from the Capital Improvement Tax a school district must distribute to each eligible charter school will be reduced by the school district's annual debt service obligation incurred as of March 1, 2017, and required the first payment to charter schools as of February 1 of each year, commencing February 1, 2018.

On March 11, 2018, then Governor Rick Scott approved Committee Substitute for House Bill 7055 ("CS/HB 7055"). CS/HB 7055, among other things, revises certain of the requirements of HB 7069 relating to the required sharing of the Capital Improvement Tax revenues with charter schools. CS/HB 7055, among other things, specifies that charter school capital outlay funds shall consist of State funds when such funds are appropriated. However, if in any given year, the amount of State funds is not equal to, or is less than, the average charter school capital outlay funds per unweighted FTE student for the Fiscal Year 2018-19, multiplied by the estimated number of charter school students for the applicable fiscal year and adjusted for inflation from the previous year, charter school capital outlay funds shall also consist of the Capital Improvement Tax revenue.

CS/HB 7055 also seeks to clarify that the debt service obligation that can be reduced from the distribution to charter schools is the debt service obligation incurred as of March 1, 2017, which has not been subsequently retired, and also requires each school district to annually certify to the State of Florida Department of Education the amount of the debt service obligation that can be reduced from the distribution to charter schools. The provisions of HB 7069 are subject to lawsuits filed by certain affected school boards, including the School Board. To date, the provisions of HB 7069 have been upheld at the trial court in one of the lawsuits filed by other plaintiff school boards. That case was appealed to the First District Court of Appeals by the other plaintiff school boards and consolidated with another case brought by many of the same plaintiff school boards. The School Board's lawsuit challenging HB 7069 has been stayed by the trial court pending the appeal of the other case. On August 29, 2019, the First District Court of Appeals upheld the provisions of HB 7069. On September 27, 2019, certain of the plaintiff school boards filed a notice to invoke the discretionary jurisdiction of the Florida Supreme Court in order to appeal such decision. As of the date hereof, it is uncertain whether the Florida Supreme Court will accept jurisdiction in the case and thereby review the judgment of the lower court. The final outcome of those lawsuits cannot be determined. At this time, the School Board cannot determine the long-term impact of HB 7069, as revised by CS/HB 7055, on the amount of revenues available to the School Board from the Capital Improvement Tax. For Fiscal Year 2017-2018, the impact of HB 7069 on the District reduced its capital budget by \$9.27 million. For Fiscal Year 2018-19, there is no impact on the District as Fiscal Year 2018-19 provides the baseline State funding for determining whether charter schools receive any Capital Improvement Tax revenues in future years. The State 2019-20 education budget also provides for sufficient State charter capital outlay funds per FTE student such that the District will not be required to share any Capital Improvement Tax revenues with charter schools in the District in Fiscal Year 2019-20. However, no assurance can be given that the State will continue to allocate sufficient State funds in future years.

Schools of Hope

In addition to requiring school districts to share the Capital Improvement Tax revenue with charter schools, HB 7069 also establishes the Schools of Hope Program to encourage traditional public schools within the State and charter operators throughout the country to replicate their model and service students from persistently low-performing schools and students who reside in a Florida Opportunity Zone (as defined therein). These HB 7069 provides for the establishment of Schools of Hope, which are charter schools operated by a Hope Operator to service students from one or more persistently low-performing schools; are located within a Florida Opportunity Zone or in the attendance zone of the persistently low-performing school or within a five mile radius of such school, whichever is greater; and is a Title I eligible school. Section 1002.333, Florida Statutes, defines "persistently low-performing schools" as schools that have earned three consecutive school grades below a "C" pursuant to Section 1008.34, Florida Statutes, in at least three of the previous five years and has not earned a school grade of "B" or higher in the most recent two school years, and a school that was closed pursuant to Section 1008.33(4), Florida Statutes within two years of a notice of intent, and defines "Hope Operators" as nonprofit organizations that operate three or more charter schools with a record of serving students from low-income families and receives such designation from the FDOE. Pursuant to HB 7069, the statutory requirements for the application, approval, and contract that apply to charter schools do not apply to Schools of Hope; instead, a Hope Operator submits a notice of intent to a school

district in order to open a School of Hope and the school district is required to enter into a performance based agreement with a Hope Operator within 60 days of receiving a notice of intent.

In addition, HB 7069 also (a) provides Schools of Hope with certain statutory authority, including, but not limited to, allowing a School of Hope to be designated as a local educational agency for the purposes of receiving federal funds; (b) provides that Schools of Hope are exempt from Chapters 1000-1013, Florida Statutes, and all school board policies, except any laws related to (i) the student assessment program and school grading system, (ii) student progression and graduation, (iii) provisions of services to students with disabilities, (iv) civil rights, (v) student health, safety, and welfare, (vi) public meetings, (vii) public records, and (viii) the code of ethics for public officers and employees.; (c) provides provisions for facilities for Schools of Hope; (d) provides provisions for funding Schools of Hope, including that they be funded in accordance with the statutory provisions relating to funding for charter schools and be considered a charter schools for purposes of charter school capital outlay; (e) establishes the School of Hope Program to cover specified operational expenses for Schools of Hope; and (f) establishes the Schools of Hope Revolving Loan Program to help Schools of Hope cover school building construction and startup costs.

The District does not currently have any schools that are considered "persistently low-performing schools" under HB 7069. The establishment of the "schools of hope" provisions of HB 7069 are also subject to legal challenge by certain school boards in the State. On August 29, 2019, the First District Court of Appeals ruled that such school boards did not have standing to challenge the Schools of Hope provisions of HB 7069. On September 27, 2019, certain of such school boards appealed the decision to the Florida Supreme Court. It is unclear whether the Florida Supreme Court will accept jurisdiction in the case and hear the appeal. At this time, the School Board cannot determine what impact HB 7069, if ultimately upheld, will have if any of the District's schools were to become persistently low-performing schools.

Public Safety Mandate

In 2018, the Florida Legislature passed Senate Bill 7026 ("SB 7026") which, among other things, includes provisions designed to: enhance school safety policies, procedures, and personnel at the State and local level; improve and expand mental health services; and revise laws and empower law enforcement and the courts to limit access to firearms by young adults or by individuals exhibiting a risk of harming themselves or others. Specifically, SB 7026 requires each school board and superintendent to partner with law enforcement agencies to establish or assign one or more safe-school officers at each school facility within the district by implementing any combination of the following options: (a) establish school resource officer programs through cooperative agreements with law enforcement agencies; (b) commission one or more school safety officers for the protection and safety of school personnel, property, and students within the school district; (c) at a school district's discretion, and if established by the sheriff's office, participate in the Guardian Program, which allows certain school employees (but not employees who exclusively perform classroom duties as classroom teachers) to carry a firearm on school grounds if such employee volunteers and completes the statutorily required training. During the 2019 Legislative session, the State Legislature passed CS/CS/SB 7030 ("SB 7030") which among other things, removes the prohibition on individuals who perform exclusively classroom duties as a teacher from participating in the Guardian Program. However, the decision to allow teachers to be armed

guardians remains with each individual school board. In 2018, the Board adopted a resolution which prohibits arming teachers in District operated schools. The Governor has signed SB 7030 into law. The District added 75 new positions in Fiscal Year 2018-19 and approximately 110 officers including school officers, detectives, K9s, trainers and sergeants in Fiscal Year 2019-20 to provide school safety officers at each District operated school. The School Board also has entered into contracts with the Palm Beach County Sheriff's Office and other local law enforcement agencies to supplement existing school resource officers until all positions are filled. The District is also assisting charter schools in complying with SB 7030, which includes the use of armed guards. The estimated cost to the District for the Current Fiscal Year is expected to be approximately \$8.0 million.

LITIGATION

There is no litigation now pending or threatened: (i) to restrain or enjoin the issuance or sale of the Notes; (ii) questioning or affecting the validity of the Notes, the Resolution or the pledge by the District under the Resolution; or (iii) questioning or affecting the validity of any of the proceedings for the authorization, sale, execution or delivery of the Notes.

The District is involved in certain other litigation and disputes incidental to its operations. Upon the basis of information presently available, the Office of General Counsel of the District believes that there are substantial defenses to such litigation and disputes and that, in any event, any ultimate liability in excess of applicable insurance coverage resulting therefrom will not materially adversely affect the financial position or results of operations of the District. In addition to the typical on-going litigation that the District is involved in, there are currently pending two lawsuits brought by charter schools seeking to force the District to share a pro rata portion of the proceeds of the 1.0 mill operating levy that was approved by voter referendum in November 2018. See "GENERAL FUND OPERATIONS AND REVENUE SOURCES - Local Sources" herein. While the Circuit Court granted the District's Motion for Summary Judgment in the consolidated cases on August 23, 2019, the District expects that the plaintiff charter schools will appeal the ruling in these cases. Upon the basis of information presently available, the Office of General Counsel of the District believes that there are substantial defenses to the claims raised in these cases and that, in any event, any ultimate liability resulting therefrom will not materially adversely affect the financial position or results of operations of the District.

TAX EXEMPTION

The Internal Revenue Code of 1986, as amended (the "Code"), includes requirements which the District must continue to meet after the issuance of the Notes in order that the interest on the Notes be and remain excludable from gross income for federal income tax purposes. The District's failure to meet these requirements may cause the interest on the Notes to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Notes. The District has covenanted in the Resolution to take the actions required by the Code in order to maintain the exclusion from gross income for federal income tax purposes of interest on the Notes.

In the opinion of Note Counsel, assuming the accuracy of certain certifications of the District and continuing compliance by the District with the tax covenants referred to above, under

existing statutes, regulations, rulings and court decisions, the interest on the Notes is excludable from gross income for federal income tax purposes. Interest on the Notes is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. Note Counsel is further of the opinion that the Notes and the interest thereon are not subject to taxation under the laws of the State, except as to estate taxes and taxes under Chapter 220, Florida Statutes, on interest, income, or profits on debt obligations owned by corporations as defined in said Chapter 220. Note Counsel will express no opinion as to any other tax consequences regarding the Notes. Prospective purchasers of the Notes should consult their own tax advisors as to the status of interest on the Notes under the tax laws of any state other than Florida.

Except as described above, Note Counsel will express no opinion regarding the federal income tax consequences resulting from the receipt or accrual of the interest on the Notes, or the ownership or disposition of the Notes. Prospective purchasers of Notes should be aware that the ownership of Notes may result in other collateral federal tax consequences, including (i) the denial of a deduction for interest on indebtedness incurred or continued to purchase or carry the Notes, (ii) the reduction of the loss reserve deduction for property and casualty insurance companies by the applicable statutory percentage of certain items, including the interest on the Notes, (iii) the inclusion of the interest on the Notes in the earnings of certain foreign corporations doing business in the United States for purposes of a branch profits tax, (iv) the inclusion of the interest on the Notes in the passive income subject to federal income taxation of certain Subchapter S corporations with Subchapter C earnings and profits at the close of the taxable year and (v) the inclusion of interest on the Notes in the determination of the taxability of certain Social Security and Railroad Retirement benefits to certain recipients of such benefits. The nature and extent of the other tax consequences described above will depend on the particular tax status and situation of each owner of the Notes. Prospective purchasers of the Notes should consult their own tax advisors as to the impact of these other tax consequences.

Note Counsel's opinion is based on existing law, which is subject to change. Such opinion is further based on factual representations made to Note Counsel as of the date hereof. Note Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances that may thereafter come to Note Counsel's attention, or to reflect any changes in law that may thereafter occur or become effective. Moreover, Note Counsel's opinions are not a guarantee of a particular result, and are not binding on the IRS or the courts; rather, such opinions represent Note Counsel's professional judgment based on its review of existing law, and in reliance on the representations and covenants that it deems relevant to such opinion.

Possibility of Future Changes in Tax Law

From time to time, there are legislative proposals suggested, debated, introduced or pending in Congress or in the State legislature that, if enacted into law, could alter or amend one or more of the federal tax matters, or state tax matters, respectively, described above including, without limitation, the excludability from gross income of interest on the Notes, adversely affect the market price or marketability of the Notes, or otherwise prevent the holders from realizing the full current benefit of the status of the interest thereon. It cannot be predicted whether or in what form any such proposal may be enacted, or whether, if enacted, any such proposal would apply to the Notes. If enacted into law, such legislative proposals could affect the market price or

marketability of the Notes. Prospective purchasers of the Notes should consult their tax advisors as to the impact of any proposed or pending legislation.

Tax Treatment of Note Premium

The Notes were offered at a price in excess of the principal amount thereof. Under the Code, the excess of the cost basis of a note over the amount payable at maturity or earlier call date is generally characterized as "bond premium." For federal income tax purposes, a portion of the bond premium on the Notes in each taxable year will reduce the cost basis of the owner thereof (i.e., be amortized), but may not be deducted. The amount of amortizable bond premium attributable to each taxable year is determined on an actuarial basis at a constant interest rate compounded on each interest payment date (or over a shorter permitted compounding interval selected by the owner). Special rules apply in the case of an owner who holds a Note as inventory, stock in trade or for sale to customers in the ordinary course of business.

Owners of Notes should consult their own tax advisors with respect to the precise determination for federal income tax purposes of the annual amount of amortizable bond premium, the treatment of such bond premium upon the sale or other disposition of Notes and with respect to the state and local tax consequences of owning and disposing of Notes.

Information Reporting and Backup Withholding

Interest paid on tax-exempt bonds such as the Notes is subject to information reporting to the Internal Revenue Service in a manner similar to interest paid on taxable obligations. This reporting requirement does not affect the excludability of interest on the Notes from gross income for federal income tax purposes. However, in conjunction with that information reporting requirement, the Code subjects certain non-corporate owners of Notes, under certain circumstances, to "backup withholding" at the rates set forth in the Code, with respect to payments on the Notes and proceeds from the sale of Notes. Any amount so withheld would be refunded or allowed as a credit against the federal income tax of such owner of Notes. This withholding generally applies if the owner of Notes (i) fails to furnish the payor such owner's social security number or other taxpayer identification number ("TIN"), (ii) furnished the payor an incorrect TIN, (iii) fails to properly report interest, dividends, or other "reportable payments" as defined in the Code, or (iv) under certain circumstances, fails to provide the payor or such owner's securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such owner is not subject to backup withholding. Prospective purchasers of the Notes may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

APPROVAL OF LEGALITY

Legal matters incident to the authorization and issuance of the Notes are subject to the legal opinion of Greenberg Traurig, P.A., Miami, Florida, Note Counsel. Copies of such opinion will be available at the time of delivery of the Notes. Certain legal matters will be passed upon for the District by the Office of General Counsel to the District.

The form of the proposed opinion is attached to this Official Statement as "APPENDIX D – FORM OF NOTE COUNSEL OPINION." The actual legal opinion to be delivered may vary from that text if necessary, to reflect facts and law on the date of delivery. The opinion will speak only as of its date, and subsequent distribution of it by recirculation of the Official Statement or otherwise shall create no implication that Note Counsel has reviewed or expresses any opinion concerning any of the matters referenced in the opinion subsequent to its date.

FORWARD LOOKING STATEMENTS

This Official Statement contains statements relating to future results that are "forward looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "estimate," "forecast," "intend," "expect," "budget" and similar expressions identify forward looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward looking statements. Among the factors that may cause projected revenues and expenditures to be materially different from those anticipated are an inability to incur debt at assumed rates, factors affecting ad valorem and other revenues, federal or state legislation and/or regulations, and regulatory and other restrictions. Any forecast is subject to such uncertainties. Therefore, there are likely to be differences between budgets and actual results, and those differences may be material.

DISCLOSURE REQUIRED BY FLORIDA BLUE SKY REGULATIONS

Section 517.051, Florida Statutes, and the regulations promulgated thereunder require that full and fair disclosure is made of any bonds or other debt obligations of the District that have been in default as to payment of principal or interest at any time after December 31, 1975 (including bonds or other debt obligations for which the District served only as a conduit issuer). The District is not, and has not been since December 31, 1975, in default as to payment of principal and interest on its bonds, notes or other debt obligations.

RATING

Moody's Investors Service, Inc. ("Moody's") has assigned its municipal bond rating of "MIG 1" to the Notes as set forth on the cover page hereof. Such rating reflects only the view of Moody's, and any desired explanation of the significance of such rating may be obtained only from Moody's. There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by Moody's if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Notes. Such rating reflects only the view of Moody's and any desired explanation of the significance of such rating should be obtained from Moody's. An explanation of the rating given by Moody's may be obtained from Moody's at: Moody's Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, 23rd Floor, New York, New York 10007.

FINANCIAL ADVISOR

PFM Financial Advisors LLC, Orlando, Florida, is serving as financial advisor (the "Financial Advisor") to the Board. The Financial Advisor assisted in matters relating to the planning, structuring, execution and delivery of the Notes and provided other advice. The Financial Advisor did not engage in any underwriting activities with regard to the sale of the Notes. The Financial Advisor is not obligated to undertake and has not undertaken to make an independent verification of, or to assume responsibility for, the accuracy, completeness, or fairness of the information contained in the Official Statement.

NOTEHOLDERS' RISKS

The Notes are limited obligations of the District payable solely from the Pledged Revenues as described herein, and are not secured by the full faith and credit and taxing power of the District. Because the Notes are limited obligations, the sources of money pledged to secure payment of the Notes may be insufficient therefor, and the Noteholders would not be able to compel the levy of taxes (other than the taxes levied for operating purposes for the Current Fiscal Year) or the institution of foreclosure proceedings against any property of the District to provide for payment of the Notes and the interest thereon. Certain factors may affect the adequacy of the Pledged Revenues to provide for payment of the Notes, and there can be no assurance that the Pledged Revenues will be adequate to provide for payment of the Notes and the interest thereon.

In particular, the adequacy of the Pledged Revenues to provide for repayment of the Notes depends upon (1) the ability of taxpayers in the County to pay the ad valorem taxes levied in 2019, (2) the percentage of collection of ad valorem taxes for the Current Fiscal Year, (3) the receipt by the District of the federal and State funds upon which it depends, in part, for the funding of its operations for the Current Fiscal Year, and (4) the absence of the need for extraordinary, unforeseen expenditures during the Current Fiscal Year. These matters are largely dependent upon factors beyond the control of the District, and any adverse developments with respect to these or other factors could affect the ability of the District to pay the principal of and interest on the Notes. See also "AD VALOREM TAXATION – Exemptions from Ad Valorem Taxation," "AD VALOREM TAXATION - Legislation Related to Ad Valorem Taxation," and "GOVERNMENTAL ACTIONS AFFECTING DISTRICT REVENUES" herein for information concerning certain amendments to the Florida Constitution and other legislation that could materially adversely affect the School Board's financial situation.

UNDERWRITING

The Notes are being purchased by BofA Securities, Inc. (the "Underwriter") at an aggregate purchase price of \$115,974,050.00 (which represents the principal amount of the Notes plus a note premium of \$974,050.00). The offer of the Underwriter to purchase the Notes provides for the purchase of all of the Notes if any are purchased. The Underwriter intends to reoffer the Notes to the public at the price indicated on the cover page of this Official Statement, resulting in no compensation to the Underwriter. The Notes may be reoffered and sold by the Underwriter to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or

wholesalers at prices that are lower than the stated public offering price. After the initial public offering, the offering price may change from time to time by the Underwriter.

CONTINUING DISCLOSURE

On the date of issuance of the Notes, the District will execute a Material Events Notice Certificate in the form attached hereto as "APPENDIX F – FORM OF MATERIAL EVENTS NOTICE CERTIFICATE" pursuant to which the District will agree, for the benefit of the holders of the Notes, to provide notice of the occurrence of certain enumerated events in accordance with the provisions of, and to the degree necessary to comply with, Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. Because the Notes have a stated maturity of 18 months or less, the District is exempt from the continuing disclosure requirements of the Rule.

Pursuant to the Material Events Notice Certificate, the District will provide in a timely manner not in excess of ten (10) business days after the occurrence of the event to the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access (EMMA), notice of the occurrence of any of the following events with respect to the Notes: (a) principal and interest payment delinquencies; (b) non-payment related defaults, if material; (c) unscheduled draws on debt service reserves reflecting financial difficulties; (d) unscheduled draws on credit enhancements reflecting financial difficulties; (e) substitution of credit or liquidity providers, or their failure to perform; (f) adverse tax opinions or events affecting the tax-exempt status of the Notes; (g) modification of rights of registered owners of the Notes, if material; (h) Note calls, if material and tender offers; (i) defeasances; (j) release, substitution or sale of property securing the repayment of the Notes, if material; (k) rating changes; (l) bankruptcy, insolvency, receivership or a similar event of the District; (m) events relating to mergers, consolidations or acquisitions of an obligated person with respect to the Notes, if material; (n) appointment of successor or additional trustee, if material; (o) incurrence of a financial obligation, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation, any of which affect security holders, if material; and (p) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation, any of which reflect financial difficulties. Such obligation of the District will remain in effect, subject to the following sentence, so long as the Notes are outstanding in accordance with their terms. The intent of the District's undertaking in the Material Events Notice Certificate is to provide notice of material events described in the Rule and, accordingly, the District reserves the right to modify its obligations under the Material Events Notice Certificate so long as any such modification is made in a manner consistent with the Rule. Furthermore, to the extent that the Rule no longer requires the issuers of municipal securities to provide all or any portion of the notice the District has agreed to provide pursuant to the Material Events Notice Certificate, the obligation of the District to provide such information also shall cease immediately.

The District intends to fully comply with all current and future continuing disclosure undertakings. In furtherance thereof, the District has engaged Digital Assurance Certification, L.L.C. as its dissemination agent, in order to ensure ongoing and future compliance with its obligations under the Rule, particularly as it relates to material event filings.

MISCELLANEOUS

The information contained in this Official Statement has been compiled from sources deemed to be reliable, and while not guaranteed as to completeness or accuracy, is believed to be correct as of this date. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder is to create, under any circumstances, any implication that there has been no change in the affairs of the District or the Board from the date hereof.

This Official Statement is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, as a whole or in part, for any other purpose. Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Neither this Official Statement nor any statement that may have been made orally or in writing is to be construed as a contract with the owners of the Notes.

The references, excerpts, and summaries of all documents, statutes, and information concerning the Board, the Notes and certain reports and statistical data referred to herein do not purport to be complete, comprehensive and definitive and each such summary and reference is qualified in its entirety by reference to each such document for full and complete statements of all matters of fact relating to the Notes, the security for the payment of the Notes and the rights and obligations of the owners thereof and to each such statute, report or instrument.

The Appendices attached hereto are integral parts of this Official Statement and must be read in their entirety together with all foregoing statements.

This Official Statement is in a form "deemed final" by the District for purposes of SEC Rule 15c2-12(3) and (4).

Further information regarding the District is available upon request from Leanne Evans, Treasurer, the School District of Palm Beach County, Florida, 3300 Forest Hill Boulevard Suite A-334, West Palm Beach, Florida 33406-5813, Telephone (561) 434-8142, or during the offering period for the Notes, from the Financial Advisor: PFM Financial Advisors LLC, Orlando, Florida, Telephone (407) 648-2208, Fax (407) 648-1323.

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**AUTHORIZATION OF AND CERTIFICATION
CONCERNING OFFICIAL STATEMENT**

This Official Statement has been duly authorized by the Board. Concurrently with the delivery of the Notes, the Board will furnish its certificate to the effect that, to the best of its knowledge, this Official Statement (other than the information related to DTC or its book-entry only system of registration and the information contained under the heading "TAX EXEMPTION," as to which no opinion will be expressed) did not as of its date, and does not as of the date of delivery of the Notes, contain any untrue statement of a material fact or omit to state a material fact which should be included herein for the purpose for which this Official Statement is to be used or which is necessary in order to make the statements herein, in the light of the circumstances in which they were made, not misleading.

**SCHOOL DISTRICT OF PALM BEACH
COUNTY, FLORIDA**

By: /s/ Frank A. Barbieri, Jr., Esq.
Chairman, The School Board of Palm
Beach County, Florida

By: /s/ Donald E. Fennoy II, Ed.D.
Superintendent of Schools

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APPENDIX A

INFORMATION REGARDING PALM BEACH COUNTY, FLORIDA

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INFORMATION CONCERNING PALM BEACH COUNTY, FLORIDA

General Information

Palm Beach County, Florida (the "County") was founded in 1909 and encompasses an area of 2,385 square miles, making it the largest county in the State of Florida (the "State"). It is located on the southeast coast of the Florida peninsula with 46 miles of Atlantic Ocean frontage and 25 miles of frontage on Lake Okeechobee. The County has a semi-tropical climate with an average temperature of 75 degrees Fahrenheit and an average rainfall of 62 inches. The temperate climate and other natural amenities, including 88 local, State and federal recreational areas of more than 10 acres and 163 golf courses, have enabled the County to develop a year-round tourist industry.

There are 39 incorporated municipalities within the County encompassing a total of 337 square miles, or approximately 17% of the County's area. An estimated 56% of the County's population resides within the municipalities. The City of West Palm Beach is the County seat and is the largest city in the County. The County had a 2018 population of 1,485,941.

Population

In 2018, Palm Beach County was the third largest county in the State in terms of population. Its population increased 65.3% from 1970 - 1980, 49.7% from 1980 - 1990, 31.0% from 1990 - 2000, 13.8% from 2001 to 2010 and 12.6% from 2010 to 2018.

**Population Growth
2009 - 2018**

Year	Palm Beach County		Florida		United States	
	Population	% Change	Population	% Change	Population	% Change
2009	1,307,371	1.0	18,652,644	0.7	306,771,529	0.9
2010	1,320,134	1.0	18,801,310	0.8	308,745,538	0.6
2011	1,338,500	1.4	19,096,952	1.6	311,663,358	0.9
2012	1,358,396	1.5	19,344,156	1.3	313,998,379	0.7
2013	1,375,826	1.3	19,582,022	1.2	316,204,908	0.7
2014	1,398,518	1.6	19,888,741	1.6	318,563,456	0.7
2015	1,422,789	1.7	20,244,914	1.8	320,896,618	0.7
2016	1,443,810	1.5	20,612,439	1.8	323,127,513	0.7
2017	1,471,150	1.9	20,984,400	1.8	325,147,121	0.6
2018	1,485,941	1.0	21,299,325	1.5	328,226,532	0.9

Source: U.S. Department of Commerce, Bureau of the Census.

Income

The following table shows the per capita personal income reported for the County, the State and the United States.

Per Capita Personal Income 2008-2017

Year	Palm Beach County		Florida		U.S.
	Dollars	% of Florida	% of U.S.	Dollars	% of U.S.
2008	61,489	155.1	149.7	39,655	96.5
2009	54,049	145.8	137.3	37,065	94.1
2010	55,555	143.8	137.9	38,624	95.9
2011	59,721	147.5	140.7	40,476	95.3
2012	63,220	154.3	142.8	40,983	92.6
2013	62,290	152.8	140.1	40,771	91.7
2014	66,578	155.3	143.4	43,064	92.4
2015	68,743	154.7	142.9	45,441	92.3
2016	71,946	156.6	144.2	45,953	92.1
2017	N/A	N/A	N/A	46,858	90.6

Source: Florida Research and Economic Information Database Application; U.S. Department of Commerce, Bureau of Economic Analysis

The age distribution in the County is similar to that of Florida, but differs significantly with that of the nation. Both the County and Florida have a considerably larger proportion of persons 65 years and older than the rest of the nation.

Palm Beach County Population Distribution by Age Group 2014-2017

Age Group	2014*	2015*	2016*	2017*
0-19	300,767	302,089	303,644	309,116
20-44	391,733	398,371	402,616	333,560
45-64	360,119	364,873	365,122	375,083
65+	307,619	313,084	320,359	328,507

Source: Bureau of Economic and Business Research, University of Florida; U.S. Census Bureau

* Estimated figures.

Employment

Tourism and agriculture, together with the service industries related to these activities, are the leading sources of income for the County's residents. Manufacturing, primarily electronics and other high technology products, also plays an important role in the County's economy. The table that follows shows the County's estimated average annual employment by major industry.

Palm Beach County, Florida Average Annual Employment Covered by Unemployment Compensation 2017-2018

	Average Annual Employment		Percent of Total*	
	2017	2018	2017	2018
All Industries	596,702	606,339	100.00%	100.00%
Accommodation and Food Services	67,789	68,959	11.36	11.37
Administrative and Waste Services	49,606	50,529	8.31	8.33
Agriculture, Forestry, Fishing & Hunting	7,047	6,804	1.18	1.12
Arts, Entertainment, and Recreation	18,608	19,028	3.12	3.14
Construction	35,050	36,874	5.87	6.08
Educational Services (private & public)	38,084	39,421	6.38	6.50
Finance and Insurance	22,396	22,955	3.75	3.79
Health Care and Social Assistance	89,913	91,736	15.07	15.13
Information	10,570	10,052	1.77	1.66
Management of Companies and Enterprises	10,409	10,006	1.74	1.65
Manufacturing	19,642	19,993	3.29	3.30
Mining	95	139	0.02	0.02
Other Services, Ex. Public Admin	25,427	25,616	4.26	4.22
Professional and Technical Services	44,176	44,671	7.40	7.37
Public Administration	26,199	26,453	4.39	4.36
Real Estate and Rental and Leasing	16,433	17,143	2.75	2.83
Retail Trade	78,824	78,148	13.21	12.89
Transportation and Warehousing	12,374	12,708	2.07	2.10
Utilities	2,795	2,826	0.47	0.47
Wholesale Trade	20,834	21,712	3.49	3.58

* Percentages may not equal due to rounding.

Source: Florida Research and Economic Information Database Application.

Palm Beach County
Annual Average Labor Force and Unemployment Estimates
2009-2018

Year	Civilian Labor Force	Unemployment Rates		
		Palm Beach County	Florida	United States
2009	615,500	10.7	10.4	9.3
2010	645,737	11.0	11.1	9.6
2011	652,697	10.0	10.0	8.9
2012	660,994	8.5	8.5	8.1
2013	671,816	7.1	7.2	7.4
2014	685,142	5.9	6.3	6.2
2015	690,078	5.1	5.5	5.3
2016	709,627	4.7	4.8	4.9
2017	724,465	4.1	4.2	4.4
2018	731,004	3.6	3.6	3.9

Source: Florida Research and Economic Information Database Application.

Largest Employers

The following table shows employment at the ten principal employers in the County in 2018.

Employer	No. of Employees
Palm Beach County School District	21,466
Palm Beach County Government	11,849
Tenet Healthcare Group	5,939
NextEra Energy (Florida Power & Light)	4,021
Hospital Corporation of America (HCA)	3,550
Boca Raton Regional Hospital	2,800
Florida Atlantic University	2,644
Veterans Health Administration	2,535
Bethesda Memorial Hospital	2,282
Office Depot	2,034

Source: Palm Beach County, Florida Comprehensive Annual Financial Report for Fiscal Year Ended September 30, 2018.

Tourism

The County government is making a concentrated and continuing effort to increase the number of visitors to our area each year, which is expected to generate a 3% increase in revenues in fiscal year 2019. There are an estimated 87,200 people employed in jobs related to the tourism industry, with direct spending from visitors contributing \$7 billion annually to the County's economy. During fiscal year 2018, the County had an all-time record high in bed tax revenues of \$53.8 million.

Agriculture

The County agricultural acreage has remained stable for the last eight years. The County still leads the State, and all counties east of the Mississippi River, in agricultural proceeds. The County leads the nation in the production of sugarcane and fresh sweet corn. It leads the State in the production of sweet bell peppers, rice, lettuce, radishes, Chinese vegetables, specialty leaf produce, celery, eggplant, herbs and sod. The 451,375 acres dedicated to agriculture represent 36% of the County's total land mass. It ranks third in Florida in nursery production with estimated sales at \$139 million and leads the state in agricultural wages and salary with over \$348 million. The industry currently uses bagasse, a sugarcane by-product, in conjunction with other waste wood products as the fuel source for the largest agriculturally based biomass co-generation plant in the United States for electricity generation.

Bioscience

Scripps Research Institute and the Max Planck Florida Institute are anchors to an eight million square feet bioscience cluster in northern Palm Beach County. A "cluster" of related biotechnology businesses will form a hub to strengthen the County's position as a leader in this industry. Smaller bio-related companies, such as Ocean Ridge Biosciences LLC and Sancilio & Company, Inc., have either expanded or moved to the County.

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Construction

Building permit activity in the County has been reported as follows:

**Building Permit Activity
County of Palm Beach, Florida
(Dollars in Thousands)
2009-2018**

Calendar Year	Single and Multi-Family	Residential Valuation
2009	634	\$186,886
2010	768	215,254
2011	1,049	278,202
2012	1,580	411,211
2013	2,055	553,779
2014	1,987	595,492
2015	2,136	619,229
2016	2,458	671,339
2017	2,054	650,494
2018	1,936	

Source: The School District of Palm Beach County, Florida Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2018.

Banking

The total deposits of banking institutions in the County as of June 30 of each of the years indicated below were as follows:

**Total Bank Deposits
(in thousands)**

Fiscal Year	Commercial Banks	Federal Savings and Loan Associations
2009	31,813,000	7,217,000
2010	32,093,000	6,499,000
2011	32,136,000	5,773,000
2012	33,720,000	3,296,000
2013	36,761,000	2,362,000
2014	38,274,000	2,295,000
2015	42,750,000	2,285,000
2016	46,859,000	2,284,000
2017	48,374,000	2,255,000
2018	50,325,000	2,334,000

Source: Federal Deposit Insurance Corporation internet address <https://www5.fdic.gov/sod>.

APPENDIX B

**EXCERPTED INFORMATION FROM THE COMPREHENSIVE ANNUAL
FINANCIAL REPORT OF THE SCHOOL BOARD OF PALM BEACH COUNTY,
FLORIDA FOR FISCAL YEAR ENDED JUNE 30, 2018**

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THE SCHOOL DISTRICT
OF PALM BEACH COUNTY

2018

COMPREHENSIVE
ANNUAL FINANCIAL REPORT
For Fiscal Year Ended June 30, 2018

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RSM US LLP

Independent Auditor's Report

The Honorable Chairperson and Board Members of
The School District of Palm Beach County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of The School District of Palm Beach County, Florida (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of Palm Beach County, Florida, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of Matter

As discussed in Note 1 to the financial statements, the District adopted the recognition and disclosure requirements of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective July 1, 2017. The net position of the governmental activities of the District as of July 1, 2017, has been restated. Our opinion was not modified with respect to this matter.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis, Schedule of Changes in the District's Total Other Post-Employment Benefits Liability and Related Ratios, Schedule of the District's Proportionate Share of the Net Pension Liability – FRS, Schedule of District Contributions – FRS, Schedule of the District's Proportionate Share of the Net Pension Liability – HIS, and Schedule of District Contributions – HIS*, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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, combining and individual non-major fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and schedules are the responsibility of management and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has 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, the accompanying combining and individual non-major fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued, under separate cover, our report dated November 16, 2018, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

RSM US LLP

West Palm Beach, Florida
November 16, 2018

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

The School District of Palm Beach County, Florida's (the "District") management discussion and analysis (MD&A) is designed to provide an objective and easy to read analysis of the District's financial activities for the fiscal year ended June 30, 2018, based on currently known facts, decisions or conditions. It is intended to provide a broad overview using a short-term and long-term analysis of the District's activities based on information presented in the financial report and fiscal policies that have been adopted by the seven elected members of the school board (the "Board"). Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the District's financial activity, identify changes in the District's financial position (its ability to address the next and subsequent year challenges), identify any material deviations from the financial plan (the approved budget) and identify individual fund issues or concerns.

As with other sections of this financial report, the information contained within this MD&A should be considered only a part of a greater whole. The reader of this statement should take time to read and evaluate all sections of this report, including the notes that are provided in addition to this MD&A.

FINANCIAL HIGHLIGHTS

- The District implemented Government Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which reduced beginning net position by \$40.1 million as explained further in Note 1 (P).
- The net position of the District increased \$0.132 billion, or 9.8%, from \$1.355 billion to \$1.487 billion. Funding per student has slowly increased since the low point in school year 2011-12, and has finally exceeded the school year 2007-08 levels, without consideration for inflation. Enrollment at district schools increased 0.8%, approximately 1,300 students, while charter schools experienced a decrease in enrollment of approximately 630 students which resulted in the District retaining more FEFP revenue. In addition, net position increased related to the revenue received for the new ½ penny sales tax with limited expenditures prior to year-end.
- The District's total long-term debt decreased by \$111.9 million or 6.8% primarily due to debt repayments of \$86.9 million in addition to the District's restructure of variable rate debt to fixed rate debt which eliminated hedging derivative instruments causing a net decrease to long-term debt of \$25.0 million (discussed in Notes 10 and 11).
- Total revenues increased by \$163.2 million or 7.6%, from \$2.148 billion to \$2.311 billion when compared to the prior year.
 - General revenue accounted for \$1.691 billion, or 73.2%, of all revenues and increased \$131.5 million or 8.4%. This increase is primarily attributed to full year sales tax revenue resulting in an increase of \$72.3 million, property tax increase of \$19.1 million (mainly due to 6.5% increase in property values partially offset by 4.2% lower millage rate), increase in the Florida Education Finance Program (FEFP) revenue of \$37.6 million and \$6.9 million increase in investment earnings.
 - Program specific revenue in the form of charges for services, grants and contributions accounted for \$620.2 million, or 26.8% of all revenues and increased \$31.8 million or 5.4%. The increase is primarily attributed to an increase in reimbursements for school lunch and breakfast programs, increase in Class Size Reduction revenue, and increase in other State revenue.
- Total expenses increased \$115.7 million from \$2.063 billion to \$2.178 billion. The increase in expenses is primarily due to \$52 million higher pension expense in the current year based on actuarially determined Net Pension Liability (and related Deferred Inflows and Outflows) as determined under General Accounting Standards Board (GASB) Statement No. 68, capital outlay spending of penny sales tax referendum funds, and raises given to employees in 2018.

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

- The District's governmental funds reported combined fund balances of \$606.2 million.
 - The General Fund (the primary operating fund), reflected on a current financial resources basis, ended the year with a fund balance of \$158.2 million. Of this amount, \$55.0 million is classified as unassigned that is available to cover unanticipated financial needs and includes the Board approved contingency, \$69.5 million is classified as assigned, \$25.5 million is classified as restricted and \$8.2 million is classified as nonspendable. During the current year, General Fund revenues (including other financing sources) exceeded expenditures (including other financing uses) by \$19.7 million, primarily due to higher than anticipated revenues, staff vacancies, and less than expected charter school enrollment.
 - Debt Service funds ended the year with a fund balance of \$128.3 million and is restricted to cover debt service payments. COPS Debt Service funds, a major fund, has a restricted fund balance of \$123.1 million, and the remaining debt service funds which are included with the other non-major governmental funds have a restricted fund balance of \$5.3 million.
 - Capital Project funds ended the year with a fund balance of \$296.8 million and is restricted or assigned to fund existing and future capital projects. The Capital Improvement Fund, a major fund, has a restricted fund balance of \$79.5 million. The Sales Tax Fund, another major fund, has a total fund balance of \$159.9 million for Sales Tax Referendum projects. Capital project funds included with the other non-major governmental funds have a restricted fund balance of \$16.0 million which is primarily for Adult Education capital projects and an assigned fund balance of \$41.4 for other locally sourced capital projects.
 - Special Revenue funds ended the year with a fund balance of \$22.8 million, of which \$16.1 million is restricted to child nutrition costs, and \$6.7 million is nonspendable inventory.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts – management's discussion and analysis (this section) and the basic financial statements. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations *in more detail* than the government-wide statements.
- The *governmental funds* statements tell how *basic* services like instruction and instructional support services were financed in the *short-term* as well as what remains for future spending.
- *Proprietary funds* statements offer *short-term* and *long-term* financial information about the activities the District operates *like businesses*, such as group health self-insurance and long term claim self-insurance.
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Figure 1 Major Features of Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as instructional costs	Activities the District operates similar to private businesses: health internal service fund and worker’s compensation, automobile and general liability claims fund	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
<i>Required financial statements</i>	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenue, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenue, expenses, and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus

Figure 1, above, summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the District’s assets and liabilities. All of the current year’s revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District’s *net position* and how they have changed. Net position – the difference between the District’s assets, deferred outflows liabilities, and deferred inflows – is one way to measure the District’s financial health or position.

- Over time, increases or decreases in the District’s net position is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, the reader needs to consider additional non-financial factors such as changes in the District’s property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements, all the District’s activities are reported as governmental activities.

- *Governmental activities* – All of the District’s basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state formula aid finance most of the activities.

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Fund Financial Statements

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues (like federal grants).

The District has three kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, the District provides additional information with the governmental funds statements that explain the relationship (or differences) between them.
- *Proprietary funds* – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements. There are two types of proprietary funds:
 - *Enterprise funds* account for goods and services provided to those outside the District, generally on a user-charge basis. Currently, the District has no enterprise funds.
 - *Internal service funds* report self-insurance activities charged to the District's other programs and activities.
- *Fiduciary funds* – The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong.
 - The District excludes these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

Notes to the Financial Statements – The notes provided, disclosures and additional information that are essential to a full understanding of the financial information presented in the government-wide and fund financial statements.

Other Information – In addition to the basic financial statements and accompanying notes, this report also provides certain required supplementary information, as well as combining and individual fund statements and schedules beginning with page 77.

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Government-Wide

The District's net position was \$1.488 billion at June 30, 2018. The largest portion of the District's net position, \$1.778 billion, reflect its investment in capital assets (i.e. land, buildings, furniture, buses and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; 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 position (\$450.0 million) represents resources that are subject to external restrictions on how they may be used. The increase of \$130.0 million in restricted net position is mainly related to capital project funds (including restrictions for Sales Tax referendum) as well as restrictions for debt service funds.

Table 1

Summary of Net Position Governmental Activities (in thousands)				
	June 30, 2018	* Restated June 30, 2017	Increase (Decrease)	Percentage Change
Current and other assets	\$ 1,061,314	\$ 890,157	\$ 171,157	19.2%
Capital assets (net)	3,216,281	3,288,764	(72,483)	(2.2%)
Total assets	4,277,595	4,178,921	98,674	2.4%
Accum Decr Fair Value of Hedging Derivatives	-	61,946	(61,946)	(100.0%)
Deferred Loss on Debt Refunding	106,386	61,781	44,605	72.2%
Pension Related	433,602	378,156	55,446	14.7%
Total Deferred Outflows of Resources	539,988	501,883	38,105	7.6%
Current and other liabilities	399,614	405,047	(5,433)	(1.3%)
Long-term liabilities	2,835,374	2,870,936	(35,562)	(1.2%)
Total liabilities	3,234,988	3,275,983	(40,995)	(1.3%)
Pension Related	76,524	36,952	39,572	107.1%
Other Post Employment Benefits	18,466	12,552	5,914	47.1%
Total Deferred Inflows of Resources	94,990	49,504	45,486	0.0%
Net position:				
Net investment in Capital Assets	1,777,638	1,756,568	21,070	1.2%
Restricted	449,958	320,003	129,955	40.6%
Unrestricted (deficit)	(739,991)	(721,254)	(18,737)	(2.6%)
Total net position	\$ 1,487,605	\$ 1,355,317	\$ 132,288	9.8%

* Restated for GASB #75-increased Long-term Liabilities (\$27.5M) and Deferred Inflows (\$12.6M), and decreased Net Position \$40.1M)

Capital assets (net) decreased \$72.5 million or 2.2% compared to prior year and primarily reflects the impact of current year depreciation exceeding capital spending. See Note 7 of the Notes to the Financial Statements for more information on capital assets. Cash and other assets increased \$171.2 million or 19.2%, primarily as a result of cash and taxes receivable generated by the capital projects funds.

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

The analyses in Table 1, on page 7, and Table 2, below, focus on the summary of net position and summary of changes in net position for the District's governmental activities.

Table 2
Summary of Changes in Net Position
Governmental Activities
(in thousands)

	June 30, 2018	* Restated June 30, 2017	Increase (Decrease)	Percentage Change
Revenues:				
Program revenue:				
Charges for services	\$ 53,379	\$ 54,380	\$ (1,001)	(1.8%)
Operating grants and contributions	547,857	511,816	36,041	7.0%
Capital grants and contributions	18,932	22,197	(3,265)	(14.7%)
General revenue:				
Property taxes	1,237,277	1,218,207	19,070	1.6%
Local sales taxes	138,127	65,783	72,344	110.0%
Grants and contributions not restricted	260,096	228,152	31,944	14.0%
Investment earnings	12,991	6,047	6,944	114.8%
Other general revenue	42,106	40,947	1,159	2.8%
Total revenues	<u>2,310,765</u>	<u>2,147,529</u>	<u>163,236</u>	7.6%
Functions/Programs Expenses				
Instruction	1,197,458	1,154,360	43,098	3.7%
Instructional support services	185,883	173,946	11,937	6.9%
Board	7,643	7,468	175	2.3%
General administration	13,609	10,449	3,160	30.2%
School administration	109,988	107,027	2,961	2.8%
Facilities acquisition and construction	54,526	20,761	33,765	162.6%
Fiscal services	7,205	6,853	352	5.1%
Food services	95,977	89,897	6,080	6.8%
Central services	16,647	16,052	595	3.7%
Student transportation services	59,170	54,396	4,774	8.8%
Operation and maintenance of plant	216,347	200,247	16,100	8.0%
Administrative technology services	7,041	7,644	(603)	(7.9%)
Community services	46,737	43,149	3,588	8.3%
Interest on long-term debt	53,137	62,739	(9,602)	(15.3%)
Unallocated depreciation/amortization	107,109	107,742	(633)	(0.6%)
Total expenses	<u>2,178,477</u>	<u>2,062,730</u>	<u>115,747</u>	5.6%
Change in net position	132,288	84,799	47,489	56.0%
Net Position - beginning	1,355,317	1,310,596	44,721	3.4%
* Cumulative effect of implementing GASB #75	-	(40,078)	40,078	(100.0%)
Net Position - ending	<u>\$ 1,487,605</u>	<u>\$ 1,355,317</u>	<u>\$ 132,288</u>	9.8%

The results of this year's operations for the District as a whole are reported in the Statement of Activities. Table 2, above, takes the information from that statement and rearranges them slightly so the reader can see the total revenues and expenses for the current year compared to fiscal year 2017.

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

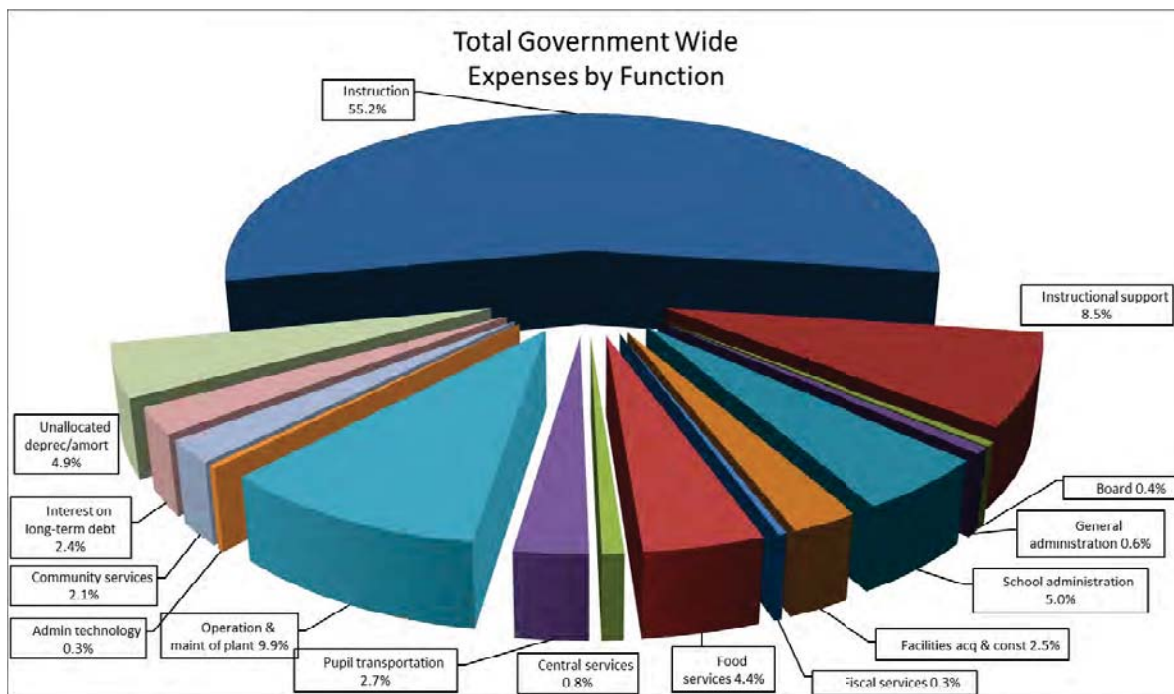
As reported in the Statement of Activities, the cost of all of the governmental activities this year was \$2.178 billion. Some costs were paid by those who benefited from the programs (\$53.4 million), or by other governments and organizations who subsidized certain programs with grants and contributions (\$566.8 million). The District paid for the remaining "public benefit" portion of the governmental activities with \$1.237 billion in property taxes, \$138.1 million in Sales Tax, \$260.1 million in grants and contributions not restricted to specific programs, \$13.0 million in investment earnings, and \$42.1 million in other general revenue.

Property taxes increased \$19.1 million or 1.6%, which is primarily attributed to an 6.5% increase in property values partially offset by a 4.2% reduction in millage rate. Sales Tax Revenue increased \$72.3 million or 110% which represents a full year of collections for the current year (compared with only 6 months in the prior year) for the Palm Beach County penny sales tax referendum, of which the District receives ½ cent.

Grants and contributions not restricted increased \$31.9 million or 14.0%, which is primarily related to an increase in FEFP revenue as a result of increase in enrollment as well as an increase in the rate per student.

Investment Earning increased \$6.9 million or 114.8% as a result of 76% higher interest rates and 17% higher average invested cash balances.

The pie chart below represents total expenses classified by function.



FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

As of June 30, 2018 the District's governmental funds reported a combined fund balance of \$606.2 million, which is an increase of \$136.7 million or 29.1% over the prior year.

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

The General Fund, which is the chief operating fund of the District and is always considered a major fund, had a fund balance of \$158.2 million which is an increase of \$19.7 million or 14.2%. The increase is primarily due to higher than anticipated revenues, staff vacancies and less than expected charter school enrollment. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$55.0 million.

The COPS Debt Service Fund, another major fund, reported an ending fund balance of \$123.1 million, which is an increase of \$6.7 million or 5.7% when compared with prior year. The increase is related to the amount of debt service payments the District will need to make in fiscal year 2019.

The Capital Improvement Fund, another major fund, reported an ending fund balance of \$79.5 million which is an increase of \$23.9 million or 43.0% due to the timing of revenue and capital outlay spending.

The Sales Tax Fund, another major fund, reported an ending fund balance of \$159.9 million which is an increase of \$100.2 million or 167.6% primarily due to full year of sales tax collections exceeding the capital outlay spending of the Sales Tax Referendum projects.

Other Non-Major Governmental Funds, which represent a summarization of all the other non-major governmental funds, ended the year with total fund balance of \$85.5 million, a decrease of \$13.7 million or 13.8%. This decrease is primarily due to Capital Projects Fund capital spending and transfers out exceeding revenues by \$10.5 million and Special Revenue Fund – Food Service expenditures exceeding revenue by \$2.7 million for the current year.

Proprietary Funds

The District's internal service funds reported a combined net position of \$130.1 million. The Health Internal Service Fund ended the year with a net position of \$112.5 million, which is an increase of \$16.0 million or 16.6% over last year due to premiums exceeding claims and other expenses. The Worker's Compensation and Claims Fund ended the year with a net position of \$17.6 million, which is an increase of \$14.1 million. Proprietary funds use accrual basis accounting, thus this Fund records actuarially determined long term claims liabilities.

General Fund Budgetary Highlights

During the year, appropriations decreased \$21.0 million from original budget to final budget. The decrease in appropriations is primarily attributed to a decrease in transfers in from Capital Projects Funds for projects that were not completed during the year and charter school capital outlay spending recorded in Capital Funds versus General Fund. Revenue increased \$0.8 million from original to final budget with higher local revenue with offsetting lower state funding. Appropriations were amended to align with total revenue.

The General Fund actual expenditures were less than the budgeted appropriations by approximately \$102.3 million. This is primarily due to staff vacancies as well as enhanced cost containment measures put in place, such as a hiring freeze on non-instructional positions, as well as unspent funds in programs such as Afterschool, International Baccalaureate, Advanced Placement, AICE, Industry Certification, and state categorical programs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As shown in Table 3, on the next page, at June 30, 2018, the District had \$3.216 billion invested in a broad range of capital assets, including land, construction in progress, improvements other than buildings, buildings and fixed equipment, furniture, fixtures and equipment, motor vehicles, audio visual materials and computer software. This amount represents a net decrease (including additions, deletions

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

and depreciation) of \$72.5 million from last year. The decrease is primarily due to depreciation expense of \$107.1 million exceeding capital spending of \$35.1 million. Capital spending in the current year includes the acquisition of 118 buses for \$13.6 million, other vehicles of \$2.1 million, computer technology of \$2.9 million, student information system (SIS) of \$2.3 million, capital construction in progress of \$2.3 million, and IT infrastructure upgrades and new servers of \$2.1 million.

In November 2016, the taxpayers of Palm Beach County approved a one penny sales surtax of which fifty percent will be for the District. These new capital dollars will allow the District to continue its effort to provide state-of-the-art facilities which include modernizations, facility renewal projects, remodeling projects, new school construction, buses and support vehicles, security systems and technology infrastructure for all of its students.

Table 3

Capital Assets at Year End Governmental Activities (in thousands)			
	June 30, 2018	June 30, 2017	Increase (Decrease)
Land	\$ 342,755	\$ 342,380	\$ 375
Construction in progress	8,788	3,656	5,132
Improvements other than buildings	59,138	58,834	304
Buildings and fixed equipment	4,171,560	4,172,921	(1,361)
Furniture, fixtures and equipment	124,412	129,525	(5,113)
Motor vehicles	120,897	118,641	2,256
AV materials and computer software	44,846	40,278	4,568
Less: accumulated depreciation	(1,656,115)	(1,577,471)	(78,644)
Total capital assets, net	<u>\$ 3,216,281</u>	<u>\$ 3,288,764</u>	<u>\$ (72,483)</u>

Long-term Debt

As shown in Table 4, at the end of this year, the District had \$1.536 billion in debt outstanding, which is \$111.9 million lower than last year. The decrease in outstanding debt is mainly due to debt principal repayments of \$86.8 million in addition to the District's restructuring of variable rate debt to fixed rate debt which eliminated hedging derivative instruments and caused a net decrease to long-term debt of \$25.0 million. See Notes 10 and 11 of the Notes to the Financial Statements for more information on long-term liabilities and derivatives.

Table 4

Long-term Debt Outstanding at Year End Governmental Activities (in thousands)			
	June 30, 2018	June 30, 2017	Increase (Decrease)
Notes / Loans Payable	\$ 15,031	\$ 23,485	\$ (8,454)
Capital Outlay Bond Issues	9,853	11,396	(1,543)
Certificates of Participation	1,355,973	1,466,758	(110,785)
Borrowing-Swap Upfront Payment	-	2,430	(2,430)
Derivative Instruments - Hedging	-	61,946	(61,946)
Plus: Issuance Premium	154,873	81,587	73,286
Total	<u>\$ 1,535,730</u>	<u>\$ 1,647,602</u>	<u>\$ (111,872)</u>

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

The District's certificates of participation are rated Aa3 by Moody's Investors Service, and AA- by Standard and Poor's Corporation, and AA- by Fitch Ratings Services.

The District is subject to State laws that limit the amount of State Board of Education Capital Outlay Bond Issues outstanding to 10% of the non-exempt assessed valuation. At June 30, 2018, the statutory limit for the District was approximately \$17.6 billion, providing additional debt capacity of approximately \$17.6 billion.

State Statute requires that no more than 75% of the capital millage levy be used for COP debt service. The District's debt policy limits the issuance of COPS by stating that the debt service could not exceed half of the capital millage levy. In fiscal year 2009, when the capital millage levy was reduced to 1.75 mills, the Debt Policy was amended to allow debt service to be up to 1 mill but should be within 50% of the capital millage levy within five years. Based on the reduction of the capital millage levy and existing property values, the District's capacity to issue new COPS debt has been dramatically reduced.

Other long-term obligations (not included above) include liabilities for compensated absences, estimated long-term claims, other post-employment benefits, and net pensions.

FACTORS BEARING ON THE DISTRICT'S FUTURE

The School District's revenues are determined in large part by the Florida Legislature and Governor. Funding per student is set as part of the State's annual budget approval. Local school board taxing authority is also governed at the state level with the Legislature dictating the largest component of school property taxes, known as the Required Local Effort (RLE), and through statutory caps that limit the remaining components of the school levy. The fiscal year 2019 proposal by the House, prior to the tragedy in Parkland, was \$100 or 1.37% increase in per student funding with no additional categorical funds for school safety. The final budget approved by the Florida Legislature on March 11 and signed into law by Governor Scott on March 17 provides an increase of \$101.50 or 1.39% in per student funding, but earmarks nearly all of the increase for Safe Schools, the new Mental Health categorical, and an increase in the Florida Retirement System rates.

With limited new funds allocated by the state, the primary goal of this, and future budget cycles, is to optimize existing resources. District enrollment is expected to increase by approximately 2,600 students to 192,600 representing an increase in Florida Education Finance Program (FEFP) revenue of \$36.8 million. District schools are expected to increase approximately 1,600 and charter schools by approximately 1,000 students. The growth in charter school enrollment, if realized, results in an increase in the pass-through to charter schools of \$9.9 million to \$164.5 million. Charter school enrollment continues to hover around 11% of the total student population. Fixed operational costs continue to grow and include new and expanded state mandates (adding a school resource officer at every school, and new mental health allocation), legislative approved increase in the Florida Retirement System rate, additional staff due to projected student growth, increase in board contingency to comply with modest board policy of 3% and annualized impact of fiscal year 2018 salary commitments effective January 1, 2018.

It is important to remember that Districts throughout Florida have been hard hit by the reduction in local capital outlay taxing authority by the Florida Legislature. While property values continue to recover, the 2008 and 2009 Florida Legislature reduced the capital millage authority of local school boards to 1.5 mills from 2.0 mills. Over time, the substantial loss of capital revenue crippled the ability of school districts to meet school facility maintenance, classroom technology, and bus fleet demands.

Palm Beach County voters approved an increase in the local sales tax by one penny in November 2016 to help reduce the backlog of critical capital needs as a result of the changes adopted by the Florida Legislature. The District is anticipated to receive \$1.345 billion over the 10-year period. The Florida Legislature then passed HB7069 in 2017 requiring districts to share the already inadequate 1.5 mills with charter schools. In 2018, the Florida Legislature passed HB7055 softening the requirement to share the 1.5 mills, although does not eliminate the risk. If the state does not fund charter school capital outlay at

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

the fiscal year 2019 level, Districts will again be required to share the 1.5 mills with charter schools. Without additional funds to compensate for the loss in revenue, the district may face another backlog of critical capital needs.

Property values continue to improve from the fiscal year 2012 low of \$132.2 billion, growing by 5.4% in Palm Beach County, to \$200.5 billion for fiscal year 2019. Total fiscal year 2019 projected millage revenue for both operating and capital use is \$1.3 billion. The certified tax roll is lower than the State forecast for the second year in a row, resulting in \$4.4 million less in revenue generated from the 2.498 mills controlled by the School Board in fiscal year 2019 as was projected by the State.

On July 18, 2018, the Board unanimously adopted a resolution to hold a referendum to seek voter approval to levy 1.00 mills. The request to levy 1.00 mill was passed by a margin of 72 percent in the November 6, 2018 general election. This levy replaces the current levy of 0.25 mills and will generate approximately \$200.0 million in revenue for the fiscal year 2020 general fund operating budget. The additional funds are needed to compensate for the underfunding of education by the state and increase in security demands in the wake of the tragedy in Parkland. The levy will be used for operational purposes in non-charter District schools for four years beginning July 1, 2019 to address critical school operating needs that include: the continuation and expansion of art, music, physical education, and career education teachers; school safety enhancements including increasing the number of school police officers and mental health professionals and purchasing all related safety equipment; and increasing teacher salaries to help retain experienced teachers.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact:

Michael J. Burke, Chief Financial Officer
The School District of Palm Beach County, Florida
3328 Forest Hill Boulevard, Suite C-316
West Palm Beach, FL 33406

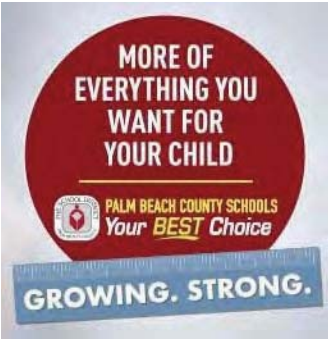
Visit our website at:

<http://www.palmbeachschools.org/>

View an electronic copy of our CAFR at:

<https://www.palmbeachschools.org/accounting/annual-reports/>

BASIC FINANCIAL STATEMENTS



THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
STATEMENT OF NET POSITION
JUNE 30, 2018
(amounts expressed in thousands)

	Primary Government Governmental Activities
ASSETS	
Cash, cash equivalents and investments	\$ 959,204
Ad Valorem and Sales Taxes receivable	45,567
Accounts, deposits and interest receivable	2,255
Due from other governments or agencies	31,169
Inventories	14,918
Restricted assets (cash with fiscal agent)	2,987
Other assets	5,214
Capital assets:	
Land	342,755
Construction in progress	8,788
Improvements other than buildings	59,138
Buildings and improvements	4,171,560
Furniture, fixtures and equipment	124,412
Motor vehicles	120,897
Audio/video materials and software	44,846
Less accumulated depreciation	<u>(1,656,115)</u>
Total capital assets, net of depreciation	<u>3,216,281</u>
TOTAL ASSETS	<u>4,277,595</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred loss on debt refunding	106,386
Pension	433,602
TOTAL DEFERRED OUTFLOWS OF RESOURCE	<u>539,988</u>
LIABILITIES	
Accounts and contracts payable	36,642
Accrued payroll and payroll deductions	90,427
Current notes payable	115,000
Retainage payable on contracts	441
Deposits payable	428
Interest payable	29,192
Unearned revenue	2,446
Noncurrent liabilities:	
Portion due or payable within one year:	
Loans/note payable	7,115
Bonds payable	1,311
Liability for compensated absences	15,401
Certificates of participation payable	77,630
Estimated claims	23,581
Portion due or payable after one year:	
Loans/note payable	7,916
Bonds payable	9,581
Liability for compensated absences	178,425
Certificates of participation payable	1,432,177
Estimated claims	35,547
Other post-employment benefits	138,163
Net Pension Liability	<u>1,033,565</u>
TOTAL LIABILITIES	<u>3,234,988</u>
DEFERRED INFLOWS OF RESOURCES	
Pension	76,525
Other post-employment benefits	18,465
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>94,990</u>
NET POSITION	
Net Investment in capital assets	1,777,638
Restricted for:	
Categorical carryover programs	3,792
Debt service	101,630
Capital projects	297,021
School food service	22,822
Other purposes (See Footnote 14)	24,693
Unrestricted (deficit)	<u>(739,991)</u>
TOTAL NET POSITION	<u>\$ 1,487,605</u>

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

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018
(amounts expressed in thousands)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
Instruction	\$ 1,197,458	\$ 2,213	\$ 355,280	\$ 3,372
Instructional support services	185,883	-	58,993	-
Board	7,643	-	-	-
General administration	13,609	-	3,372	-
School administration	109,988	-	6,356	-
Facilities acquisition and construction	54,526	-	-	10,843
Fiscal services	7,205	-	166	-
Food services	95,977	11,815	81,307	-
Central services	16,647	-	957	-
Student transportation services	59,170	1,447	27,307	-
Operation of plant	135,988	-	5,053	-
Maintenance of plant	80,359	-	2	-
Administrative technology services	7,041	-	864	2,707
Community services	46,737	37,904	8,200	-
Interest on long-term debt	53,137	-	-	2,010
Unallocated depreciation expense	107,047	-	-	-
Amortization expense	62	-	-	-
Total primary government governmental activities	\$ 2,178,477	\$ 53,379	\$ 547,857	\$ 18,932

General revenues:

Taxes:

Property taxes, levied for general purposes

Property taxes, levied for capital projects

Local sales taxes

Grants and entitlements not restricted to specific programs

Investment earnings

Other

Total general revenues

Change in net position

Net Position—beginning

Adjustments to Net Position - See Footnote 1(P)

Net Position—ending

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

**Net (Expense)
Revenue and Changes
in Net Position**

**Primary Government
Governmental
Activities**

\$	(836,593)
	(126,890)
	(7,643)
	(10,237)
	(103,632)
	(43,683)
	(7,039)
	(2,855)
	(15,690)
	(30,416)
	(130,935)
	(80,357)
	(3,470)
	(633)
	(51,127)
	(107,047)
	(62)
	<u>(1,558,309)</u>

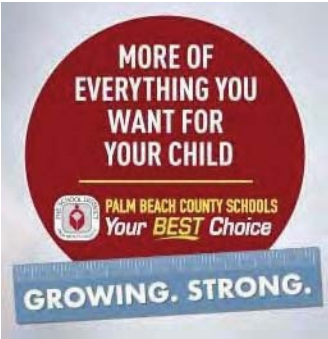
	963,059
	274,218
	138,127
	260,096
	12,991
	42,106
	<u>1,690,597</u>
	132,288
	1,395,395
	(40,078)
\$	<u>1,487,605</u>

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018
(amounts expressed in thousands)

	<u>GENERAL FUND</u>	<u>COPS DEBT SERVICE</u>
ASSETS		
Cash, cash equivalents and investments	\$ 354,695	\$ 123,178
Ad Valorem and Sales taxes receivable	17,955	-
Accounts and interest receivable	2,255	-
Due from other governments or agencies	7,067	-
Due from other funds	2,000	-
Inventories	8,220	-
Other assets	2	-
TOTAL ASSETS	<u>392,194</u>	<u>123,178</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
LIABILITIES		
Accounts and contracts payable	19,880	89
Accrued payroll and payroll deductions	91,826	-
Tax anticipation notes payable	115,000	-
Accrued interest payable	2,482	-
Due to other funds	-	-
Retainage payable on contracts	-	-
Deposits payable	428	-
Unearned revenue	751	-
TOTAL LIABILITIES	<u>230,367</u>	<u>89</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenue	3,600	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>3,600</u>	<u>-</u>
FUND BALANCES		
Nonspendable	8,220	-
Restricted	25,476	123,089
Committed	-	-
Assigned	69,531	-
Unassigned	55,000	-
TOTAL FUND BALANCES	<u>158,227</u>	<u>123,089</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 392,194</u>	<u>\$ 123,178</u>

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

CAPITAL IMPROVEMENT	SALES TAX	OTHER NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 76,394	\$ 144,491	\$ 74,324	\$ 773,082
5,112	22,500	-	45,567
-		-	2,255
-		21,067	28,134
-		464	2,464
-		6,698	14,918
-		79	81
<u>81,506</u>	<u>166,991</u>	<u>102,632</u>	<u>866,501</u>
1,953	6,400	6,589	34,911
-		6,195	98,021
-		-	115,000
-		-	2,482
-	464	2,000	2,464
77	204	160	441
-		-	428
-		2,059	2,810
<u>2,030</u>	<u>7,068</u>	<u>17,003</u>	<u>256,557</u>
-		132	3,732
-	-	132	3,732
-		6,698	14,918
79,476	159,923	37,396	425,360
-		22	22
-		41,381	110,912
-		-	55,000
<u>79,476</u>	<u>159,923</u>	<u>85,497</u>	<u>606,212</u>
<u>\$ 81,506</u>	<u>\$ 166,991</u>	<u>\$ 102,632</u>	<u>\$ 866,501</u>



**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018
(amounts expressed in thousands)**

Total Fund Balances - Governmental Funds \$ 606,212

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Cost of the assets	\$ 4,872,396	
Accumulated depreciation	<u>(1,656,115)</u>	
Total capital assets, net of depreciation		3,216,281

Deferred outflows/inflows of resources are reported in the statement of net position but not recognized in the governmental funds since they do not represent current resources:

Deferred Outflow - Net unamortized amount for refunding transactions	106,386	
Deferred Outflow - Pensions	433,098	
Deferred Inflow - Pensions	(76,435)	
Deferred Inflow - OPEB	<u>(18,465)</u>	
		444,584

Deferred outflows of resources related to pensions are recorded in the statement of net position.

Expenditures for insurance and software extending over more than one accounting period not allocated between or among accounting periods, but accounted for as expenditures of the period of acquisition in the funds. 5,133

An internal service fund is used by management to charge the costs of health premiums, worker's compensation, auto and general liability to individual funds. The net position of the internal service fund is included in governmental activities in the statement of net position.

Assets and Deferred Outflows of Resources	192,648	
Liabilities and Deferred Inflows of Resources	<u>62,557</u>	
Net position		130,091

Revenues that have been deferred or unearned in the governmental funds but are recognized as revenue in the governmental-wide financial statements. 4,096

Long-term liabilities are not due and payable in the current period and not reported as liabilities in the governmental funds. Long-term liabilities (net of premiums) at year-end consist of:

Loans / Note payable	15,031	
Bonds payable	10,892	
Certificates of participation payable	1,509,807	
Compensated absences	185,926	
Other post employment benefits (OPEB)	138,057	
Net Pension Liability	1,032,369	
Accrued interest on long-term debt	<u>26,710</u>	
		<u>(2,918,792)</u>

Total Net Position - Governmental Activities \$ 1,487,605

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

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018
(amounts expressed in thousands)

	<u>GENERAL FUND</u>	<u>COPS DEBT SERVICE</u>
REVENUES:		
Local sources:		
Ad valorem taxes	\$ 963,059	\$ -
Local sales taxes	-	-
Interest income and other	6,454	451
School age child care fees	37,904	-
Food service sales	228	-
Impact fees	-	-
Local grants and other	33,041	45
Total local sources	<u>1,040,686</u>	<u>496</u>
State sources:		
Florida education finance program	315,036	-
Capital outlay and debt service	115	-
Food service	-	-
Class size reduction	218,990	-
Charter school capital outlay	-	-
State grants and entitlements	32,576	-
Total state sources	<u>566,717</u>	<u>-</u>
Federal sources:		
Federal grants and entitlements	6,259	-
National school lunch act	-	-
Total federal sources	<u>6,259</u>	<u>-</u>
TOTAL REVENUES	<u>1,613,662</u>	<u>496</u>
EXPENDITURES:		
Current:		
Instruction	1,088,178	-
Instructional support services	124,141	-
Board	7,517	-
General administration	9,287	-
School administration	106,026	-
Facilities acquisition and construction	635	-
Fiscal services	6,793	-
Food services	152	-
Central services	15,322	-
Student transportation services	57,456	-
Operation of plant	135,252	-
Maintenance of plant	79,342	-
Administrative technology services	6,832	-
Community services	43,787	-
Total Current Expenditures	<u>1,680,720</u>	<u>-</u>

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

CAPITAL IMPROVEMENT	SALES TAX	OTHER NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 274,218	\$ -	\$ -	\$ 1,237,277
-	138,127	-	138,127
2,143	1,535	862	11,445
-	-	-	37,904
-	-	11,587	11,815
-	-	6,031	6,031
211	5,191	5,958	44,446
<u>276,572</u>	<u>144,853</u>	<u>24,438</u>	<u>1,487,045</u>
-	-	-	315,036
-	-	7,662	7,777
-	-	1,005	1,005
-	-	-	218,990
-	-	-	-
-	-	26,303	58,879
<u>-</u>	<u>-</u>	<u>34,970</u>	<u>601,687</u>
-	-	132,274	138,533
<u>-</u>	<u>-</u>	<u>80,280</u>	<u>80,280</u>
-	-	212,554	218,813
<u>276,572</u>	<u>144,853</u>	<u>271,962</u>	<u>2,307,545</u>
-	-	90,030	1,178,208
-	-	55,939	180,080
-	-	-	7,517
-	-	3,372	12,659
-	-	201	106,227
27,078	-	4,141	31,854
-	-	166	6,959
-	-	94,281	94,433
-	-	957	16,279
-	-	476	57,932
-	-	4	135,256
-	-	-	79,342
-	-	2	6,834
-	-	2,650	46,437
<u>27,078</u>	<u>-</u>	<u>252,219</u>	<u>1,960,017</u>

(Continued)

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS - Continued
FOR THE YEAR ENDED JUNE 30, 2018
(amounts expressed in thousands)**

	<u>GENERAL FUND</u>	<u>COPS DEBT SERVICE</u>
Capital outlay	\$ 1,214	\$ -
Debt service:		
Retirement of principal	-	76,850
Interest	981	110,518
Fiscal charges	-	3,235
TOTAL EXPENDITURES	<u>1,682,915</u>	<u>190,603</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	 <u>(69,253)</u>	 <u>(190,107)</u>
 OTHER FINANCING SOURCES (USES):		
Transfers in	89,130	144,995
Transfers out	(207)	-
Refunded debt	-	529,310
Net premium from refunded debt	-	94,098
Payments to refunded debt escrow agent	-	(571,623)
Proceeds from loss recoveries	11	-
Sale of capital assets and other	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>88,934</u>	<u>196,780</u>
 NET CHANGE IN FUND BALANCES	 19,681	 6,673
 FUND BALANCES, JULY 1, 2017	 <u>138,546</u>	 <u>116,416</u>
 FUND BALANCES, JUNE 30, 2018	 <u>\$ 158,227</u>	 <u>\$ 123,089</u>

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

<u>CAPITAL IMPROVEMENT</u>	<u>SALES TAX</u>	<u>OTHER NON-MAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
\$ 6,663	\$ 44,696	\$ 4,462	\$ 57,035
-	-	9,997	86,847
-	-	4,416	115,915
-	-	12	3,247
<u>33,741</u>	<u>44,696</u>	<u>271,106</u>	<u>2,223,061</u>
<u>242,831</u>	<u>100,157</u>	<u>856</u>	<u>84,484</u>
-	-	8,934	243,059
(218,950)	-	(23,902)	(243,059)
-	-	-	529,310
-	-	-	94,098
-	-	-	(571,623)
-	-	-	11
-	-	415	415
<u>(218,950)</u>	<u>-</u>	<u>(14,553)</u>	<u>52,211</u>
23,881	100,157	(13,697)	136,695
<u>55,595</u>	<u>59,766</u>	<u>99,194</u>	<u>469,517</u>
<u>\$ 79,476</u>	<u>\$ 159,923</u>	<u>\$ 85,497</u>	<u>\$ 606,212</u>

(Concluded)

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018
(amounts expressed in thousands)**

Total net change in fund balances - governmental funds \$ 136,695

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

Capital outlays are reported in governmental funds 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 of depreciation expense (\$107,047) in excess of capitalized capital outlay (\$35,130) in the current period. (71,917)

Governmental funds report the effect of bond insurance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Bond Insurance Cost Amortization	\$ (62)	
Debt Refunding Amortization	(12,724)	
Current Year Deferred Loss on Debt Refunding	50,398	
Premium/Discount Amortization	18,702	
Premium on Current Year Issuance	<u>(94,098)</u>	(37,784)

Revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. 4,096

Revenues reported in the governmental funds that were reported as revenue in the statement of activities in the prior year under full accrual. (2,803)

Repayment of notes / loans is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 8,454

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 78,393

COPs refunding proceeds provided current financial resources to governmental funds. COPS refunding payments are other financing uses in the governmental funds. The amount by which the refunding payment (\$571,623) exceeded refunding proceeds (\$529,310) in the current period. 42,313

The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net position. (566)

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

Prepaid Insurance & Software	(41)	
Compensated Absences	(7,491)	
Other Post Employment Benefits	(4,631)	
Pension Expense	(52,178)	
Borrowing	2,430	
Accrued Interest on Long-Term Debt	<u>7,220</u>	(54,691)

An internal service fund is used by management to charge the costs of self insurance claims (including health, workers compensation, auto and general liability) to individual funds. The net income of the internal service fund is reported with governmental activities. 30,098

Change in net position of governmental activities \$ 132,288

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

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018
(amounts expressed in thousands)

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis)</u>	<u>Variances - Positive (Negative)</u>	
	<u>Original</u>	<u>Final</u>		<u>Original to Final</u>	<u>Final to Actual</u>
REVENUES:					
Local sources	\$ 1,027,859	\$ 1,040,686	\$ 1,040,686	\$ 12,827	\$ -
State sources	579,181	566,717	566,717	(12,464)	-
Federal sources	5,807	6,259	6,259	452	-
TOTAL REVENUES	<u>1,612,847</u>	<u>1,613,662</u>	<u>1,613,662</u>	<u>815</u>	<u>-</u>
EXPENDITURES:					
Instruction	1,198,587	1,159,865	1,089,406	38,722	70,459
Instructional support services	123,054	126,954	124,152	(3,900)	2,802
Board	8,491	8,986	7,517	(495)	1,469
General administration	8,994	9,615	9,317	(621)	298
School administration	104,593	106,046	106,027	(1,453)	19
Facilities acquisition and construction	751	833	635	(82)	198
Fiscal services	6,842	7,195	6,793	(353)	402
Food Services	13	160	152	(147)	8
Central services	15,093	15,649	15,325	(556)	324
Student transportation services	53,100	57,460	57,456	(4,360)	4
Operation of plant	138,882	149,645	135,483	(10,763)	14,162
Maintenance of plant	83,471	79,480	79,836	3,991	(356)
Administrative Technology Services	8,837	7,513	6,832	1,324	681
Community services	50,850	55,759	43,915	(4,909)	11,844
Debt service	816	982	981	(166)	1
TOTAL EXPENDITURES	<u>1,802,374</u>	<u>1,786,142</u>	<u>1,683,827</u>	<u>16,232</u>	<u>102,315</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(189,527)</u>	<u>(172,480)</u>	<u>(70,165)</u>	<u>17,047</u>	<u>102,315</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	110,946	89,130	89,130	(21,816)	-
Transfers out	(163)	(207)	(207)	(44)	-
Proceeds from loss recoveries	-	11	11	11	-
TOTAL OTHER FINANCING SOURCES	<u>110,783</u>	<u>88,934</u>	<u>88,934</u>	<u>(21,849)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (78,744)</u>	<u>\$ (83,546)</u>	<u>18,769</u>	<u>\$ (4,802)</u>	<u>\$ 102,315</u>
FUND BALANCE, JULY 1, 2017 (GAAP BASIS)			<u>138,546</u>		
FUND BALANCE, JUNE 30, 2018 (BUDGETARY BASIS)			<u>157,315</u>		
Adjustment To Conform With GAAP:					
Elimination of encumbrances			<u>912</u>		
FUND BALANCE, JUNE 30, 2018 (GAAP BASIS)			<u>\$ 158,227</u>		

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



THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2018
(amounts expressed in thousands)

	Governmental Activities Internal Service Fund
ASSETS	
Current Assets:	
Cash, cash equivalents and investments	\$ 186,122
Due from other agencies	3,035
Total Current Assets	<u>189,157</u>
Noncurrent Assets:	
Restricted cash	2,987
Total Noncurrent Assets	<u>2,987</u>
Total assets	<u>192,144</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension	504
Total Deferred Outflows of Resources	<u>504</u>
LIABILITIES	
Current liabilities:	
Accounts payable	1,731
Accrued payroll and payroll deductions	46
Portion due or payable within one year:	
Estimated unpaid claims	23,581
Total Current Liabilities	<u>25,358</u>
Noncurrent liabilities:	
Portion due or payable after one year:	
Liability for compensated absences	260
Estimated unpaid claims	35,547
Other post-employment benefits	106
Pension	1,196
Total Noncurrent Liabilities	<u>37,109</u>
Total liabilities	<u>62,467</u>
DEFERRED INFLOWS OF RESOURCES	
Pension	90
Total Deferred Inflows of Resources	<u>90</u>
NET POSITION	
Unrestricted	<u>\$ 130,091</u>

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

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2018
(amounts expressed in thousands)

	<u>Governmental Activities Internal Service Fund</u>
OPERATING REVENUES:	
Premium revenue	\$ 230,471
Pharmacy Rebates	13,482
Other operating revenue	<u>1,072</u>
TOTAL OPERATING REVENUES	<u>245,025</u>
OPERATING EXPENSES:	
Salaries	1,451
Benefits	455
Purchased services	519
Claims and other expenses	<u>214,048</u>
TOTAL OPERATING EXPENSES	<u>216,473</u>
OPERATING INCOME	28,552
NONOPERATING REVENUES:	
Interest and other income	<u>1,546</u>
TOTAL NONOPERATING REVENUES	<u>1,546</u>
CHANGE IN NET POSITION	30,098
NET POSITION - Beginning of year	<u>99,993</u>
NET POSITION - End of year	<u>\$ 130,091</u>

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

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2018
(amounts expressed in thousands)

	Governmental Activities
	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash receipts from interfund premiums	\$ 230,471
Cash payments for claims and administration	(214,919)
Cash receipts for pharmacy rebates	13,482
Cash payments for salaries and benefits	(1,803)
Other receipts	(2,674)
Net cash provided by operating activities	<u>24,557</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest and other income	<u>1,546</u>
Net cash provided by investing activities	<u>1,546</u>
Net increase in cash and cash equivalents	26,103
Cash and cash equivalents, beginning of year*	<u>163,006</u>
Cash and cash equivalents, end of year*	<u>\$ 189,109</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating Income	<u>\$ 28,552</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Changes in assets and liabilities:	
(Increase) decrease in due from other agencies	(846)
Increase (decrease) in payroll and payroll deductions	40
Increase (decrease) in accounts payable	(352)
Increase (decrease) in pension	63
Increase (decrease) in estimated unpaid claims	<u>(2,900)</u>
Total adjustments	<u>(3,995)</u>
Net cash provided by operating activities	<u>\$ 24,557</u>

*Includes Restricted Cash

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

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018
(amounts expressed in thousands)**

	<u>PRIVATE- PURPOSE TRUST FUND FLORIDA FUTURE EDUCATORS OF AMERICA</u>	<u>AGENCY FUND SCHOOL INTERNAL FUNDS</u>
ASSETS		
Cash, cash equivalents and investments	\$ 336	\$ 19,890
Accounts receivable	<u>-</u>	<u>1,427</u>
TOTAL ASSETS	<u>\$ 336</u>	<u>\$ 21,317</u>
LIABILITIES		
Accounts payable	\$ -	\$ 178
Due to student organizations	<u>-</u>	<u>21,139</u>
TOTAL LIABILITIES	<u>-</u>	<u>\$ 21,317</u>
NET POSITION		
Held in trust for scholarships	<u>336</u>	
TOTAL NET POSITION	<u>\$ 336</u>	

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

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018
(amounts expressed in thousands)**

	PRIVATE- PURPOSE TRUST FUND FLORIDA FUTURE EDUCATORS OF AMERICA
ADDITIONS	
Donations	\$ 29
Interest	1
TOTAL ADDITIONS	<u>30</u>
DEDUCTIONS	
Scholarships	<u>29</u>
TOTAL DEDUCTIONS	<u>29</u>
CHANGE IN NET POSITION	1
NET POSITION - Beginning of year	<u>335</u>
NET POSITION - End of year	<u><u>\$ 336</u></u>

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

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School District of Palm Beach County, Florida (the "District") have been prepared to conform with Accounting Principles Generally Accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Pursuant to Florida Statutes, Section 1010.01, the Superintendent of Schools is responsible for keeping records and accounts of all financial transactions in the manner prescribed by the State Board of Education. The following is a summary of the more significant of these policies.

A. Reporting Entity

The District and its governing board are organized and operated under Section 4, Article IX, of the Constitution of Florida and Chapter 1001 of Florida Statutes. The District's boundaries are coterminous with those of Palm Beach County. Management of the School District is independent of county and city governments. The membership of the governing board of the District (the "Board") consists of seven members elected from single member districts for overlapping four-year terms. The Superintendent is appointed by the Board to act as executive officer of the District.

For financial reporting purposes, the accompanying financial statements include all of the operations over which the District is financially accountable. The District is financially accountable for organizations that make up its legal entity, as well as legally separate organizations that meet certain criteria. In accordance with GASB 14, "The Financial Reporting Entity," as amended by GASB 39, "Determining Whether Certain Organizations Are Component Units" and GASB 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34", the criteria for inclusion in the reporting entity involve those cases where the District or its officials appoint a voting majority of an organization's governing body, and are either able to impose its will on the organization and there is a potential for the organization to provide specific financial benefits to or to impose specific financial burdens on the District or the nature and significance of the relationship between the District and the organization is such that exclusion would cause the District's financial statements to be incomplete. Applying this definition, District management has determined that the component unit reportable within the accompanying financial statements is the Palm Beach School Board Leasing Corporation (the "Corporation").

Blended Component Unit - The Corporation's sole purpose is to provide for financing and construction of certain District school facilities. Additionally, the Corporation is legally separate from the District and the Board of the Corporation consists of the seven Board members of the District. Therefore, the financial activities of the Corporation have been blended (reported as if it were part of the District) with those of the District. The Corporation does not publish individual component unit financial statements.

Based on assessing the criteria for classifying entities as component units under GASB 61, charter schools do not meet the component unit requirements and are not reported within the financial statements of the District.

Since the District is independent of and is not financially accountable for other governmental units or civic entities, these financial statements represent the operations of the District, the Corporation, as well as all of the funds of the District as a governmental unit.

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for Fiduciary Funds. The District eliminates from the Statement of Net Position and the Statement of Activities all interfund

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

receivables and payables and transfers between funds as well as the transactions associated with its Internal Service Funds.

The government-wide statements are prepared using the economic resources measurement focus and accrual basis accounting. This is the same approach used in the preparation of the Proprietary Fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. 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 meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Non-major funds are aggregated and presented in a single column. Internal Service Funds are aggregated and presented in a single column in the Proprietary Fund statements. Fiduciary Funds are reported by fund type.

The Governmental Funds are accounted for on the "flow of current financial resources" measurement focus. Governmental fund financial statements are prepared using the current financial resource measurement focus and the modified accrual basis of accounting. The Proprietary Fund is accounted for on an "economic resources" measurement focus. Accordingly, the Statement of Revenues, Expenses and Changes in Fund Net Position for the Proprietary Fund reports increases and decreases in total economic net worth. The private purpose trust fund is reported using the economic resources measurement focus.

GOVERNMENTAL FUNDS

Governmental Funds are those through which most District functions are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in the Proprietary Fund and Fiduciary Funds) are accounted for through Governmental Funds. The measurement focus is upon determination of changes in financial resources rather than upon determination of net income. The following are the District's major Governmental Funds:

General Fund

The General Fund is the primary operating fund of the District. Ad valorem tax revenues, revenues from the Florida Education Finance Program ("FEFP") and other receipts not allocated to other funds are accounted for in this fund. Similarly, general operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are paid from this fund.

COPS Debt Service Fund

The Certificates of Participation ("COPS") Debt Service Fund accounts for the repayment of the District's certificates of participation.

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

Capital Improvement Fund

The Capital Improvement Fund accounts for locally received funds, primarily ad valorem tax revenue, and funds are used to fund COPS Debt Service, capital maintenance and other capital projects.

Sales Tax Fund

Sales Tax Fund accounts for locally received funds, primarily sales tax revenue, for the acquisition, construction or renovation of capital facilities, and acquisition of new computer technology, equipment and vehicles.

Other Non-Major Governmental Funds

The Other Non-Major Governmental Funds are a summary of all the other non-major governmental funds.

PROPRIETARY FUNDS

The Proprietary Fund is used to account for ongoing activities where the intent is that charges made to users will cover the costs of the services provided. The measurement focus is upon the determination of net income. The only Proprietary Fund that the District has is its Internal Service Funds. A Proprietary Fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. Operating expenses for Internal Service Funds include salaries, benefits, administrative expenses, and claims paid. All items not meeting this definition are reported as nonoperating revenues and expenses.

Internal Service Fund

The District has two Internal Service Funds, one for group health and one for worker's compensation, general and auto liability claims. Expenditures of the self-insurance funds are charged back to the appropriate governmental fund.

FIDUCIARY FUNDS

Fiduciary Funds are used to account for assets held by the District on behalf of outside related organizations or on behalf of other funds within the District. The Fiduciary Funds are prepared under the economic resources measurement focus and the accrual basis of accounting.

Agency Funds

Agency Funds consist of activity funds, which are established at each school to record the receipts and disbursements of various school activities administered for the general welfare of the students and completion of certain planned objectives and special programs of school groups. The District retains no equity interest in these funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private Purpose Trust Fund

A trust fund was established in January 1993 and is used to account for a District-supported Florida Future Educators of America. Revenues consist of employee donations and interest income. Expenditures represent scholarships for future teachers, which are awarded in accordance with the trust requirements.

BASIS OF ACCOUNTING

Basis of accounting determines when transactions are recognized in the financial records and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and Fiduciary Funds use the accrual basis of accounting.

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

Modified Accrual

Under the modified accrual basis, revenues are recognized in the accounting period in which they become susceptible to accrual, i.e., both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Significant revenues susceptible to accrual include ad valorem taxes, reimbursable-type grants and interest on investments. The District considers all revenues (with the exception of the expenditure-driven grants) as available if they are collected within sixty (60) days after year-end. The expenditure driven grants are considered available if received within one year from the balance sheet date. Current year property tax revenue is recognized when levied for, if available. Amounts are considered available if received by the District within sixty (60) days subsequent to fiscal year end. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred. The principal exceptions to this general rule are: (1) interest on general long-term debt is recognized as expenditures when due/paid; and (2) expenditures related to liabilities reported as general long-term obligations are recognized when due, such as compensated absences, Other Post-Employment Benefits (OPEB), pensions, claims payables, bonds, loans and leases.

In applying the susceptible to accrual concept to revenues from Federal and State sources, the legal and contractual requirements of the numerous individual programs are used as guidance. Revenue from grants and entitlements is recognized when all eligibility requirements have been satisfied. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before the District will receive any amounts; therefore, revenues are recognized based upon the occurrence of expenditures. In the other type, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed legal and contractual requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met. In all cases, monies received before the revenue recognition criteria have been met are reported as advance payments or deferred inflows.

Accrual

Under the accrual basis of accounting, revenues are recognized in the period earned and expenses are recognized in the period incurred.

Revenue Recognition

Program and General Revenues – Amounts reported as 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 meeting the operational or capital requirements of a particular program. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than program revenues. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

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 ("FDOE"), under the provisions of Chapter 1011, Florida Statutes. This revenue is recognized in the year of entitlement. The District files reports on full time equivalent ("FTE") student membership with the FDOE. The FDOE accumulates information from these reports and calculates the allocation of FEFP funds to the District. After review and verification of FTE reports and supporting documentation, the FDOE may adjust subsequent fiscal period allocations of FEFP funding for prior year errors disclosed by its review. Normally, such adjustments are treated as reductions of revenue in the year the reduction is made, as amounts are not significant.

The District receives and recognizes revenue from the State to administer certain categorical educational programs. State Board of Education rules require that revenue earmarked for these programs be expended only for the program for which the money is provided and require that the money not expended as of the close

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of the fiscal year be carried forward into the following year to be expended for the same categorical educational programs.

Property Taxes – Property tax revenue anticipated to be collected is recognized in the fiscal year for which it is levied. Delinquent taxes collected in subsequent periods are recognized as revenue during the fiscal year in which they are received.

Sales Tax – Sales tax revenue anticipated to be collected within sixty days of year-end is recognized in the fiscal year collected by the county.

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 granting 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.

Use of Resources – 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.

C. Budgetary Policies

Expenditures are controlled by budgetary systems in accordance with various legal and administrative requirements that govern the District's operations. The budget represents a process through which policy decisions are made, implemented and controlled. The budget is adopted on a basis consistent with GAAP, except for encumbrances. The budgetary process includes encumbrances in the current year budget. The encumbrances are reported as expenditures on the budgetary basis of accounting.

Annual budgets are legally adopted for all funds except the Fiduciary Funds. The budget amounts for revenues and expenditures reflect all amendments to the original budget with the final amendment approved by the Board on September 6, 2017. Significant dates in the budgeting timetable follow:

1. The Palm Beach County Property Appraiser certifies to the District the taxable value of all nonexempt District property by July 1 of each year, or the Clerk of the Circuit Court is required to certify an interim tax roll.
2. Within 24 days of tax roll certification, the Board considers and approves for advertising a tentative budget.
3. Within 29 days after tax roll certification, the District advertises the tentative budget and the millage rates therein.
4. A public hearing to adopt the tentative budget and proposed millage rate is held not less than two nor more than five days after the budget is advertised.
5. Within 35 days of tax roll certification, the District notifies the Palm Beach County Property Appraiser of proposed millage rates.

At a final public hearing within 80 days, but not less than 65 days, after tax roll certification, the Board adopts the District budget.

The major functional level is the legal level of budgetary control. Per Board policy, management is authorized to make budget amendments at function level with Board approval. All interim budget amendments between major functional areas within each fund are submitted to the Board for approval. Federal and State grant budget amendments which require State approval prior to processing are also submitted to the Board for approval with monthly amendments.

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Unreserved appropriations are cancelled at the end of the fiscal year. However, encumbered appropriations for funds do not lapse at the end of the fiscal year. Restricted, committed and assigned fund balances at June 30, 2018 for funds under budgetary control have been re-appropriated for the fiscal year 2019 operating budget within the appropriate fund. Programs restricted for carryover include all State categorical grants required to be expended on specific programs and District approved carryover programs.

D. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to reserve a portion of an applicable appropriation, is utilized for budgetary control purposes. Encumbrances are not the equivalent of expenditures, and accordingly, amounts assigned for encumbrances at the governmental fund level indicate that portion of the fund balance segregated for expenditure upon vendor performance.

E. Cash, Cash Equivalents and Investments

The District maintains a Treasurer's pool for the District's cash and investments. Each fund's portion of the pool is reported as cash, cash equivalents and investments in the financial statements. Investments recorded at fair value consist of direct obligations of the United States Treasury, U.S. Government Agency Securities, U.S. Government sponsored agencies, investing in U.S. Treasury Securities, AAA rated local government investment pools, corporate notes, U.S. Government Supported Corporate Debt, and other investments allowable by the District's investment policy. The District categorizes its investments according to the fair value hierarchy established by GASB Statement No. 72. The hierarchy is based on observable and unobservable inputs used in establishing the fair value of a financial asset or liability. All money market mutual funds are AAA rated by the various rating agencies and each fund is registered as a 2a-7 fund with the SEC and recorded at amortized cost. Rule 2a-7 of the Investment Company Act of 1940, comprises the rules governing money market funds. For purposes of the statement of cash flows, each fund's portion of the pool is considered cash equivalents, which are money market funds and all highly liquid investments with a maturity of three months or less when purchased.

F. Inventories

Inventories are valued at the lower of cost or net realizable value, using the average cost method. The District's inventories include various items consisting of school supplies, paper, textbooks, fuel, commodities, etc. USDA commodities received from the Federal government are recorded at the value established by the Federal government using the average cost method. Inventorial items are recorded as expenditures when shipped to schools and department offices (the consumption method). The nonspendable fund balance at the governmental fund level is equal to the amount of inventories at year-end to indicate the portion of the governmental fund balances that are nonspendable.

G. Prepaid Items

Expenditures for insurance and similar services extending over more than one accounting period are not allocated between or among accounting periods in the governmental funds and are instead accounted for as expenditures in the period of acquisition (Purchase method). In the Government-Wide financial statements these amounts are reported as other assets and will be charged to expense in the period used or consumed.

H. Capital Assets

Capital assets represent the cumulative amount of capital assets owned and in use by the District. Purchased assets are recorded as expenditures in the governmental fund financial statements and are capitalized at cost on the government-wide statement of net position. Gifts or contributions are recorded at estimated acquisition value at the time received. The District's capitalization levels are \$1,000 on tangible personal property,

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\$100,000 on building improvements, \$50,000 on improvements other than buildings and \$100,000 on intangible assets. Other costs incurred for repairs and maintenance is expensed as incurred. All reported capital assets except land and construction in progress are depreciated.

Depreciation is computed using the straight-line method over the following estimated useful lives:

Description	Estimated Lives
Furniture, Fixtures and Equipment	3 – 15 years
Motor Vehicles	5 – 10 years
Audio/Video Materials & Software	3 – 5 years
Buildings and Improvements	15 – 50 years
Improvements Other Than Buildings	15 years
Intangibles	5 years

I. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position has a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. One item is accumulated decrease in fair value of hedging derivatives. The District terminate all SWAPs during fiscal year 2018, and therefore the ending balance for hedging derivatives is zero. A second item is the net carrying amount of debt refunding reported in the government-wide statement of net position. A deferred loss on debt refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded debt or new refunding debt. A third item, in accordance with GASB 68, reports pension related deferred outflows of resources and deferred inflows of resources on its financial statements. A fourth item, in accordance with GASB 75, the District restated the beginning balances and reports OPEB related deferred inflows of resources on its financial statements (See Footnote 1 (P)).

On the Government-Wide financial statements Deferred Outflows of Resources activity for fiscal year ended June 30, 2018 is as follows (in thousands):

	Ending Balance June 30, 2017	Increase	Decrease	Ending Balance June 30, 2018
Deferred Outflows of Resources				
Accumulated Decrease in Fair Value of Hedging Derivatives (see footnote 11)	\$ 61,946	\$ -	\$ 61,946	\$ -
Deferred Loss on Debt Refunding	61,781	57,329	12,724	106,386
Pension Related - FRS (see footnote 12)	294,641	133,369	66,459	361,551
Pension Related - HIS (see footnote 12)	83,515	6,149	17,613	72,051
Total Outflows of Resources	<u>\$ 501,883</u>	<u>\$ 196,847</u>	<u>\$ 158,742</u>	<u>\$ 539,988</u>

In addition to liabilities, the statement of net position has a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has \$3.7 million Unavailable Deferred Revenue (\$3.6 million is related to Medicaid administration claims and \$132 thousand related to fuel tax credit) that qualifies as a deferred inflow of

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resources and it is shown in the governmental funds Balance Sheet under the modified accrual basis of accounting.

On the Government-Wide financial statements, Deferred Inflows of Resources total \$95.0 million as shown below (in thousands):

	Restated Ending Balance June 30, 2017	Increase	Decrease	Ending Balance June 30, 2018
Deferred Inflows of Resources				
Pension Related - FRS (see footnote 12)	\$ 29,177	\$ 40,165	\$ 29,141	\$ 40,201
Pension Related - HIS (see footnote 12)	7,775	36,315	7,766	36,324
OPEB Related (see footnote 13)	12,552	5,913	-	18,465
Total Inflows of Resources	\$ 49,504	\$ 82,393	\$ 36,907	\$ 94,990

J. Long Term Debt

In the fund-level financial statements, governmental funds report the face amount of debt issued and debt principal payments, as well as any premiums (discounts) as other financing sources (uses). Debt issuance costs and principal payments are reported as debt service expenditures. In the government-wide financial statements, long-term debt is reported as liabilities in the statement of net position. Bond premiums/ discounts and Bond insurance cost are amortized over the life of the bonds.

The District previously entered into interest rate swap agreements to modify interest rates on outstanding debt. As of June 30, 2018, Series 2002B/2014A, 2003B and 2002D/2012B Pay Fixed Interest Rate Swap Agreements were terminated (See Notes 10 and 11).

K. Self-Insurance

The District is self-insured for health (health insurance for employees and eligible dependents) and portions of its general and automobile liability insurance and workers' compensation (insurance for various risks of loss related to torts; theft of; damage to; destruction of assets; errors and omissions; injury to employees and natural disasters). The estimated liability for self-insured risks represents an estimate of the amount to be paid on insurance claims reported and on insurance claims incurred but not reported (See Note 8).

Consistent with GAAP guidelines, in the Proprietary Fund financial statements, the liability for self-insured risks is recorded under the accrual basis of accounting. Expenditures of the self-insurance funds are charged back to the appropriate governmental fund.

L. Compensated Absences

Compensated absences are obligations to employees for accumulated vacation and sick leave. These amounts also include the related employer's share of applicable taxes and retirement contributions. District employees may accumulate unused vacation and sick leave up to a specified amount depending on their date of hire. Vacation and sick leave are payable to employees upon termination or retirement at the current rate of pay on the date of termination or retirement.

The District uses the vesting method to calculate the compensated absences amounts. The entire compensated absence liability is reported on the government-wide financial statements. The portion related to employees in the Internal Service Fund is recorded at the fund level. The current portion is the amount estimated to be used in the following year. To liquidate the liability, an expenditure is mainly recognized in the general fund as payments come due each period, for example, as a result of employee resignations and

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retirements. Compensated absences not recorded at the fund level represent a reconciling item between the fund level and government-wide presentations (See Note 10).

M. Pensions

In the government-wide statement of net position, liabilities are recognized for the District's proportionate share of each pension plan's net pension liability. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) defined benefit plan and additions to deductions from the FRS's and the HIS's fiduciary net position have been determined on the same basis as they are reported by the FRS and the HIS plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Pension liabilities are liquidated in the governmental fund in which the employee is charged. Investments are reported at fair value. See footnote 12 for additional information regarding the District's retirement plans and related amounts.

N. Accounting Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets/deferred outflows of resources and liabilities/deferred inflows of resources and disclosures of contingent assets/deferred outflows of resources and liabilities/deferred inflows of resources at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

O. Post-Employment Benefits Other Than Pensions (OPEB)

The District applies GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for the measurement, recognition, and display of OPEB expenditures or expenses, liabilities and assets as discussed in a subsequent note.

P. Impact of Recently Issued Accounting Principles

Recently Issued and Adopted Accounting Pronouncements

In June 2015, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, is effective for the District beginning with its year ending June 30, 2018. This Statement outlines reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. This standard will require the immediate recognition of the entire net OPEB liability and a more comprehensive measurement of OPEB expense. The effect of the accounting change on net position as previously reported for fiscal year 2017 and prior years is a reduction of \$40.1 million and is adjusted as of June 30, 2017 as follows (amounts in thousands):

	<u>Governmental Activities</u>
Net Position, previously reported	\$ 1,395,395
Prior period restatement - Implementation GASB 75:	
Net OPEB Oligation, June 30, 2017 (as reported)	\$ 111,919
Deferred Inflows of Resources	(12,552)
Net OPEB Liability, July 1, 2017	(139,445)
Total OPEB related adjustment	(40,078)
Net Position, restated	\$ 1,355,317

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In March 2017, GASB Statement No. 85, *Omnibus 2017*, is effective for the District beginning with its year ending June 30, 2018. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The District implemented this statement for fiscal year 2018. The adoption of GASB 85 did not impact the District's financial position or results of operations.

In May 2017, GASB Statement No. 86, *Certain Debt Extinguishment Issues*, is effective for the District beginning with its year ending June 30, 2018. The objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The District implemented this statement for fiscal year 2018. The adoption of GASB 85 did not impact the District's financial position or results of operations.

Recently Issued Accounting Pronouncements

In January 2017, GASB Statement No. 83, *Certain Asset Retirement Obligations*, will be effective for the District beginning with its year ending June 30, 2019. The objective of this Statement is to set guidance for determining the timing and pattern of recognition for liabilities and corresponding deferred outflow of resources related to asset retirement obligations. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In January 2017, GASB Statement No. 84, *Fiduciary Activities*, will be effective for the District beginning with its year ending June 30, 2020. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should and establishes criteria for identifying fiduciary activities of all state and local governments. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In June 2017, GASB Statement No. 87, *Leases*, will be effective for the District beginning with its year ending June 30, 2020. This Statement outlines new guidance that establishes a single approach to accounting for and reporting leases by state and local governments. The goal is to better align reporting these leases with their particular situations, as well as provide greater transparency and usefulness of financial statements. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

2. AD VALOREM TAXES

The Board is authorized by Florida Statutes to levy property taxes for District operations, capital improvements and debt service. Property taxes consist of ad valorem taxes on real and personal property within the District. The Palm Beach County Property Appraiser assesses property values and the Palm Beach County Tax Collector collects the property taxes.

Property values are assessed as of January 1 each year. The Board levies the property tax at the final budget hearing each year based on the assessed valuation of all non-exempt property. This levy finances the expenditures of the current fiscal year. Tax bills are mailed by the Palm Beach County Tax Collector on November 1 and are due no later than April 1. After this date, taxes become an enforceable lien on property. Discounts of up to 4% are available for early payment. The majority of ad valorem taxes are collected in November and December and remitted to the School Board. Section 197.383, Florida Statutes, requires the

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Palm Beach County Tax Collector to distribute the taxes collected to each taxing authority at least four times during the first two months after the tax roll comes into the Tax Collector's possession, and at least once per month thereafter. Taxes are considered delinquent if not paid prior to April 1. State law provides for enforcement of collection of taxes by the sale of tax certificates on real property and for levy upon, seizure and sale of personal property after the Palm Beach County Tax Collector initiates a sequence of required procedures resulting in a court order to carry out the action.

The State Legislature prescribes the maximum non-voted millage that may be levied by the Board for each fiscal year. The total millage rate levy was 6.769 mills (including .25 mills approved by voters in November 2014) and the total assessed value on which the 2017-18 levy was based was \$190.2 billion. Gross taxes levied were approximately \$1.3 billion. Total revenue, net of discounts, was approximately \$1.2 billion. A portion of the taxes levied for the Local Capital Improvement Capital Project Fund, designated for repairs and maintenance programs are transferred to the General Fund as provided by Chapter 1013, Florida Statutes. For fiscal year 2018, the maintenance transfer amounted to approximately \$80.7 million. Additionally, approximately \$8.4 million was transferred for property insurance; bringing the total transfer from capital funds to approximately \$89.1 million.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

Florida Statutes authorize the deposit of District funds in demand deposits or time deposits of financial institutions approved by the State Treasurer and are defined as public deposits. All District public deposits are held in qualified public depositories pursuant to chapter 280, Florida Statutes, the "Florida Security for Public Deposits Act." Under the Act, all qualified public depositories are required to pledge eligible collateral having a market value equal to or greater than the average daily or monthly balance of all public deposits times the depository's collateral pledging level. The collateral pledging level may range from 50% to 125% depending upon the depository's financial condition and the length of time that the depository has been established. All collateral must be deposited with the State Treasurer. Any losses to public depositors resulting from insolvency are covered by applicable deposit insurance, sale of securities pledged as collateral and, if necessary, assessment against other qualified public depositories of the same type as the depository in default. All bank balances of the District are fully insured or collateralized. At June 30, 2018, the carrying amount of the District's cash deposits was approximately \$638.2 million and the bank balance was approximately \$644.0 million. The carrying amount of the Agency Fund - School Internal Funds cash deposits was approximately \$19.9 million.

The District receives interest on all balances in its cash accounts from the qualified public depository acting as its banking agent. Interest earnings are allocated to all funds based on the average daily balance of each fund's equity in the Treasurer's Pool.

Cash Equivalents consist of amounts invested in money market mutual funds, Florida Education Investment Trust Fund (FEITF) and Florida Prime. FEITF and Florida PRIME are external investment pools that are not registered with the Securities Exchange Commission (SEC), but do operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. Rule 2a-7 allows funds to use amortized cost to maintain a constant net asset value (NAV) of \$1.00 per share. Accordingly, the District's investments in both FEITF and Florida PRIME are reported at the account balance which is amortized cost. There are no restrictions or fees to withdrawal from either of these pools.

Investments

The District's investment policy permits investments in the Florida Prime Fund, FEITF, securities of the United States Government, U.S. Government Agencies, Federal instrumentalities, interest bearing time deposit or savings accounts, repurchase agreements, commercial paper, corporate notes, bankers' acceptances, state and/or local government debt, and money market mutual funds. The District's investment advisor used the effective duration method to calculate effective duration measures for the securities held by the District.

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Besides measuring the sensitivity of the securities market value to changes in interest rates, the effective duration method accounts for any call (early redemption) features that a security may have.

In accordance with GASB *Statement No. 72, Fair Value Measurement and Application*, the District categorizes investments according to the fair value hierarchy established by this Statement. The hierarchy is based on valuation inputs used to measure the fair value of the asset as follows: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs to include quoted prices for similar assets in active and non-active markets; Level 3 inputs are significant unobservable inputs. Certain investments are measured at fair value using the net asset value per share (or its equivalent) practical expedient and have not been classified in the fair value hierarchy. The fair value amounts, presented in the following table, are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of net position.

As of June 30, 2018, the District had the following unrestricted cash and investments with stated maturities that were categorized as Level 1 and Level 2 (amounts in thousands):

	Balance (in thousands)	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Effective Duration (years)
Investments by Level				
Commercial Paper	\$ 2,497	\$ -	\$ 2,497	0.33
Core Fund Investments				
US Treasury - Notes	18,084	18,084	-	0.91
Federal Agency - Bond/Notes	20,925	-	20,925	2.30
Corporate Notes	6,969	-	6,969	2.40
Total Investments by Fair Value Level	48,475	\$ 18,084	\$ 30,391	
Investments Reported at Amortized Cost				
Florida Education Investment				
Trust Fund (FEITF)	224,199			N/A
Money Market Funds	48,296			N/A
Florida Prime	33			0.04
Total Investments Reported at Amortized Cost	272,528			
Total Investments	321,003			
Cash Deposits	638,201			
Total Cash and Investments	\$ 959,204			

Interest Rate Risk

To limit exposure to fair value losses resulting from increases in interest rates, the District's Investment Policy limits operating funds to maturities of two years or less. Investments of reserves, project funds, debt proceeds and other non-operating funds ("core funds") shall have a term appropriate to the need for funds and in accordance with debt covenants, but in no event shall exceed five (5) years and the average duration of the funds as a whole may not exceed three (3) years. The District's investment in the Federally Backed Securities (Fannie Mae, Freddie Mac (also known as Federal Home Loan Mortgage Corporation) and Farmer Mac)

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matures between July 2017 and January 2021. As of June 30, 2018, the District held approximately \$1.6 million in fair value of callable Corporate Notes, which permit the issuer to redeem the securities prior to their original maturity date.

Concentration of Credit Risk

The District's Investment Policy specifies the maximum percentage allocation to any single investment type as well as the maximum percentage holding per issuer. Up to 100% of the portfolio may be invested in U.S. Government securities, 80% may be invested in Federal Instrumentalities (US government sponsored agencies) with no more than 50% with a single issuer and 50% may be invested in US government agencies with no more than 25% with a single issuer. Corporate Notes are limited to 15% of the portfolio with no more than 5% with a single issuer.

PORTFOLIO / INVESTMENTS	CARRYING AMOUNT (in thousands)	PERCENTAGE OF INVESTMENT BALANCE	RATING S&P / MOODY'S
Money Market Funds			
Dreyfus Treasury and Agency	\$ 23,018	2.40%	AAAm/Aaa-mf
Federated Government Obligation	7,744	0.81%	AAAm/Aaa-mf
Fidelity Institutional Government Fund	17,534	1.83%	AAAm/Aaa-mf
Florida Education Investment Trust Fund (FEITF)	224,199	23.37%	AAAm
Florida Prime	33	0.00%	AAAm
Commercial Paper			
Fortis	2,497	0.26%	A-1
Investments in Fixed Income Securities			
US Treasury - Notes/Bill	18,084	1.89%	AA+/Aaa
Corporate Notes	6,969	0.73%	(1)
Federally Backed Securities (Fannie Mae, Farmer Mac & Freddie Mac) - Long Term	20,925	2.18%	AA+/Aaa
Total Investments	321,003	33.47%	
Plus Cash Deposits	638,201	66.53%	
Total Cash and Investments	\$ 959,204	100.00%	

(1) Twenty Corporate securities rating range - S&P (AA+ / BBB+) and Moody's (Aaa / A3)

As of June 30, 2018, all District investments were in compliance with the District's Investment Policy or Debt Management Policy and did not exceed portfolio allocation or issuer maximums.

Credit Risk

The District's Investment Policy lists the authorized investment types as well as the minimum allowable credit rating for each investment type. Corporate notes purchased for investment must be issued by corporations organized and operating within the United States or by depository institutions licensed by the United States that have a long term debt rating, at the time of purchase, at a minimum "A" by Moody's and a minimum long term debt rating of "A" by Standard & Poor's ("S&P"). The maximum length to maturity for corporate notes shall be three (3) years from the date of purchase. As of June 30, 2018, the District held \$7.0 million of corporate notes of which had an S&P rating between AA+ and BBB+. All investments in the Federally Backed Securities (Fannie Mae, Freddie Mac (also known as Federal Home Loan Mortgage Corporation) and Farmer Mac) had an S&P rating of AA+ and a Moody's rating of Aaa for securities held for more than one year. All

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other rated investments were rated between BBB+ and AAAM by S&P. As of June 30, 2018, the Local Government Investment Pools were rated AAAM by S&P.

Custodial Risk

The District's investment policy requires that all securities, with the exception of certificates of deposit, be held with a third party custodian; and all securities purchased by, and all collateral obtained by the District should be properly designated as an asset of the District. The securities must be held in an account separate and apart from the assets of the financial institution. A third party custodian is defined as any bank depository chartered by the Federal government, the state of Florida, or any other state or territory of the United States which has a branch or principal place of business in the state of Florida as defined in § 658.12, F.S., or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in the state of Florida. Certificates of deposit will be placed in the provider's safekeeping department for the term of the deposit. Security transactions between a broker/dealer and the custodian involving the purchase or sale of securities by transfer of money or securities are made on a "delivery vs. payment" basis, if applicable, to ensure that the custodian will have the security or money, as appropriate, in hand at the conclusion of the transaction. As of June 30, 2018, the District's investment in fixed income securities was held with a third-party custodian.

4. INVESTMENT DERIVATIVE INSTRUMENTS

The District received an upfront payment of \$3.0 million for allowing the swap counterparty the right to terminate the 2003B Interest Rate Swap if the 180-day average of the BMA Index exceeds 7.0% in the future. The barrier feature was effective June 2003 and was exercisable anytime until August 2018. On February 28, 2018, the District terminated Series 2003B Pay Fixed Interest Rate Swap Agreement (See Note 11).

5. DUE FROM OTHER GOVERNMENTS OR AGENCIES

At June 30, 2018, the District had a total of approximately \$31.2 million in Due From Other Governments or Agencies which consisted of the following balances (amount in thousands):

	General Fund	Other Non-major Governmental Funds	Internal Service Fund	Total
Federal and State Sources				
Medicaid*	\$ 4,993	\$ -	\$ -	\$ 4,993
Grants and Entitlements	-	12,992	-	12,992
FEMA and Other Emergency Claims	359	6	-	365
Fuel Tax*	-	170	-	170
PECO	-	1,193	-	1,193
Local Sources				
Early Learning Coalition	857	-	-	857
Erate	500	-	-	500
Impact Fee	-	6,031	-	6,031
Pharmacy Rebates	-	-	3,035	3,035
Other	358	675	-	1,033
Total Due From Other Governments or Agencies	\$ 7,067	\$ 21,067	\$ 3,035	\$ 31,169

* All or partially recorded as Deferred Inflow - Unavailable Revenue at the fund level.

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

6. INTERFUND ACTIVITIES

Due to/from other funds consisted of the following balances at June 30, 2018 (amounts in thousands):

	Interfund Receivables	Interfund Payables
General Fund	\$ 2,000	\$ -
Sales Tax	-	464
Other Non-Major Governmental Funds	464	2,000
Total Interfund	\$ 2,464	\$ 2,464

The amount payable by the Other Non-Major Governmental Fund to the General Fund is to cover temporary cash shortages related to timing of receipts. The amount payable by the Sales Tax Fund to Other Non-Major Governmental is related to eligible costs incurred.

Interfund transfers for the year ended June 30, 2018 were as follows (amounts in thousands):

Transfer from:	Transfer to:			Total
	General Fund	COPS Debt Service	Other Non-Major Governmental Funds	
Capital Improvement	\$ 80,708	\$ 138,242	\$ -	\$ 218,950
General Fund	-	-	207	207
Other Non-Major Governmental Funds	8,422	6,753	8,727	23,902
Total	\$ 89,130	\$ 144,995	\$ 8,934	\$ 243,059

Transfers to the General Fund relate primarily to funding for the maintenance, renovation and/or repair of school facilities, pursuant to Section 1011.71 of the Florida Statutes. Transfers to COPS Debt Service and Other Non-Major Governmental funds mainly relate to amounts transferred to make debt service payments and to fund minor capital projects.

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

7. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 is as follows (amounts in thousands):

	Begining Balance July 1, 2017	Additions and Transfer In	Retirements and Transfers Out	Ending Balance June 30, 2018
<u>Non-Depreciable Assets:</u>				
Land	\$ 342,380	\$ 375	\$ -	\$ 342,755
Construction in Progress	3,656	11,068	5,936	8,788
Total Non-Depreciable Assets	346,036	11,443	5,936	351,543
<u>Depreciable Assets:</u>				
Improvements Other Than Buildings	58,834	605	301	59,138
Buildings and Improvements	4,172,921	193	1,554	4,171,560
Furniture, Fixtures & Equipment	129,525	7,016	12,129	124,412
Motor Vehicles	118,641	15,724	13,468	120,897
Audio/Video Materials & Software	40,278	6,085	1,517	44,846
Total Depreciable Assets	4,520,199	29,623	28,969	4,520,853
<u>Less Depreciation For:</u>				
Improvements Other Than Buildings	(35,628)	(3,702)	(144)	(39,186)
Buildings and Improvements	(1,316,951)	(87,029)	(1,554)	(1,402,426)
Furniture, Fixtures & Equipment	(105,360)	(7,452)	(11,857)	(100,955)
Motor Vehicles	(79,691)	(8,054)	(13,396)	(74,349)
Audio/Video Materials & Software	(39,841)	(810)	(1,452)	(39,199)
Total Accumulated Depreciation	(1,577,471)	(107,047)	(28,403)	(1,656,115)
Capital Assets, Net	\$ 3,288,764	\$ (65,981)	\$ 6,502	\$ 3,216,281

Depreciation expense for the year ended June 30, 2018 of approximately \$107.0 million was not allocated to specific functions. The District's capital assets essentially serve all functions and as such the depreciation expense is included as a separate line item in the statement of activities.

8. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; administrative errors and omissions; injuries to employees, students and guests; as well as natural disasters and employee health and medical insurance. The District is self-insured for portions of its general and automobile liability insurance, workers compensation and employee health and medical insurance. Losses involving auto and general liability claims are limited (generally) by provisions of the Florida State Statute 768.28. These self-insured funds are administered by a third party. The District purchases commercial insurance for other risks including property, construction and other miscellaneous risks. The District has not experienced any significant reduction in insurance coverage from previous years nor has it paid any settlements in excess of insurance coverage in the past three years. This liability is typically liquidated from the internal service fund.

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The employee health insurance claims liability is based on an analysis performed by management, which is based on historical trends. The remaining claims liability is based on an actuarial evaluation performed by an independent actuary as of June 30, 2018 using a discounted rate factor of 2.0%. The liability consists of claims reported and payable, as well as an estimate for claims incurred but not reported. At June 30, 2018, the liability for claims consisted of approximately \$14.0 million, \$9.8 million and \$35.3 million for employee health, auto and general liability, and workers' compensation, respectively.

A summary of changes in the estimated liability for self-insured risks is as follows (amounts in thousands):

	Fiscal Year Ended June 30, 2017	Fiscal Year Ended June 30, 2018
Beginning Balance	\$ 57,812	\$ 62,028
Additions:		
Current year claims and changes in estimates	207,061	201,007
Reductions:		
Claim payments	(202,845)	(203,907)
Ending Balance	<u>\$ 62,028</u>	<u>\$ 59,128</u>

9. SHORT-TERM DEBT

Tax Anticipation Notes

On September 26, 2017, the District issued Tax Anticipation Notes ("TANS") Series 2017. The \$115.0 million issue has a coupon rate of 3.0% with an effective yield of 0.98%. The notes are dated October 10, 2017 and are due August 30, 2018.

Short-term debt activity for the year ended June 30, 2018 was as follows (amount in thousands):

	Beginning Balance July 1, 2017	Issued	Redeemed	Ending Balance June 30, 2018
Tax anticipation notes	\$ 115,000	\$ 115,000	\$ 115,000	\$ 115,000
Total short-term debt	<u>\$ 115,000</u>	<u>\$ 115,000</u>	<u>\$ 115,000</u>	<u>\$ 115,000</u>

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

10. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2018, is as follows (amounts in thousands):

	(Restated) Beginning Balance July 1, 2017	Additions	Reductions	Ending Balance June 30, 2018	Amounts Due Within One Year
Governmental Activities:					
Bonds, Notes and Other Payable:					
Notes/Loans Payable	\$ 23,485	\$ -	\$ (8,454)	\$ 15,031	\$ 7,115
Capital Outlay Bond Issue	11,396	-	(1,543)	9,853	1,311
Certificates of Participation	1,466,758	529,310	(640,095)	1,355,973	77,630
Borrowing-Swap Upfront Payment	2,430	-	(2,430)	-	-
Derivative Instruments-Hedging	61,946	-	(61,946)	-	-
	<u>1,566,015</u>	<u>529,310</u>	<u>(714,468)</u>	<u>1,380,857</u>	<u>86,056</u>
Plus Issuance Premium	81,587	94,098	(20,812)	154,873	-
Total Bonds, Notes and Other Payable	<u>1,647,602</u>	<u>623,408</u>	<u>(735,280)</u>	<u>1,535,730</u>	<u>86,056</u>
Other Liabilities:					
Compensated Absences	185,700	23,703	(15,577)	193,826	15,401
Self-Insurance					
Claims and Judgments	62,028	201,007	(203,907)	59,128	23,581
Net OPEB Liability *	139,445	-	(1,282)	138,163	-
Net Pension Liability	965,450	68,115	-	1,033,565	-
Total Other Liabilities	<u>1,352,623</u>	<u>292,825</u>	<u>(220,766)</u>	<u>1,424,682</u>	<u>38,982</u>
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 3,000,225</u>	<u>\$ 916,233</u>	<u>\$ (956,046)</u>	<u>\$ 2,960,412</u>	<u>\$ 125,038</u>

* Beginning balance restated in accordance with GASB Statement No. 75 (see footnote 13).

The compensated absences and post-employment benefits are generally liquidated by the General Fund. Long-term claims and judgments are liquidated by the Internal Service Funds. Pension contributions are paid by the governmental fund consistent with employee compensation.

Notes/Loans Payable

On February 20, 2014, the District entered into loan agreement 2014 with TD Equipment Finance for financing the acquisition of 119 buses. The \$14.0 million issue with a coupon of 1.235% is payable over 5 years and will mature August 1, 2018.

On July 2, 2015, the District entered into loan agreement 2015 with Banc of America Public Capital Corp for financing the acquisition of 125 buses and other equipment \$14.2 million issue with a coupon rate of 1.242%. Under the terms of the loan agreement the debt is payable over five years.

On October 1, 2015, the District entered into loan agreement 2015A with Banc of America Public Capital Corp for financing the acquisition of 18 HVAC systems and other equipment \$7.2 million issue with a coupon rate of 1.274%. Under the terms of the loan agreement the debt is payable over five years.

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On March 18, 2016, the District entered into loan agreement 2016 with Banc of America Public Capital Corp for financing the acquisition of 60 buses and other equipment \$6.9 million issue with a coupon rate of 1.255%. Under the terms of the loan agreement the debt is payable over five years.

A summary of notes/loans payable terms are presented as follows (amounts in thousands):

Bus & Equipment Loans	Date of Issue	Amount Issued	Remaining Interest Rates (Percent)	Final Maturity Date	Debt Outstanding June 30, 2017	Debt Reedemed	Debt Outstanding June 30, 2018
2014	02/20/14	\$ 14,002	1.235%	08/01/18	\$ 4,264	\$ 2,836	\$ 1,428
2015	07/02/15	14,235	1.242%	02/01/20	8,602	2,832	5,770
2015 A	10/01/15	7,152	1.274%	08/01/20	5,034	1,416	3,618
2016	03/18/16	6,950	1.255%	02/01/21	5,585	1,370	4,215
		<u>\$ 42,339</u>			<u>\$ 23,485</u>	<u>\$ 8,454</u>	<u>\$ 15,031</u>

The annual future minimum loan payments are as follows (amounts in thousands):

Year Ended June 30	Principal	Interest	Total Principal and Interest
2019	\$ 7,115	\$ 162	\$ 7,277
2020	5,760	81	5,841
2021	2,156	18	2,174
Total	<u>\$ 15,031</u>	<u>\$ 261</u>	<u>\$ 15,292</u>

State Board of Education Capital Outlay Bond Issues

State Board of Education Capital Outlay Bond Issues ("COBI") are serviced entirely by the State using a portion of the District's share of revenue derived from motor vehicle license taxes pursuant to Chapter 320, Florida Statutes, and Article XII, Section 9(d), of the Florida Constitution. The State Board of Administration determines the annual sinking fund requirements. The amounts necessary to retire bonds and interest payable are withheld from the entitlement to the District. Interest rates on the COBI bonds range from 2.00% to 5.00%. Interest is payable semiannually on January 1 and July 1. The bonds are redeemable at par.

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A summary of bond terms is presented as follows (amounts in thousands):

Capital Outlay Bond Issues	Date of Issue	Amount Issued	Remaining Interest Rates (Percent)	Final Maturity Date	Debt Outstanding June 30, 2017	Debt Matured	Debt Outstanding June 30, 2018
COBI 2009-A	9/10/2009	\$ 1,655	5.0%	1/1/2019	\$ 400	\$ 195	\$ 205
COBI 2010-A	10/14/2010	9,700	3.5% to 5.0%	1/1/2030	6,695	455	6,240
COBI 2010-A	10/14/2010	1,790	4.0% to 5.0%	1/1/2022	1,080	180	900
COBI 2011-A	12/7/2011	5,820	3.0% to 5.0%	1/1/2023	2,790	365	2,425
COBI 2014-B	12/2/2014	4,275	2.0% to 5.0%	1/1/2020	431	348	83
		<u>\$ 23,240</u>			<u>\$ 11,396</u>	<u>\$ 1,543</u>	<u>\$ 9,853</u>

The debt service requirements through maturity to the holders of the Capital Outlay Bond Issue are as follows (amounts in thousands):

Year Ended June 30	Principal Capital Outlay Bonds	Interest	Total Principal and Interest
2019	\$ 1,311	\$ 417	\$ 1,728
2020	1,177	358	1,535
2021	1,200	300	1,500
2022	1,280	241	1,521
2023	1,070	187	1,257
2024-2028	2,120	474	2,594
2029-2033	1,695	137	1,832
Total	<u>\$ 9,853</u>	<u>\$ 2,114</u>	<u>\$ 11,967</u>

The District is subject to State Board of Education Administrative Rule 6A-1037(2) that limits the amount of State Board of Education Capital Outlay Bond Issues outstanding to 10% of the non-exempt assessed valuation. At June 30, 2018, the statutory limit for the District was approximately \$19.8 billion, providing additional debt capacity of approximately \$19.8 billion.

Certificates of Participation

On November 16, 1994, the District entered into a Master Lease Purchase Agreement (the "Master Lease") dated November 1, 1994, with the Palm Beach School Board Leasing Corporation, a Florida not-for-profit corporation, to finance the acquisition and construction of certain facilities, and equipment for District operations. The Corporation was formed by the Board solely for the purpose of acting as the lessor for Certificates of Participation financed facilities, with the District as lessee. The Corporation issued Certificates of Participation (COP) to third parties, evidencing undivided proportionate interest in basic lease payments to be made by the District, as lessee, pursuant to the Master Lease. Simultaneously therewith, the Board entered into Ground Leases with the Corporation for the Facilities sites.

The District also sold Certificates of Participation Qualified Zone Academy Bonds ("QZAB"). The QZAB program is a financial instrument that provides a different form of subsidy from traditional tax-exempt bonds. Interest on QZABs is paid by the Federal government in the form of an annual tax credit to an eligible financial institution that holds the QZAB. The QZAB issuer is responsible for repayment upon maturity. The tax credits and bonding authority are made available by the Federal government to support innovative school

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partnerships; enhance reform initiatives, including augmenting Federal education programs, technology and vocational equipment; and development of curriculum or better teacher training to promote market driven technology. To be eligible, a school must:

1. Be located in an Empowerment Zone or an Enterprise Community or have 35% or more of its students eligible for free or reduced lunch under the National School Lunch Act.
2. Obtain cash and/or in-kind contribution agreements from partnerships equal to at least 10% of the gross proceeds of the QZAB.

The District deposits funds annually into an escrow account, which when coupled with interest earnings will be sufficient to pay off the principal at maturity.

As part of the American Reinvestment and Recovery Act, the District was authorized to issue up to \$67.7 million of Qualified School Construction Bonds (QSCB) for the purpose of new construction. The District chose to modernize two schools (Galaxy Elementary and Gove Elementary) and replace two roofs (Belle Glade Elementary and Pioneer Park Elementary). The District issued the bonds as Taxable Certificates of Participation through the Build America Bonds program, also created by the ARRA legislation. The District issued taxable bonds and receives a federal subsidy from the Treasury department equal to the difference between the taxable and tax-exempt rates. The Certificates were sold to Bank of America during a competitive sale held on November 3, 2010 and closed on November 15, 2010. The par amount was \$67.7 million and the interest rate was 5.40%. The District will pay interest only until 2019 when deposits to the sinking fund begin. The final maturity of the bonds is August 1, 2025. The total interest that will be paid over the life of the bonds is \$53.8 million. A total subsidy of \$48.6 million will be recorded as revenue in the year earned. Therefore, the amount the District will pay net of the federal subsidy is \$5.2 million. In the current year, the District recorded \$3.3 million subsidy as revenue and \$3.7 million as interest expense resulting in a net impact of \$0.4 million.

Subsequent to the sale of the QSCB certificates, the District entered into a forward delivery agreement (FDA) classified as a nonparticipating interest-earning investment contract with Barclays Bank related to the COPs 2010A QSCB. A forward delivery agreement is a type of investment in which the investor purchases eligible securities on a periodic basis from the agreement provider at a fixed rate of return. The Board expects to purchase eligible securities, which consist of direct obligations of or obligations guaranteed by the US Treasury and AAA-rated senior debt obligations of Fannie Mae, Freddie Mac the FHLB and Federal Farm Credit System from Barclays on a semi-annual basis beginning July 19, 2019 through the final maturity date of August 1, 2025. The Agreement will generate a guaranteed fixed rate of return of 4.262% or \$8.1 million. The interest earnings associated with this transaction will completely offset the interest due (net of the federal subsidy) and will generate an additional \$3.0 million to be used to repay the principal in 2025.

The Corporation leases facilities and equipment to the District under the Master Lease. The Master Lease is automatically renewable annually unless terminated, in accordance with the provisions of the Master Lease, as a result of default or the failure of the Board to appropriate funds to make lease payments in its final official budget. Failure to appropriate funds to pay lease payments under any lease will, and an event of default under any lease may, result in the termination of all leases. The remedies on default or upon an event of non-appropriation include the surrender of the COP Series 1994A, Series, 1995A, Series 1996A, Series 2000A, Series 2001A, Series 2002A, Series 2002B, Series 2002C, Series 2002D, Series 2003A, Series 2003B, Series 2004A, Series 2006A, Series 2007A, Series 2007B, Series 2007E; QZAB Series 2002, QZAB Series 2004, QZAB Series 2005, and QSCB Series 2010A Facilities by the District and the Trustee's re-letting for the remaining Ground Lease term, or the voluntary sale of the COP Series 1994A, Series 1995A, Series 1996A, Series 2000A, Series 2001A, Series 2002A, Series 2002B, Series 2002C, Series 2002D, Series 2003A, Series 2003B, Series 2004A, Series 2006A, Series 2007A, Series 2007B, Series 2007E; QZAB Series 2002, QZAB Series 2004, QZAB Series 2005, and QSCB Series 2010A, Facilities by the School Board. In either case, the proceeds will be applied against the School Board's obligations under the Master Lease.

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A summary of lease terms are presented as follows (amounts in thousands):

Certificate Series	Date of Issue	Amount Issued	Remaining Interest Rates (Percent)	Final Maturity Date	Debt Outstanding June 30, 2017	Debt Issued	Debt Matured	Debt Refunded/Deceased	Debt Outstanding June 30, 2018	Ground Lease Term
2003B (1)	06/26/2003	\$ 124,295	-	N/A	\$ 124,295	\$ -	\$ -	\$ 124,295	\$ -	08/01/2029
2004 QZAB	04/30/2004	2,923	-	04/30/2020	2,923	-	-	-	2,923	N/A
2005 QZAB	12/15/2005	2,150	-	12/15/2020	2,150	-	-	-	2,150	N/A
2007A	02/28/2007	268,545	-	N/A	13,990	-	13,990	-	-	08/01/2031
2007C (2)	03/22/2007	192,310	-	N/A	177,265	-	605	176,660	-	07/31/2027
2007E	10/31/2007	147,390	-	N/A	5,215	-	5,215	-	-	08/01/2032
2010A QSCB	11/15/2010	67,665	5.40% *	08/01/2025	67,665	-	-	-	67,665	08/01/2032
2011A (3)	07/13/2011	112,425	4.00% to 5.00%	08/01/2021	44,520	-	-	26,660	17,860	08/01/2032
2011C (4)	11/15/2011	15,355	1.74%	08/01/2018	1,585	-	230	-	1,355	08/01/2018
2011D (5)	11/15/2011	25,065	2.64%	08/01/2021	19,650	-	4,325	-	15,325	08/01/2021
2012A (6)	05/15/2012	20,085	5.00%	08/01/2022	20,085	-	-	18,290	1,795	08/01/2028
2012B (7)	06/29/2012	116,555	-	N/A	107,120	-	5,130	101,990	-	08/01/2028
2012C (8)	08/09/2012	67,145	4.00% to 5.00%	08/01/2029	63,645	-	3,680	-	59,965	08/01/2029
2014A (9)	01/31/2014	115,560	-	N/A	115,350	-	-	115,350	-	08/01/2027
2014B (10)	06/27/2014	166,010	3.00% to 5.00%	08/01/2025	153,725	-	14,335	-	139,390	08/01/2025
2014C (11)	07/29/2014	33,280	5.00%	08/01/2031	33,280	-	-	-	33,280	08/01/2031
2015A (12)	05/05/2015	106,315	2.52%	08/01/2022	84,150	-	22,595	-	61,555	08/01/2022
2015B (13)	01/14/2015	145,535	5.00%	08/01/2031	145,535	-	6,745	-	138,790	08/01/2031
2015D (14)	04/30/2015	221,640	5.00%	08/01/2032	221,640	-	-	-	221,640	08/01/2032
2015C (15)	10/28/2015	62,970	5.00%	08/01/2032	62,970	-	-	-	62,970	08/01/2032
2017A (16)	10/11/2017	147,850	5.00%	08/01/2027	-	147,850	-	-	147,850	08/01/2027
2017B (17)	12/26/2017	41,945	5.00%	08/01/2028	-	41,945	-	-	41,945	08/01/2032
2018A (18)	02/13/2018	114,770	5.00%	08/01/2027	-	114,770	-	-	114,770	08/01/2027
2018B (19)	02/28/2018	103,955	4.00% to 5.00%	08/01/2028	-	103,955	-	-	103,955	08/01/2028
2018C (20)	02/28/2018	120,790	5.00%	08/01/2029	-	120,790	-	-	120,790	08/01/2029
		<u>\$ 2,542,528</u>			<u>\$ 1,466,758</u>	<u>\$ 529,310</u>	<u>\$ 76,850</u>	<u>\$ 563,245</u>	<u>\$ 1,355,973</u>	

* 2010A QSCB - Average coupon rate before IRS subsidy is 5.4%. Net interest rate with IRS subsidy is 0.5681%

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Notes to Certificates of Participation Series leases on previous pages:

- (1) On March 20, 2008, the District converted and remarketed the Series 2003B (with no change to principal).
- (2) Issued to advance refund and defease a portion the Series 2001A, and Series 2002C Certificates of Participation. **
- (3) Issued to advance refund and defease Series 2007B Certificates of Participation, refunded and partially defeased by 2015C Certificates of Participation. **
- (4) Issued to advance refund and defease a portion of Series 2002A Certificates of Participation. **
- (5) Issued to advance refund and defease a portion of Series 2003A Certificates of Participation. **
- (6) Issued to advance refund and defease a portion of Series 2002D Certificates of Participation. **
- (7) Issued to advance refund and defease remaining Series 2002D Certificates of Participation. **
- (8) Issued to advance refund and defease a portion of Series 2004A Certificates of Participation. **
- (9) Issued to advance refund and defease remaining Series 2002B Certificates of Participation. **
- (10) Issued to advance refund and defease a portion of Series 2011B Certificates of Participation (which previously refunded Series 2001B Certificates of Participation). **
- (11) Issued to advance refund and defease Series a portion of 2007A Certificates of Participation. **
- (12) Issued to advance refund and defease a portion of Series 2005A Certificates of Participation (which previously refunded Series 2001A, 2002A, 2002C, and 2002D Certificates of Participation). **
- (13) Issued to advance refund and defease a portion of Series 2006A Certificates of Participation. **
- (14) Issued to advance refund and defease portions of Series 2007A and 2007E Cert. of Participation. **
- (15) Issued to advance refund and defease a portion of Series 2011A Cert. of Participation. **
- (16) Issued to advance refund and defease a portion of Series 2007C Cert. of Participation. **
- (17) Issued to advance refund and defease a portion of Series 2011A and 2012A Cert. of Participation. **
- (18) Issued to advance refund and defease Series 2002B Cert. of Participation. **
- (19) Issued to advance refund and defease Series 2012B Cert. of Participation. **
- (20) Issued to advance refund and defease Series 2003B Cert. of Participation. **

** These refunding issues were done in order to achieve debt service savings.

The Certificates are not separate legal obligations of the Board but represent undivided proportionate interests in lease payments to be made from appropriated funds budgeted annually by the School Board for such purpose from current or other funds authorized by law and regulations of the Department of Education, including the local optional millage levy. However, neither the Board, the District, the State of Florida, nor any political subdivision thereof are obligated to pay, except from Board appropriated funds, any sums due under the Master Lease from any source of taxation. The full faith and credit of the Board and the District are not pledged for payment of such sums due under the Master Lease, and such sums do not constitute an indebtedness of the Board or the District within the meaning of any constitutional or statutory provision or limitation. A trust fund was established with a Trustee to facilitate payments in accordance with the Master Lease and the Trust Agreement. Various accounts are maintained by the Trustee in accordance with the trust indenture. Interest earned on invested funds is applied toward the basic lease payments. Basic lease payments are deposited with the Trustee semi-annually on June 30 and December 30 or January 5 (for variable rate issue), and are payable to Certificate holders on August 1 and February 1.

Due to the economic substance of the issuances of Certificates of Participation as a financing arrangement on behalf of the Board, the financial activities of the Corporation have been blended in with the financial statements of the District. For accounting purposes, due to the blending of the Corporation within the District's financial statements, basic lease payments are reflected as debt service expenditures when payable to Certificate holders. During the year ended June 30, 2018, no amount was expended for capital outlay in the Certificates of Participation Capital Projects Funds.

All Certificates of Participation issued are subject to arbitrage rebate. At June 30, 2018, the arbitrage liability was zero.

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The debt service requirements through maturity to the holders of the Certificates of Participation, which will be serviced by the annual lease payments, are as follows (amounts in thousands):

Year ended June 30	Series 2011A	Series 2011C	Series 2011D	Series 2012A	Series 2012C	Series 2014B	Series 2014C	Series 2015A
2019	\$ 5,630	\$ 1,355	\$ 4,435	\$ -	\$ 3,825	\$ 14,945	\$ -	\$ 18,820
2020	5,895	-	4,555	-	4,015	15,615	-	18,345
2021	6,335	-	4,670	-	4,180	16,190	-	5,475
2022	-	-	1,665	1,795	4,385	16,965	-	9,345
2023	-	-	-	-	4,565	17,685	-	9,570
2024-2028	-	-	-	-	26,465	57,990	-	-
2029-2033	-	-	-	-	12,530	-	33,280	-
Total	\$ 17,860	\$ 1,355	\$ 15,325	\$ 1,795	\$ 59,965	\$ 139,390	\$ 33,280	\$ 61,555

Year ended June 30	Series 2015B	Series 2015C	Series 2015D	Series 2017A	Series 2017B	Series 2018A	Series 2018B	Series 2018C
2019	\$ 7,080	\$ -	\$ 18,915	\$ -	\$ -	\$ 2,780	\$ 5,475	\$ -
2020	7,435	-	5,275	-	-	10,260	250	2,000
2021	7,805	-	5,535	12,805	-	10,680	185	-
2022	8,200	-	5,815	3,740	-	11,255	6,310	3,305
2023	8,605	-	6,105	3,990	6,335	11,795	3,955	6,930
2024-2028	49,940	-	75,900	127,315	18,680	68,000	36,490	30,715
2029-2033	49,725	62,970	104,095	-	16,930	-	51,290	77,840
Total	\$ 138,790	\$ 62,970	\$ 221,640	\$ 147,850	\$ 41,945	\$ 114,770	\$ 103,955	\$ 120,790

Year ended June 30	Series 2004 QZAB	Series 2005 QZAB	Series 2010A QSCB	Total Lease Payment	Total Interest	Total Lease Payment & Interest
2019	\$ -	\$ -	\$ -	\$ 83,260	\$ 63,117	\$ 146,377
2020	2,923	-	-	76,568	60,839	137,407
2021	-	2,150	-	76,010	57,655	133,665
2022	-	-	-	72,780	54,230	127,010
2023	-	-	-	79,535	50,576	130,111
2024-2028	-	-	67,665	559,160	176,316	735,476
2029-2033	-	-	-	408,660	39,755	448,415
Total	\$ 2,923	\$ 2,150	\$ 67,665	\$ 1,355,973	\$ 502,488	\$ 1,858,461

State Statute requires that no more than 75% of the capital millage levy be used for COP debt service. Two trends have lowered the district's debt capacity in this area. First, property values decline between fiscal year 2009 and fiscal year 2013. Second, the Florida Legislature lowered the allowable capital millage rate from 2.0 mills to 1.75 mills in fiscal year 2009 and again from 1.75 to 1.50 mills in fiscal year 2010. In the course of two years, Legislator reduced district debt service capacity by 25%. Debt service payments remain in compliance at 52.6% of capital millage proceeds. The District's legal lease purchase agreement remaining debt issuance capacity is \$61.2 million, however Board Policy recommends no additional issuance until debt service falls below 50% of capital millage.

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
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Defeased Debt

The District refinanced five debt issues during fiscal year 2018. The last three converted the outstanding variable rate debt to fixed rate debt and terminated all remaining interest rate swaps. The District terminated the SWAP agreements to eliminate the risk of rising interest rates and exposure to other market conditions. While there was an economic loss related to the issuance of Series 2018A and Series 2018B, the total present value savings achieved through the current year refundings were in excess of \$30 million. Over the life of the three swaps, the District achieved savings of \$15.8 million due to upfront payment received of \$13.4 million and interest differential between theoretical fixed rates financing of \$6.0 million partially offset by current year net loss on termination of \$3.6 million.

On October 11, 2017, the District issued certificates of participation (Series 2017A) in the amount of \$147.8 million (plus a premium of \$31.9 million) with interest rate of 5.00% to refund certificates of participation Series 2007C with an average interest rate of 4.47%. The District made a principal payment of \$176.7 million and a call premium of \$2.0 million, the total is recorded in the fund level financial statements as a payment to escrow agent. The net savings from this transaction is \$28.8 million or 16.3%, and a decrease in the District's total debt service requirement of \$32.0 million. The refunding meets the requirements of an in-substance defeasance and the liability for the refunded certificates was removed from the District's financial statements in the current fiscal year.

On December 26, 2017, the District issued certificates of participation (Series 2017B) in the amount of \$41.9 million (plus a premium of \$7.8 million) with net interest cost of 5.00% to partially refund certificates of participation Series 2011A & Series 2012A with interest rates ranging from 4.125% to 5.00%. The District made a principal payment of \$45.0 million and a call premium payment of \$5.3 million, both are recorded in the fund level financial statements as a payment to escrow agent. As a result of the refunding, the District achieved an economic savings (the difference between the present value of the debt service payments on the old and new debt) of \$2.9 million, or 6.39% of the principal amount being refunded, and a decrease in the District's total debt service requirement of \$3.5 million. The refunding meets the requirements of an in-substance defeasance and the liability for the refunded certificates was removed from the District's financial statements in the current fiscal year.

On February 13, 2018, the District issued certificates of participation (Series 2018A) \$114.8 million for (plus a premium of \$16.1 million) with net interest cost of 5.00% to refund certificates of participation Series 2002B with an average coupon interest rate of 4.68%. The District made a principal payment of \$115.3 million, and a call premium of \$0.2 million both are recorded in the fund level financial statements as a payment to escrow agent. The District also made a SWAP termination payment of \$14.9 million. As a result, of the refunding, the District recognized an economic loss (the difference between the present value of the debt service payments on the old and new debt) of \$1.3 million, or -1.14% of the principal amount being refunded, and the District's total debt service increased \$1.5 million. The refunding meets the requirements of an in-substance defeasance and the liability for the refunded certificates and the derivative were removed from the District's financial statements in the current fiscal year.

On February 28, 2018, the District issued certificates of participation (Series 2018B) in the amount of \$104.0 million (plus a premium of \$17.4 million) with net interest cost of 5.00% to refund certificates of participation Series 2012B SWAP with average coupon interest rate of 5.2%. The District made a principal payment of \$102.0 million and a call premium payment of \$0.4 million, both are recorded in the fund level financial statements as a payment to escrow agent. The District also made a SWAP termination payment of \$18.8 million. As a result of the refunding, the District recorded an economic loss (the difference between the present value of the debt service payments on the old and new debt) of \$0.6 million, or -0.60% of the principal amount being refunded, and the District's total debt service increased \$0.8 million. The refunding meets the requirements of an in-substance defeasance and the liability for the refunded certificates and the derivative were removed from the District's financial statements in the current fiscal year.

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On February 28, 2018, the District issued certificates of participation (Series 2018C) in the amount of \$120.8 million (plus a premium of \$20.8 million) with net interest cost of 5.00% to refund certificates of participation Series 2003B SWAP with average coupon interest rate of 4.56%. The District made a principal payment of \$124.3 million and a call premium payment of \$0.4 million, both are recorded in the fund level financial statements as a payment to escrow agent. The District also made a SWAP termination payment of \$16.7 million. As a result, of the refunding, the District achieved an economic savings (the difference between the present value of the debt service payments on the old and new debt) of \$0.4 million, or 0.32% of the principal amount being refunded, and a decrease in the District's total debt service requirement of \$2.4 million. The refunding meets the requirements of an in-substance defeasance and the liability for the refunded certificates and derivative were removed from the District's financial statements in the current fiscal year.

In prior years, the District defeased certain certificates of participation by creating separate irrevocable trust funds. New debt was issued and the proceeds were used to purchase U.S. Government Securities that were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments. These investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the financial statements.

As of June 30, 2018, the total amount of defeased debt outstanding but removed from the District's financial statements amounted to \$45.0 million.

Certificates of Participation:

Series	Maturities	Outstanding (in thousands)	Call Date	Defeased by COPS Series
2011A	8/2022 - 8/2025	\$ 26,660	8/1/2021	2017B
2012A	8/1/2028	18,290	8/1/2022	2017B
Total Defeased COPS		\$ 44,950		

11. DERIVATIVE INSTRUMENTS

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2018, classified by type, and the changes in fair value of such derivatives are as follows (amounts in thousands):

	Changes in Fair Value		Fair Value at June 30, 2018	
	Classification	Amount	Classification	Amount
<u>Governmental Activities Hedging Derivatives:</u>				
2002B/2014A Pay-fixed Interest Rate Swap	Deferred outflow of resources	\$ (18,562)	Liability	\$ -
2003B Pay-fixed Interest Rate Swap	Deferred outflow of resources	(23,060)	Liability	-
2002D/2012B Pay-fixed Interest Rate Swap	Deferred outflow of resources	(20,324)	Liability	-
Total Hedging Derivative Instruments		<u>\$ (61,946)</u>		<u>\$ -</u>

As of June 30, 2018, Series 2002B/2014A, 2003B and 2022D/2012B Pay Fixed Interest Rate Swap Agreements were terminated.

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12. RETIREMENT PLANS

Florida Retirement System (FRS)

General Information about the FRS

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any state-administered retirement system in paying the costs of health insurance.

Essentially all regular employees of the District are eligible to enroll as members of the State-administered 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 FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost-sharing, multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of 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' Website (www.dms.myflorida.com).

The District's pension expense in the governmental funds totaled \$90.0 million for the fiscal year ended June 30, 2018.

FRS Pension Plan - Defined Benefit

Plan Description. The FRS Pension Plan (Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees. The general classes of membership are as follows:

- *Regular Class* – Members of the FRS who do not qualify for membership in the other classes.
- *Elected County Officers Class* – Members who hold specified elective offices in local government.
- *Senior Management Service Class (SMSC)* – Members in senior management level positions.
- *Special Risk Class* – Members who are employed as law enforcement officers and meet the criteria to qualify for this class.

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, "except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 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 "except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service". Members of the Plan 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 to eligible participants.

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

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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. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits.

The following chart shows the percentage value for each year of service credit earned:

<u>Class, Initial Enrollment, and Retirement Age/Years of Service % Value</u>	
<i>Regular Class members initially enrolled before July 1, 2011</i>	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
<i>Regular Class members initially enrolled on or after July 1, 2011</i>	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
<i>Elected County Officers</i>	3.00
<i>Senior Management Service Class</i>	2.00
<i>Special Risk Regular</i>	
Service from December 1, 1970 through September 30, 1974	2.00
Service on and after October 1, 1974	3.00

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As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2017-18 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	7.92
FRS, Elected County Officers	3.00	45.50
FRS, Senior Management Service	3.00	22.71
FRS, Special Risk Regular	3.00	23.27
DROP - Applicable to		
Members from All of the Above Classes	0.00	13.26
FRS, Reemployed Retiree	(2)	(2)
TRS, Plan E	6.25	11.90

Notes (1) Employer rates include 1.66 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.06 percent for administrative costs of the

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

The District's contributions to the Plan totaled \$95.6 million (which includes \$29.2 million of employee contributions) for the fiscal year ended June 30, 2018. This excludes the HIS defined benefit pension plan contributions.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2018, the District reported a liability of \$686.5 million for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The District's proportionate share of the net pension liability was based on the District's 2016-17 fiscal year contributions relative to the 2016-17 fiscal year contributions of all participating members. At June 30, 2017, the District's proportionate share was 2.320 percent, which was a decrease of 0.005 percent from its proportionate share measured as of June 30, 2016.

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For the fiscal year ended June 30, 2018, the District recognized pension expense of \$43.4 million (\$109.9 million due to the District's share of changes in deferred inflows and deferred outflows of resources, reduced by \$66.5 million for the District's contributions subsequent to the measurement date) related to the FRS Plan. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 63,003	\$ (3,803)
Change of assumptions	230,708	-
Net difference between projected and actual earnings on FRS pension plan investments	-	(17,013)
Changes in proportion and differences between District FRS contributions and proportionate share of contributions	1,381	(19,385)
District FRS contributions subsequent to the measurement date	66,459	-
Total	\$ 361,551	\$ (40,201)

The deferred outflows of resources related to pensions, totaling \$66.5 million, resulting from District contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

Fiscal Year Ending June 30	Amount
2019	\$ 31,127
2020	95,642
2021	63,323
2022	6,311
2023	42,613
Thereafter	15,875

Actuarial Assumptions. The total pension liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expenses, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB, with adjustments for mortality improvements based on Scale AA.

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The actuarial assumptions used in the July 1, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	3.0%	3.0%	1.8%
Fixed Income	18.0%	4.5%	4.4%	4.2%
Global Equity	53.0%	7.8%	6.6%	17.0%
Real Estate (Property)	10.0%	6.6%	5.9%	12.8%
Private Equity	6.0%	11.5%	7.8%	30.0%
Strategic Investment	12.0%	6.1%	5.6%	9.7%
Total	100.00%			
Assumed inflation - Mean		2.60%		1.90%

Note: (1) As outlined in the Plan's investment policy

Discount Rate. The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions will be made at the statutorily required rates. The Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The FRS Actuarial Assumption Conference is responsible for setting the assumptions used in the valuations of the defined benefit pension plans pursuant to Section 216.136(10), Florida Statutes. The 7.10% rate of return assumption used in the June 30, 2017 calculations was determined by the Plan's consulting actuary to be reasonable and appropriate per Actuarial Standard of Practice No. 27 (ASOP 27) for accounting purposes, which differs from the rate used for funding purposes, which is used to establish the contribution rates for the Pension Plan. The discount rate used in the July 1, 2016 valuation was 7.60%.

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Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate (amounts in thousands):

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension liability (asset)	\$ 1,242,499	\$ 686,486	\$ 224,869

Pension Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan. At June 30, 2018, the District reported a payable of \$17.9 million for the outstanding amount of contributions owed to the Plan required for the fiscal year ended June 30, 2018.

HIS Pension Plan

Plan Description. The HIS Pension Plan (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Division of Retirement within the Florida Department of Management Services.

Benefits Provided. For the fiscal year ended June 30, 2018, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2018, the contribution rate was 1.66 percent of payroll pursuant to section 112.363, Florida Statutes. The District contributed 100 percent of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The District's contributions to the HIS Plan totaled \$17.6 million for the fiscal year ended June 30, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2018, the District reported a net pension liability of \$347.1 million for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The District's proportionate share of the net pension liability was based on the District's 2016-17 fiscal year contributions relative to the total 2016-17 fiscal year contributions of all participating members. At June 30, 2017, the District's proportionate share was 3.246 percent, which is approximately the same proportionate share measured as of June 30, 2016.

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For the fiscal year ended June 30, 2018, the District recognized pension expense of \$8.8 million (\$26.4 million due to the District's share of changes in deferred inflows and deferred outflows of resources, reduced by \$17.6 million for the District's contributions subsequent to the measurement date) related to the HIS Plan.

In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions	\$ 48,787	\$ (30,012)
Net difference between projected and actual earnings on HIS pension plan investments	192	-
Difference between expected and actual experience	-	(723)
Changes in proportion and differences between District HIS contributions and proportionate share of HIS contributions	5,459	(5,589)
District contributions subsequent to the measurement date	17,613	-
Total	\$ 72,051	\$ (36,324)

The deferred outflows of resources related to pensions, totaling \$17.6 million, resulting from District contributions to the HIS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2019	\$ 5,645
2020	5,608
2021	5,592
2022	3,595
2023	2,025
Thereafter	(4,351)

Actuarial Assumptions. The total pension liability in the July 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Municipal Bond Rate	3.58 percent

Mortality rates were based on the Generational RP-2000 with Projected Scale BB. The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

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Discount Rate. The discount rate used to measure the total pension liability was 3.58 percent, up from 2.85 percent in the prior year. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 3.58 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58 percent) or 1-percentage-point higher (4.58 percent) than the current rate (amounts in thousands):

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
District's proportionate share of the net pension liability	\$ 396,062	\$ 347,078	\$ 306,277

Pension Plan Fiduciary Net Position. Detailed information about the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan. At June 30, 2018, the District reported a payable of \$3.5 million for the outstanding amount of contributions owed the HIS Plan required for the fiscal year ended June 30, 2018.

FRS – Defined Contribution Pension Plan

The District contributes to the FRS Investment Plan (Investment Plan), a defined contribution pension plan, for its eligible employees electing to participate in the Investment Plan. The Investment Plan is administered by the SBA, and is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report. Service retirement benefits are based upon the value of the member's account upon retirement.

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 the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices.

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

Allocations to the investment member's accounts during the 2017-18 fiscal year were as follows:

Class	Percent of Gross Compensation
FRS, Regular	7.92
FRS, Elected County Officers	45.50
FRS, Senior Management Service	22.71
FRS, Special Risk Regular	23.27

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five year period, the employee will regain control over their account. If the employee does not return within the five year period, the employee will forfeit the accumulated account balance. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of Investment Plan members. For the fiscal year ended June 30, 2017, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the District.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The District's Investment Plan pension expense totaled \$5.3 million for the fiscal year ended June 30, 2018.

Payables to the Investment Plan. At June 30, 2018, the District reported a payable of \$2.1 million for the outstanding amount of contributions owed the Investment Plan required for the fiscal year ended June 30, 2018.

13. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

The District follows the guidance contained in Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, (GASB 75); for certain post-employment health care benefits provided by the District for the fiscal year ended June 30, 2018

Plan Description.

Pursuant to Section 112.0801, Florida Statutes, the District is required to permit participation in the health insurance program by retirees and their eligible dependents at a cost to the retiree that is no greater than the cost at which coverage is available for active employees. Retirees pay 100% of the blended (active and retiree combined) equivalent premium rates. The blended rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The plan is a single employer plan, and no separate financial statements of the Plan are issued.

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

Funding Policy.

The District is financing the post-employment benefits on a pay-as-you-go basis. Expenditures for these insurance premiums are prorated between the General Fund and other funds where the personnel are located. For fiscal year 2018, 999 retirees received health care benefits. The District provided required contributions of approximately \$7.1 million toward the annual OPEB cost. Retiree contributions total approximately \$6.6 million.

Total OPEB Liability.

The District's total OPEB liability of \$138.2 million was measured as of June 30, 2018, and was determined by an actuarial valuation as of June 30, 2018.

Actuarial Assumptions and Other Inputs.

The total OPEB liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.87%
20-Year Tax-Exempt General Obligation Bonds	3.87%
Bond Rate Basis	Average Rating AA/Aa or higher
Salary Increases	2.5% per annum
Health Care Cost Trend Rate	7% / 6%
Medical Consumer Price Index Trend	3.0% per annum
Inflation Rate	2.5% per annum
Census Data	Provided by the District as of July 2017.
Medicare Eligibility	All current and future retirees are assumed to be eligible for Medicare at age 65.
Actuarial Cost Method	Entry Age Normal based on level percentage of projected salary.
Amortization Method	Experience gains and losses are amortized over a closed period of 14 years starting on July 1, 2017, equal to the average remaining service of active and inactive plan members (who have no future service).
Plan Participation Percentage	The participation percentage is the assumed rate of future eligible retirees who elect to continue health coverage at retirement. It is assumed that 30% of all employees and their dependents who are eligible for the early retiree benefits will participate in the retiree medical plan. This assumes that a one-time irrevocable election to participate is made at retirement.
Mortality Rates	RP 2014 Generational Mortality Table projected using Scale MP-16, applied on a gender-specific basis.

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower and 1 percentage point higher than the current healthcare cost trend rates (amounts in thousands):

	1% Decrease	Healthcare Cost Current Trend	1% Increase
Total OPEB Liability	\$ 110,384	\$ 138,163	\$ 159,545

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.

For the year ended June 30, 2018, the District recognized OPEB expense of \$11.2 million. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (amounts in thousands):

	Deferred Outflows	Deferred Inflows
Difference between Expected and Actual Experience	\$ -	\$ (4,487)
Changes of Assumptions or Other Inputs	-	(13,978)
Total	\$ -	\$ (18,465)

Amounts recognized in the deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the OPEB expense as follows (amounts in thousands):

Year Ending June 30	Amount
2019	\$ (1,499)
2020	(1,499)
2021	(1,499)
2022	(1,500)
2023	(1,499)
Thereafter	(10,969)
	\$ (18,465)

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

14. NET POSITION AND FUND BALANCE REPORTING

Fund Balance

GASB 54 categorizes fund balance as either nonspendable or spendable. Nonspendable is defined as the portion of fund balance that includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. District nonspendable items include inventories.

Spendable is defined as a hierarchy of fund balance classifications that is available to be spent based on the element to which the District is bound to observe constraints imposed upon the use of resources:

- Restricted fund balance is constrained by external parties, and constitutional provisions or enabling legislation. District restricted balances includes: Carryover balances as a result of revenue received with constraints from Federal laws, Florida Statute, Florida School Board Rules, local ordinances or contract provisions.
- Committed fund balance can only be used for specific purposes pursuant to constraints imposed by formal action of the School Board. District committed balance includes: Funds committed by the School Board on June 2, 2010 for future purchase and installation of equipment needed to transmit and receive programming for The Education Network (TEN).
- Assigned fund balances are amounts that are constrained by the School Board or Superintendent to be used for a specific purpose. Florida Statute 1001.51, Duties and Responsibilities of District School Superintendent, delegates certain financial authority to the Superintendent.
- Unassigned fund balance is the residual classification for the general fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the District's policy to use restricted assets first, followed by unrestricted assets. Committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

The District has not established a stabilization arrangement. Instead, the Board has established policy 2.55, Fund Balance for Contingency to set aside 3% of total annual operating fund appropriations and transfers from the operating fund to cover unanticipated financial needs and to avoid a budget deficit. At the end of the fiscal year, the unassigned general fund balance was \$55.0 million or 3.27% of general fund total expenditures.

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

The following table shows the District's fund balance classification at June 30, 2018 (in thousands):

Major Funds						
	General Fund	COPS Debt Service	Capital Improvement	Sales Tax	Other Non-Major Governmental	Total Governmental
FUND BALANCES:						
<u>Nonspendable:</u>						
<u>Inventory:</u>						
Textbooks	\$ 6,766	\$ -	\$ -	\$ -	\$ -	\$ 6,766
Child Nutrition	-	-	-	-	6,698	6,698
Transportation	329	-	-	-	-	329
Warehouse	1,106	-	-	-	-	1,106
Other	19	-	-	-	-	19
Total Nonspendable	8,220	-	-	-	6,698	14,918
<u>Restricted for:</u>						
Categorical carryover programs	3,792	-	-	-	-	3,792
IB, AP, AICE & Industry cert prog	10,708	-	-	-	-	10,708
Industry Certification	6,472	-	-	-	-	6,472
School Improvement	1,671	-	-	-	-	1,671
Local Sales Tax Projects	-	-	-	159,923	-	159,923
Workforce development	2,833	-	-	-	-	2,833
Child nutrition	-	-	-	-	16,124	16,124
Debt service	-	123,089	-	-	5,251	128,340
Capital projects	-	-	79,476	-	16,021	95,497
Total Restricted	25,476	123,089	79,476	159,923	37,396	425,360
<u>Committed to:</u>						
The Education Network program	-	-	-	-	22	22
Total Committed	-	-	-	-	22	22
<u>Assigned to:</u>						
<u>School Operations</u>						
Instruction	14	-	-	-	-	14
Instructional support services	12	-	-	-	-	12
General & School admin	31	-	-	-	-	31
Central services	3	-	-	-	-	3
Operation of plant	724	-	-	-	-	724
<u>Community services:</u>						
After care/summer camp	10,133	-	-	-	-	10,133
Pre-K/VPK Fee Based Activities	390	-	-	-	-	390
Community Schools	691	-	-	-	-	691
Other	127	-	-	-	-	127
Capital projects	221	-	-	-	41,381	41,602
Misc local grants/donations	2,341	-	-	-	-	2,341
Next year budget appropriations	54,844	-	-	-	-	54,844
Total Assigned	69,531	-	-	-	41,381	110,912
Unassigned	55,000	-	-	-	-	55,000
Total fund balance	\$ 158,227	\$ 123,089	\$ 79,476	\$ 159,923	\$ 85,497	\$ 606,212

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

15. COMMITMENTS AND CONTINGENCIES

The District receives funding from the State that is based, in part, on a computation of the number of full time equivalent ("FTE") students enrolled in different types of instructional programs. The accuracy of data compiled by individual schools supporting the FTE count is subject to State audit and, if found to be in error, could result in refunds or in decreases in future funding allocations. It is the opinion of management that any amounts of revenue which may be remitted back to the State due to errors in the FTE count, if any, will not be material to the financial position of the District.

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the District.

The District is involved in various lawsuits arising in the ordinary course of operations. In the opinion of management, the District's estimated aggregate liability with respect to probable losses has been provided for in the estimated liability for insurance risks and pending claims in the accompanying financial statements, after giving consideration to the District's related insurance coverage, as well as the Florida statutory limitations of governmental liability on uninsured risks. It is the opinion of management in consultation with legal counsel that any final settlements in these matters will not result in a material adverse effect on the financial position of the District.

The District has entered into various construction and other contracts that extend beyond year-end. The District has capital outlay commitments of \$67.1 million and other encumbrances of \$1.4 million as of June 30, 2018 are shown below (amounts in thousands):

	Other Encumbrances	Capital Outlay Commitments	Total
General Fund	\$ 912	\$ -	\$ 912
Capital Improvement	-	14,798	14,798
Sales Tax	-	45,378	45,378
Other Non-Major Governmental	527	6,972	7,499
Total Commitments	\$ 1,439	\$ 67,148	\$ 68,587

16. SUBSEQUENT EVENTS

On September 25, 2018, the District issued Tax Anticipation Notes ("TANS") Series 2018. The \$115.0 million issue has a coupon rate of 3.00% with an effective yield of 1.97%. The notes are dated October 03, 2018.

On October 09, 2018, the District entered into a loan agreement with Banc of America Public Capital Corp for financing the acquisition of Air Conditioner Chillers of \$16.1 million. The \$16.1 million loan has a coupon rate of 3.04% and under the terms of the loan agreement the debt is payable over five years.

On November 06, 2018, the taxpayers of Palm Beach County approved to increase the millage rate to 1.0 mill. This increase will provide approximately \$200.0 million per year to the District over the next four years.

REQUIRED SUPPLEMENTARY INFORMATION



THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018

**Schedule of the District's Proportionate Share of the Net Pension Liability -
Florida Retirement System Pension Plan (1)**
(amounts expressed in thousands)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the FRS net pension liability (asset)	2.3208%	2.3253%	2.4332%	2.5354%
District's proportionate share of the FRS net pension liability (asset)	\$ 686,486	\$ 587,133	\$ 314,284	\$ 154,697
District's covered-employee payroll	\$ 1,011,258	\$ 989,739	\$ 966,098	\$ 971,624
District's proportionate share of the FRS net pension liability (asset) as a percentage of its covered-employee payroll	67.88%	59.32%	32.53%	15.92%
FRS Plan fiduciary net position as a percentage of the total pension liability	83.89%	84.88%	92.00%	96.09%

**Schedule of District Contributions -
Florida Retirement System Pension Plan (1)**
(amounts expressed in thousands)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required FRS contribution	\$ 66,459	\$ 60,417	\$ 57,082	\$ 59,324	\$ 55,536
District FRS contributions in relation to the contractually required contribution	(66,459)	(60,417)	(57,082)	(59,324)	(55,536)
FRS contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 1,051,957	\$ 1,011,258	\$ 989,739	\$ 966,098	\$ 971,624
FRS contributions as a percentage of covered-employee payroll	6.32%	5.97%	5.77%	6.14%	5.72%

**Schedule of the District's Proportionate Share of the Net Pension Liability -
Health Insurance Subsidy Pension Plan (1)**
(amounts expressed in thousands)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the HIS net pension liability (asset)	3.2460%	3.2461%	3.1986%	3.3048%
District's proportionate share of the HIS net pension liability (asset)	\$ 347,078	\$ 378,316	\$ 326,211	\$ 309,012
District's covered-employee payroll	\$ 1,011,258	\$ 989,739	\$ 966,098	\$ 971,624
District's proportionate share of the HIS net pension liability (asset) as a percentage of its covered-employee payroll	34.32%	38.22%	33.77%	31.80%
HIS Plan fiduciary net position as a percentage of the total pension liability	1.64%	0.97%	0.50%	0.99%

Note: (1) The amounts presented for each fiscal year were determined as of June 30 (in thousands). Additional years will be displayed as they become available.

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018

Schedule of District Contributions –
Health Insurance Subsidy Pension Plan (1)
(amounts expressed in thousands)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required HIS contribution	\$ 17,613	\$ 17,178	\$ 16,674	\$ 12,227	\$ 11,321
District HIS contributions in relation to the contractually required contribution	<u>(17,613)</u>	<u>(17,178)</u>	<u>(16,674)</u>	<u>(12,227)</u>	<u>(11,321)</u>
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,051,957	\$ 1,011,258	\$ 989,739	\$ 966,098	\$ 971,624
HIS contributions as a percentage of covered-employee payroll	1.67%	1.70%	1.68%	1.27%	1.17%

Schedule of Changes in the District's Total
Other Postemployment Benefits Liability and Related Ratios (1)
(amounts expressed in thousands)

	<u>2018</u>	<u>2017</u>
Service Cost	\$ 7,142	\$ -
Interest	5,546	-
Changes of assumptions or other inputs	(7,413)	-
Benefit Payments	<u>(6,557)</u>	<u>-</u>
Net change in total OPEB Liability	(1,282)	-
Total OPEB Liability - beginning, as restated	<u>139,445</u>	<u>-</u>
Total OPEB Liability - ending	<u>\$ 138,163</u>	<u>\$ 139,445</u>
District's covered-employee payroll	\$ 1,051,957	\$ 1,011,258
Total OPEB Liability as a percentage of covered-employee payroll	13.13%	13.79%

Note: (1) The amounts presented for each fiscal year were determined as of June 30 (in thousands). Additional years will be displayed as they become available.

Method Changes:

There was a change in the Government Accounting Standards that were used to develop the current actuarial report. The prior actuarial report was based on GASB Statement No. 45, while the current actuarial report is based on GASB Statement No. 75. This change is a result of the adoption GASB Statement No. 75 by the District.

Change in Assumption:

The discount rate was changed from 3.58 percent as of June 30, 2017 to 3.87 percent as of June 30, 2018

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APPENDIX C

**EXCERPTED INFORMATION FROM THE SUPERINTENDENT'S ANNUAL
FINANCIAL REPORT (UNAUDITED) OF THE SCHOOL BOARD OF PALM BEACH
COUNTY, FLORIDA FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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SUPERINTENDENT'S ANNUAL FINANCIAL REPORT

(Unaudited)

For the Fiscal Year Ended
June 30, 2019

Donald E. Fennoy, Ed.D.
Superintendent of Schools

The School District of Palm Beach County, Florida

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

The School District of Palm Beach County, Florida's (the "District") management discussion and analysis (MD&A) is designed to provide an objective and easy to read analysis of the District's financial activities for the fiscal year ended June 30, 2019, based on currently known facts, decisions or conditions. It is intended to provide a broad overview using a short-term and long-term analysis of the District's activities based on information presented in the financial report and fiscal policies that have been adopted by the seven elected members of the school board (the "Board"). Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the District's financial activity, identify changes in the District's financial position (its ability to address the next and subsequent year challenges), identify any material deviations from the financial plan (the approved budget) and identify individual fund issues or concerns.

As with other sections of this financial report, the information contained within this MD&A should be considered only a part of a greater whole. The reader of this statement should take time to read and evaluate all sections of this report, including the notes that are provided in addition to this MD&A.

FINANCIAL HIGHLIGHTS

- The net position of the District increased \$77 million, or 5.1%, from \$1.487 billion to \$1.564 billion. Funding per student has slowly increased since the low point in school year 2011-12, and has finally exceeded the school year 2007-08 levels, without consideration for inflation. Enrollment at district schools increased 0.2%, approximately 450 students, while charter schools experienced a 1.3% increase in enrollment (approximately 250 students) which resulted in the District passing through additional FEFP revenue. In addition, net position increased related to the revenue received for the new ½ penny sales tax with limited expenditures prior to year-end.
- The District's total long-term debt decreased by \$95.0 million or 6.2% primarily due to debt repayments of \$87.7 million and amortization of Issuance Premium offset in part by new Equipment and Bus Loan of \$16.1 million (discussed in Note 9).
- Total revenues increased by \$72.0 million or 3.1%, from \$2.311 billion to \$2.383 billion when compared to the prior year.
 - General revenue accounted for \$1.741 billion, or 73.1%, of all revenues and increased \$51.0 million or 3.0%. This increase is primarily attributed to property tax increase of \$32.4 million (mainly due to 5.4% increase in property values partially offset by 2.9% lower millage rate), higher sales tax revenue of \$7.7 million, and \$12.1 million increase in investment earnings mainly due to higher investment rates.
 - Program specific revenue in the form of charges for services, grants and contributions accounted for \$641.2 million, or 26.9% of all revenues and increased \$21.0 million or 3.4%. The increase is primarily attributed to an increase in school lunch and breakfast programs, Charter School Capital Outlay revenue, and increase in other State and Local revenue.
- Total expenses increased \$127.7 million from \$2.178 billion to \$2.306 billion. This increase is primarily related to additional capital outlay spending of penny sales tax referendum funds and raises given to employees in 2019.
- The District's governmental funds reported combined fund balances of \$606.2 million.
 - The General Fund (the primary operating fund), reflected on a current financial resources basis, ended the year with a fund balance of \$182.8 million. Of this amount, \$64.0 million is classified as unassigned that is available to cover unanticipated financial needs and includes the Board approved contingency, \$82.5 million is classified as assigned, \$29.9 million is classified as restricted and \$6.4 million is classified as nonspendable. During the current year, General Fund revenues (including other financing sources) exceeded

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

expenditures (including other financing uses) by \$24.6 million, primarily due to higher than anticipated interest earnings, staff vacancies, and less than expected charter school enrollment.

- Debt Service funds ended the year with a fund balance of \$121.9 million and is restricted to cover debt service payments. Other Debt Service funds, a major fund, has a restricted fund balance of \$111.9 million, and the remaining debt service funds which are included with the other non-major governmental funds have a restricted fund balance of \$10.0 million.
- Capital Project funds ended the year with a fund balance of \$379.0 million and is restricted or assigned to fund existing and future capital projects. The Nonvoted Capital Improvement Fund, a major fund, has a restricted fund balance of \$114.4 million. The Other Capital Projects Fund, another major fund, has a total fund balance of \$264.5 million which is comprised of restricted fund balance of \$223.9 million which includes mainly Sales Tax Referendum & Adult Education capital projects, and an assigned fund balance of \$40.6 million for other locally sourced capital projects. Capital project funds included with the other governmental funds have a restricted fund balance of \$0.1 million for CO & DS.
- Special Revenue funds ended the year with a fund balance of \$17.2 million, of which \$13.0 million is restricted to child nutrition costs, and \$4.2 million is nonspendable inventory.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts – management's discussion and analysis (this section) and the basic financial statements. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations *in more detail* than the government-wide statements.
- The *governmental funds* statements tell how *basic* services like instruction and instructional support services were financed in the *short-term* as well as what remains for future spending.
- *Proprietary funds* statements offer *short-term* and *long-term* financial information about the activities the District operates *like businesses*, such as group health self-insurance and long term claim self-insurance.
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Figure 1 Major Features of Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as instructional costs	Activities the District operates similar to private businesses: health internal service fund and worker’s compensation, automobile and general liability claims fund	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
<i>Required financial statements</i>	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenue, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenue, expenses, and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus

Figure 1, above, summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the District’s assets and liabilities. All of the current year’s revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District’s *net position* and how they have changed. Net position – the difference between the District’s assets, deferred outflows liabilities, and deferred inflows – is one way to measure the District’s financial health or position.

- Over time, increases or decreases in the District’s net position is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, the reader needs to consider additional non-financial factors such as changes in the District’s property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements, all the District’s activities are reported as governmental activities.

- *Governmental activities* – All of the District’s basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state formula aid finance most of the activities.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Fund Financial Statements

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues (like federal grants).

The District has three kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, the District provides additional information with the governmental funds statements that explain the relationship (or differences) between them.
- *Proprietary funds* – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements. There are two types of proprietary funds:
 - *Enterprise funds* account for goods and services provided to those outside the District, generally on a user-charge basis. Currently, the District has no enterprise funds.
 - *Internal service funds* report self-insurance activities charged to the District's other programs and activities.
- *Fiduciary funds* – The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong.
 - The District excludes these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

Notes to the Financial Statements – The notes provided, disclosures and additional information that are essential to a full understanding of the financial information presented in the government-wide and fund financial statements.

Other Information – In addition to the basic financial statements and accompanying notes, this report also provides certain required supplementary information, as well as combining and individual fund statements and schedules beginning with Exhibit D-2a, page 19.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019****FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE****Government-Wide**

The District's net position was \$1.564 billion at June 30, 2019. The largest portion of the District's net position, \$1.782 billion, reflect its investment in capital assets (i.e. land, buildings, furniture, buses and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; 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 position (\$527.3 million) represents resources that are subject to external restrictions on how they may be used. The increase of \$77.4 million in restricted net position is mainly related to capital project funds (including restrictions for Sales Tax referendum) as well as restrictions for debt service funds.

Table 1

Summary of Net Position
Governmental Activities
(in thousands)

	June 30, 2019	June 30, 2018	Increase (Decrease)	Percentage Change
Current and other assets	\$ 1,196,064	\$ 1,061,314	\$ 134,750	12.7%
Capital assets (net)	3,162,359	3,216,281	(53,922)	(1.7%)
Total assets	<u>4,358,423</u>	<u>4,277,595</u>	<u>80,828</u>	1.9%
Deferred Loss on Debt Refunding	95,143	106,386	(11,243)	(10.6%)
Pension & OPEB Related	439,501	433,602	5,899	1.4%
Total Deferred Outflows of Resources	<u>534,644</u>	<u>539,988</u>	<u>(5,344)</u>	(1.0%)
Current and other liabilities	422,616	399,614	23,002	5.8%
Long-term liabilities	2,773,748	2,835,374	(61,626)	(2.2%)
Total liabilities	<u>3,196,364</u>	<u>3,234,988</u>	<u>(38,624)</u>	(1.2%)
Pension Related	112,315	76,524	35,791	46.8%
Other Post Employment Benefits	20,186	18,466	1,720	9.3%
Total Deferred Inflows of Resources	<u>132,501</u>	<u>94,990</u>	<u>37,511</u>	0.0%
Net position:				
Net investment in Capital Assets	1,782,434	1,777,638	4,796	0.3%
Restricted	527,345	449,958	77,387	17.2%
Unrestricted (deficit)	(745,577)	(739,991)	(5,586)	(0.8%)
Total net position	<u>\$ 1,564,202</u>	<u>\$ 1,487,605</u>	<u>\$ 76,597</u>	5.1%

Capital assets (net) decreased \$53.9 million or 1.7% compared to prior year and primarily reflects the impact of current year depreciation exceeding capital spending. See Note 6 of the Notes to the Financial Statements for more information on capital assets. Cash and other assets increased \$134.8 million or 12.7%, primarily as a result of cash and taxes receivable generated by the capital projects funds.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

The analyses in Table 1, on page 5, and Table 2, below, focus on the summary of net position and summary of changes in net position for the District's governmental activities.

Table 2
Summary of Changes in Net Position
Governmental Activities
(in thousands)

	June 30, 2019	June 30, 2018	Increase (Decrease)	Percentage Change
Revenues:				
Program revenue:				
Charges for services	\$ 56,668	\$ 53,379	\$ 3,289	6.2%
Operating grants and contributions	562,288	547,857	14,431	2.6%
Capital grants and contributions	22,204	18,932	3,272	17.3%
General revenue:				
Property taxes	1,269,724	1,237,277	32,447	2.6%
Local sales taxes	145,848	138,127	7,721	5.6%
Grants and contributions not restricted	265,279	260,096	5,183	2.0%
Investment earnings	25,097	12,991	12,106	93.2%
Other general revenue	35,645	42,106	(6,461)	(15.3%)
Total revenues	<u>2,382,753</u>	<u>2,310,765</u>	<u>71,988</u>	<u>3.1%</u>
Functions/Programs Expenses				
Instruction	1,225,340	1,197,458	27,882	2.3%
Instructional support services	194,950	185,883	9,067	4.9%
Board	8,319	7,643	676	8.8%
General administration	14,478	13,609	869	6.4%
School administration	113,750	109,988	3,762	3.4%
Facilities acquisition and construction	120,008	54,526	65,482	120.1%
Fiscal services	7,507	7,205	302	4.2%
Food services	103,168	95,977	7,191	7.5%
Central services	18,023	16,647	1,376	8.3%
Student transportation services	59,673	59,170	503	0.9%
Operation and maintenance of plant	224,626	216,347	8,279	3.8%
Administrative technology services	7,179	7,041	138	2.0%
Community services	45,732	46,737	(1,005)	(2.2%)
Interest on long-term debt	53,495	53,137	358	0.7%
Unallocated depreciation/amortization	109,908	107,109	2,799	2.6%
Total expenses	<u>2,306,156</u>	<u>2,178,477</u>	<u>127,679</u>	<u>5.9%</u>
Change in net position	76,597	132,288	(55,691)	(42.1%)
Net Position - beginning	<u>1,487,605</u>	<u>1,355,317</u>	<u>132,288</u>	<u>9.8%</u>
Net Position - ending	<u>\$ 1,564,202</u>	<u>\$ 1,487,605</u>	<u>\$ 76,597</u>	<u>5.1%</u>

The results of this year's operations for the District as a whole are reported in the Statement of Activities. Table 2, above, takes the information from that statement and rearranges them slightly so the reader can see the total revenues and expenses for the current year compared to fiscal year 2018.

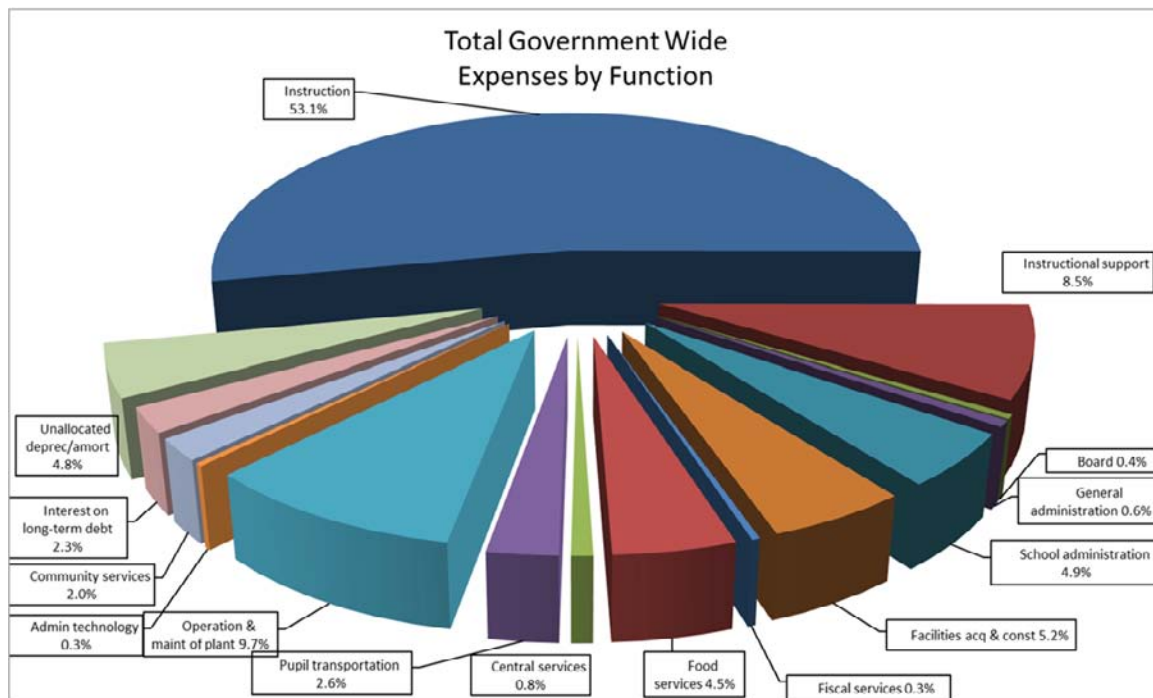
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

As reported in the Statement of Activities, the cost of all of the governmental activities this year was \$2.306 billion. Some costs were paid by those who benefited from the programs (\$56.7 million), or by other governments and organizations who subsidized certain programs with grants and contributions (\$584.5 million). The District paid for the remaining "public benefit" portion of the governmental activities with \$1.270 billion in property taxes, \$145.8 million in Sales Tax, \$265.3 million in grants and contributions not restricted to specific programs, \$25.1 million in investment earnings, and \$35.6 million in other general revenue.

Property taxes increased \$32.4 million or 2.6%, which is primarily attributed to a 5.4% increase in property values partially offset by a 2.9% reduction in millage rate. Sales Tax Revenue increased \$7.7 million or 5.6% which represents an increase in collections for the Palm Beach County penny sales tax referendum, of which the District receives ½ cent.

Investment Earning increased \$12.1 million or 93.2% as a result of 58% higher interest rates and 23% higher average invested cash balances.

The pie chart below represents total expenses classified by function.



**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

As of June 30, 2019 the District's governmental funds reported a combined fund balance of \$701.0 million, which is an increase of \$94.8 million or 15.6% over the prior year.

The General Fund, which is the chief operating fund of the District and is always considered a major fund, had a fund balance of \$182.8 million which is an increase of \$24.6 million or 15.5%. The increase is primarily due to higher than anticipated revenues, staff vacancies and less than expected charter school enrollment. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$64.0 million.

The Other Debt Service Fund, another major fund, reported an ending fund balance of \$111.9 million, which is a decrease of \$15.5 million or -12.2% when compared with prior year. The decrease is related to the amount of debt service payments the District will need to make in fiscal year 2020.

The Nonvoted Capital Improvement Fund, another major fund, reported an ending fund balance of \$114.5 million which is an increase of \$35.0 million or 44.0% due to the timing of revenue and capital outlay spending.

The Other Capital Projects Fund, another major fund, reported an ending fund balance of \$264.5 million which is an increase of \$48.3 million or 22.3% primarily due to sales tax collections exceeding the capital outlay spending of the Sales Tax Referendum projects.

Other Governmental Funds, which represent a summarization of all the other non-major governmental funds, ended the year with total fund balance of \$27.4 million which is an increase of \$2.5 million or 10.0%. This increase is primarily due to \$9.2 million increase in fund balance due to sinking fund requirements for QSCB debt offset in part by Special Revenue Fund – Food Service expenditures exceeding revenue by \$5.6 million for the current year and Capital Projects - PECO expenditures exceeding revenue by \$1.1 million.

Proprietary Funds

The District's internal service funds reported a combined net position of \$145.0 million. The Health Internal Service Fund ended the year with a net position of \$121.6 million, which is an increase of \$9.1 million or 8.1% over last year due to premiums exceeding claims and other expenses. The Worker's Compensation and Claims Fund ended the year with a net position of \$23.4 million, which is an increase of \$5.8 million or 32.6% due to premiums exceeding claims and other expenses. Proprietary funds use accrual basis accounting, thus this Fund records actuarially determined long term claims liabilities.

General Fund Budgetary Highlights

During the year, appropriations remained flat at \$1.835 billion from original budget to final budget. Revenue increased \$15.4 million from original to final budget with higher interest income as well as state and local revenue.

The General Fund actual expenditures were less than the budgeted appropriations by approximately \$118.8 million. This is primarily due to staff vacancies as well as enhanced cost containment measures put in place, such as a hiring freeze on non-instructional positions, as well as unspent funds in programs such as Afterschool, International Baccalaureate, Advanced Placement, AICE, Industry Certification, and state categorical programs.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019****CAPITAL ASSETS AND DEBT ADMINISTRATION****Capital Assets**

As shown in Table 3, at June 30, 2019, the District had \$3.162 billion invested in a broad range of capital assets, including land, construction in progress, improvements other than buildings, buildings and fixed equipment, furniture, fixtures and equipment, motor vehicles, audio visual materials and computer software. This amount represents a net decrease (including additions, deletions and depreciation) of \$53.9 million from last year. The decrease is primarily due to depreciation expense of \$109.9 million exceeding capital spending of \$56.3 million. Capital spending in the current year includes the acquisition of 85 buses for \$9.0 million, other vehicles of \$3.7 million, computer technology of \$19.6 million, capital construction in progress of \$11.0 million, and IT infrastructure upgrades and new servers of \$1.3 million.

In November 2016, the taxpayers of Palm Beach County approved a one-penny sales surtax of which fifty percent will be for the District. These new capital dollars will allow the District to continue its effort to provide state-of-the-art facilities, which include modernizations, facility renewal projects, remodeling projects, new school construction, buses and support vehicles, security systems and technology infrastructure for all of its students.

Table 3

Capital Assets at Year End
Governmental Activities
(in thousands)

	June 30, 2019	June 30, 2018	Increase (Decrease)
Land	\$ 343,655	\$ 342,755	\$ 900
Construction in progress	19,823	8,788	11,035
Improvements other than buildings	60,011	59,138	873
Buildings and fixed equipment	4,171,119	4,171,560	(441)
Furniture, fixtures and equipment	140,100	124,412	15,688
Motor vehicles	122,459	120,897	1,562
AV materials and computer software	50,654	44,846	5,808
Less: accumulated depreciation	(1,745,462)	(1,656,115)	(89,347)
Total capital assets, net	\$ 3,162,359	\$ 3,216,281	\$ (53,922)

Long-term Debt

As shown in Table 4, on next page, at the end of this year, the District had \$1.441 billion in debt outstanding, which is \$95.0 million lower than last year. The decrease in outstanding debt is mainly due to debt principal repayments of \$87.7 million and amortization of issuance premium of \$23.4 million offset in part by new Equipment and Bus Loan of \$16.1 million. See Note 9 of the Notes to the Financial Statements for more information on long-term liabilities.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Long-term Debt Outstanding at Year End			
Governmental Activities			
(in thousands)			
	June 30, 2019	June 30, 2018	Increase (Decrease)
Notes / Loans Payable	\$ 22,374	\$ 15,031	\$ 7,343
Capital Outlay Bond Issues	8,542	9,853	(1,311)
Certificates of Participation	1,278,343	1,355,973	(77,630)
Plus: Issuance Premium	131,463	154,873	(23,410)
Total	<u>\$ 1,440,722</u>	<u>\$ 1,535,730</u>	<u>\$ (95,008)</u>

The District's certificates of participation are rated Aa3 by Moody's Investors Service, and AA- by Standard and Poor's Corporation, and AA- by Fitch Ratings Services.

The District is subject to State laws that limit the amount of State Board of Education Capital Outlay Bond Issues outstanding to 10% of the non-exempt assessed valuation. At June 30, 2019, the statutory limit for the District was approximately \$17.6 billion, providing additional debt capacity of approximately \$17.6 billion.

State Statute requires that no more that 75% of the capital millage levy be used for COP debt service. The District's debt policy limits the issuance of COPS by stating that the debt service could not exceed half of the capital millage levy. In fiscal year 2009, when the capital millage levy was reduced to 1.75 mills, the Debt Policy was amended to allow debt service to be up to 1 mill but should be within 50% of the capital millage levy within five years. Based on the reduction of the capital millage levy and existing property values, the District's capacity to issue new COPS debt has been dramatically reduced.

Other long-term obligations (not included above) include liabilities for compensated absences, estimated long-term claims, other post-employment benefits, and net pensions.

FACTORS BEARING ON THE DISTRICT'S FUTURE

The School District's revenues are determined in large part by the Florida Legislature and Governor. Funding per student is set as part of the State's annual budget approval. Local school board taxing authority is also governed at the state level with the Legislature dictating the largest component of school property taxes, known as the Required Local Effort (RLE), and through statutory caps that limit the remaining components of the school levy.

Education in Florida has been underfunded by the state for over a decade. Florida has fallen from 36th in the United States in FY07 to 45th as of FY17, based on the latest national data available from the National Center of Education Statistics. The average spending for all 50 states and the District of Columbia increased by 3.7% per pupil during FY17, compared to an increase of only 1.7% per pupil in Florida, according to the most recent data released by the National Center for Education Statistics. The decline in state funding is expected to continue due to the Florida Legislature's ongoing commitment to roll back school property tax rates. In Palm Beach, the FY20 Florida Education Finance Program (FEFP) increased \$32.6 million or 1.78% per student, excluding Best & Brightest Teachers & Principals categorical previously funded outside of FEFP.

Since not all needs of the District can be met with the limited state funds available, the residents of Palm Beach County overwhelming approved a referendum increasing the additional operating millage to 1.0 mill in November 2018 generating \$202.9 million for District operated schools in FY20.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

The referendum will fund investments in:

- Teacher pay - Over \$100 million for teacher recruitment and retention supplements
- Behavioral Health - Adding 170 School Behavioral Health positions (one per school), 40 School Psychologists (nearly 150 positions district-wide), and expanding mental health co-located services.
- Arts and music education - Continuing to fund over 700 elementary art, music, PE; choice and career academy teachers
- School Safety – Funding officers, police aides, school security monitors, and other school based security initiatives increasing the total investment in school security in FY20 to over \$60.0 million.

School security has been a priority for the District prior to the passage of the Marjory Stoneman Douglas High School Public Safety Act in 2018. The District has consistently invested significantly more in school security than revenue received from the state Safe School Allocation. It will be a challenge to manage the competing priorities of school security and mental health versus academic initiatives and providing fair compensation for all employees that keeps pace with inflation.

Future budgets are dependent on the Florida Legislature, voter support and property tax values. The 1.0 mill referendum will sun set June 30, 2023, unless renewed by the voters. In addition, House Bill 7123 approved by the 2019 Legislature mandates future voted discretionary millages approved on or after July 1, 2019 must be shared with charter schools based upon student enrollment. As a result, any future operating millage referendum in 2022 or beyond will be subject to this requirement absent a change in legislation.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact:

Michael J. Burke, Chief Financial Officer
The School District of Palm Beach County, Florida
3328 Forest Hill Boulevard, Suite C-316
West Palm Beach, FL 33406

Visit our website at:

<http://www.palmbeachschools.org/>

View an electronic copy of our SAFR at:

<https://www.palmbeachschools.org/accounting/annual-reports/>

DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
STATEMENT OF NET POSITION
June 30, 2019

	Account Number	Primary Government		Charter Schools
		Governmental Activities	Total	Total Nonmajor Charter Schools
ASSETS				
Cash and Cash Equivalents	1110	160,181,452.61	160,181,452.61	31,825,078.99
Investments	1160	933,129,311.01	933,129,311.01	677,591.18
Taxes Receivable, Net	1120	48,012,860.31	48,012,860.31	0.00
Accounts Receivable, Net	1131	891,843.53	891,843.53	3,764,085.41
Interest Receivable on Investments	1170	266,763.81	266,763.81	0.00
Due From Other Agencies	1220	35,035,776.87	35,035,776.87	4,890,324.32
Cash with Fiscal/Service Agents	1114	3,225,686.73	3,225,686.73	5,454,433.00
Inventory	1150	10,587,981.83	10,587,981.83	8,416.60
Prepaid Items	1230	748,947.21	748,947.21	2,707,786.70
Prepaid Insurance Costs	1430	3,983,310.00	3,983,310.00	240,780.00
<i>Capital Assets</i>				
Land	1310	343,655,337.80	343,655,337.80	4,686,361.38
Construction in Progress	1360	19,823,605.26	19,823,605.26	8,450.00
Nondepreciable Capital Assets		363,478,943.06	363,478,943.06	4,694,811.38
Improvements Other Than Buildings	1320	60,010,952.97	60,010,952.97	4,819,919.10
Less Accumulated Depreciation	1329	(42,780,053.95)	(42,780,053.95)	5,396,553.69
Buildings and Fixed Equipment	1330	4,171,119,230.68	4,171,119,230.68	109,452,257.89
Less Accumulated Depreciation	1339	(1,489,040,356.76)	(1,489,040,356.76)	(13,324,097.32)
Furniture, Fixtures and Equipment	1340	140,099,601.24	140,099,601.24	20,334,956.61
Less Accumulated Depreciation	1349	(102,881,574.15)	(102,881,574.15)	(14,934,943.13)
Motor Vehicles	1350	122,458,660.02	122,458,660.02	1,320,750.50
Less Accumulated Depreciation	1359	(71,656,183.17)	(71,656,183.17)	(477,642.78)
Audiovisual Materials	1381	2,925,930.34	2,925,930.34	2,173,497.01
Less Accumulated Depreciation	1388	(2,914,183.06)	(2,914,183.06)	(1,461,422.41)
Computer Software	1382	47,728,404.42	47,728,404.42	6,148,633.91
Less Accumulated Amortization	1389	(36,190,094.66)	(36,190,094.66)	(5,674,620.72)
Depreciable Capital Assets, Net		2,798,880,333.92	2,798,880,333.92	113,773,842.35
Total Capital Assets		3,162,359,276.98	3,162,359,276.98	118,468,653.73
Total Assets		4,358,423,210.89	4,358,423,210.89	168,315,485.43
DEFERRED OUTFLOWS OF RESOURCES				
Net Carrying Amount of Debt Refunding	1920	95,143,191.18	95,143,191.18	0.00
Pension	1940	426,117,353.00	426,117,353.00	3,655,337.00
Other Postemployment Benefits	1950	13,384,000.00	13,384,000.00	0.00
Total Deferred Outflows of Resources		534,644,544.18	534,644,544.18	3,655,337.00
LIABILITIES				
Accrued Salaries and Benefits	2110	85,291,019.71	85,291,019.71	5,660,144.14
Payroll Deductions and Withholdings	2170	5,060,389.17	5,060,389.17	279,496.26
Accounts Payable	2120	49,272,166.36	49,272,166.36	6,872,252.04
Sales Tax Payable	2260	45,897.81	45,897.81	0.00
Current Notes Payable	2250	115,000,000.00	115,000,000.00	0.00
Accrued Interest Payable	2210	28,927,820.92	28,927,820.92	0.00
Deposits Payable	2220	353,154.74	353,154.74	6,784.00
Construction Contracts Payable	2140	12,508,489.77	12,508,489.77	0.00
Construction Contracts Payable - Retained Percentage	2150	1,954,427.99	1,954,427.99	0.00
Unearned Revenues	2410	2,764,278.78	2,764,278.78	1,297,800.13
<i>Long-Term Liabilities:</i>				
<i>Portion Due Within One Year:</i>				
Notes Payable	2310	8,805,392.61	8,805,392.61	1,072,267.52
Bonds Payable	2320	1,177,000.00	1,177,000.00	1,467,460.38
Liability for Compensated Absences	2330	15,263,297.00	15,263,297.00	314,152.00
Lease-Purchase Agreements Payable	2340	73,380,000.00	73,380,000.00	0.00
Estimated Liability for Long-Term Claims	2350	22,813,000.00	22,813,000.00	210,833.00
Due Within One Year		121,438,689.61	121,438,689.61	3,064,712.90
<i>Portion Due After One Year:</i>				
Notes Payable	2310	13,568,405.73	13,568,405.73	11,814,086.00
Bonds Payable	2320	8,204,262.10	8,204,262.10	114,827,048.24
Liability for Compensated Absences	2330	182,194,011.98	182,194,011.98	432,574.00
Lease-Purchase Agreements Payable	2340	1,335,586,763.22	1,335,586,763.22	0.00
Estimated Liability for Long-Term Claims	2350	34,881,000.00	34,881,000.00	0.00
Net Other Postemployment Benefits Obligation	2360	157,651,000.00	157,651,000.00	2,057,085.43
Net Pension Liability	2365	1,041,662,862.00	1,041,662,862.00	7,220,860.00
Due in More than One Year		2,773,748,305.03	2,773,748,305.03	136,351,653.67
Total Long-Term Liabilities		2,895,186,994.64	2,895,186,994.64	139,416,366.57
Total Liabilities		3,196,364,639.89	3,196,364,639.89	153,532,843.14
DEFERRED INFLOWS OF RESOURCES				
Pension	2640	112,315,274.00	112,315,274.00	682,872.00
Other Postemployment Benefits	2650	20,186,000.00	20,186,000.00	0.00
Total Deferred Inflows of Resources		132,501,274.00	132,501,274.00	682,872.00
NET POSITION				
Net Investment in Capital Assets	2770	1,782,433,768.66	1,782,433,768.66	8,966,369.59
<i>Restricted For:</i>				
Categorical Carryover Programs	2780	5,235,645.05	5,235,645.05	0.00
Food Service	2780	17,212,463.25	17,212,463.25	0.00
Debt Service	2780	95,553,366.02	95,553,366.02	0.00
Capital Projects	2780	381,470,029.38	381,470,029.38	934,456.72
Other Purposes	2780	27,873,293.59	27,873,293.59	373,726.04
Unrestricted	2790	(745,576,724.77)	(745,576,724.77)	7,480,554.94
Total Net Position		1,564,201,841.18	1,564,201,841.18	17,755,107.29

The notes to financial statements are an integral part of this statement.
ESE 145

DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2019

FUNCTIONS	Account Number	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Charter Schools
						Governmental Activities	Total	
<i>Governmental Activities:</i>								
Instruction	5000	1,225,339,923.33	2,410,124.31	359,713,169.21	9,671,893.00	(853,544,736.81)	(853,544,736.81)	
Student Support Services	6100	68,820,978.40		13,204,220.39		(55,616,758.01)	(55,616,758.01)	
Instructional Media Services	6200	20,078,145.27		821,619.78		(19,256,525.49)	(19,256,525.49)	
Instruction and Curriculum Development Services	6300	58,203,564.49		18,972,959.08		(39,230,605.41)	(39,230,605.41)	
Instructional Staff Training Services	6400	37,818,955.10		27,267,371.62		(10,551,583.48)	(10,551,583.48)	
Instruction-Related Technology	6500	10,028,213.53		282,290.37		(9,745,923.16)	(9,745,923.16)	
Board	7100	8,318,951.54				(8,318,951.54)	(8,318,951.54)	
General Administration	7200	14,478,192.19		3,470,839.48		(11,007,352.71)	(11,007,352.71)	
School Administration	7300	113,749,783.08		6,716,734.84		(107,033,048.24)	(107,033,048.24)	
Facilities Acquisition and Construction	7400	120,008,272.12			8,081,565.12	(111,926,707.00)	(111,926,707.00)	
Fiscal Services	7500	7,506,646.62		173,593.18		(7,333,053.44)	(7,333,053.44)	
Food Services	7600	103,167,688.63	14,996,958.97	82,008,370.25		(6,162,359.41)	(6,162,359.41)	
Central Services	7700	18,022,559.85		1,067,547.83		(16,955,012.02)	(16,955,012.02)	
Student Transportation Services	7800	59,672,724.83	1,319,014.50	27,826,871.18		(30,526,839.15)	(30,526,839.15)	
Operation of Plant	7900	143,582,424.16		10,143,271.99		(133,439,152.17)	(133,439,152.17)	
Maintenance of Plant	8100	81,043,439.92		8,400.00	2,758,762.00	(78,276,277.92)	(78,276,277.92)	
Administrative Technology Services	8200	7,179,169.25		1,207,905.76		(5,971,263.49)	(5,971,263.49)	
Community Services	9100	45,732,140.36	37,941,527.84	9,403,362.21		1,612,749.69	1,612,749.69	
Interest on Long-Term Debt	9200	53,495,411.41			1,691,796.55	(51,803,614.86)	(51,803,614.86)	
Unallocated Depreciation/Amortization Expense		109,908,484.75				(109,908,484.75)	(109,908,484.75)	
Total Governmental Activities		2,306,155,668.83	56,667,625.62	562,288,527.17	22,204,016.67	(1,664,995,499.37)	(1,664,995,499.37)	
Total Primary Government		2,306,155,668.83	56,667,625.62	562,288,527.17	22,204,016.67	(1,664,995,499.37)	(1,664,995,499.37)	
<i>Charter Schools:</i>								
Total Nonmajor Charter Schools		195,661,542.43	7,131,620.84	9,457,099.21	8,889,928.43			(170,182,893.95)
Total Charter Schools		195,661,542.43	7,131,620.84	9,457,099.21	8,889,928.43			(170,182,893.95)

General Revenues:

Taxes:

Property Taxes, Levied for Operational Purposes

Property Taxes, Levied for Capital Projects

Local Sales Taxes

Grants and Contributions Not Restricted to Specific Programs

Investment Earnings

Miscellaneous

Total General Revenues, Special Items, Extraordinary Items and Transfers

Change in Net Position

Net Position, July 1, 2018

Net Position, June 30, 2019

979,947,603.88	979,947,603.88	0.00
289,776,185.84	289,776,185.84	0.00
145,847,734.84	145,847,734.84	0.00
265,279,081.20	265,279,081.20	160,749,246.14
25,097,435.74	25,097,435.74	252,711.69
35,644,739.83	35,644,739.83	9,872,617.21
1,741,592,781.33	1,741,592,781.33	170,874,575.04
76,597,281.96	76,597,281.96	691,681.09
1,487,604,559.22	1,487,604,559.22	17,063,426.20
1,564,201,841.18	1,564,201,841.18	17,755,107.29

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

ESE 145

**DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019**

	Account Number	General 100	Other Debt Service 290	Nonvoted Capital Improvement Fund 370	Other Capital Projects 390	Other Governmental Funds	Total Governmental Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES							
ASSETS							
Cash and Cash Equivalents	1110	259,313,403.21	4,651,964.05	113,550,779.49	260,837,739.82	17,032,699.36	655,386,585.93
Investments	1160	115,649,223.60	107,256,727.99	0.00	5,410,721.45	10,029,328.24	238,346,001.28
Taxes Receivable, Net	1120	18,023,286.49	0.00	5,330,573.82	24,659,000.00	0.00	48,012,860.31
Accounts Receivable, Net	1131	891,843.53	0.00	0.00	0.00	0.00	891,843.53
Interest Receivable on Investments	1170	266,763.81	0.00	0.00	0.00	0.00	266,763.81
Due From Other Agencies	1220	8,758,531.02	0.00	0.00	1,365,008.87	21,912,236.98	32,035,776.87
Due From Budgetary Funds	1141	11,000,000.00	0.00	0.00	0.00	0.00	11,000,000.00
Inventory	1150	6,358,774.21	0.00	0.00	0.00	4,229,207.62	10,587,981.83
Prepaid Items	1230	800.00	0.00	0.00	0.00	72,006.21	72,806.21
Total Assets and Deferred Outflows of Resources		420,262,625.87	111,908,692.04	118,881,353.31	292,272,470.14	53,275,478.41	996,600,619.77
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
LIABILITIES							
Accrued Salaries and Benefits	2110	79,450,881.95	0.00	0.00	81,279.12	5,833,847.42	85,366,008.49
Payroll Deductions and Withholdings	2170	12,274,952.36	0.00	0.00	11,887.65	465,669.53	12,752,509.54
Accounts Payable	2120	24,743,430.44	6,000.00	2,596,142.79	14,214,440.28	5,846,624.40	47,406,637.91
Sales Tax Payable	2260	45,897.81	0.00	0.00	0.00	0.00	45,897.81
Current Notes Payable	2250	115,000,000.00	0.00	0.00	0.00	0.00	115,000,000.00
Accrued Interest Payable	2210	2,549,166.66	0.00	0.00	0.00	0.00	2,549,166.66
Deposits Payable	2220	353,154.74	0.00	0.00	0.00	0.00	353,154.74
Due to Budgetary Funds	2161	0.00	0.00	0.00	0.00	11,000,000.00	11,000,000.00
Construction Contracts Payable	2140	68,998.12	0.00	1,710,712.53	10,556,189.76	172,589.36	12,508,489.77
Construction Contracts Payable - Retained Percentage	2150	0.00	0.00	122,511.49	1,831,916.50	0.00	1,954,427.99
Unearned Revenue	2410	553,270.36	0.00	0.00	6,151.58	2,569,274.61	3,128,696.55
Total Liabilities		235,039,752.44	6,000.00	4,429,366.81	26,701,864.89	25,888,005.32	292,064,989.46
DEFERRED INFLOWS OF RESOURCES							
Deferred Revenues	2630	2,434,653.00	0.00	0.00	1,084,276.50	0.00	3,518,929.50
Total Deferred Inflows of Resources		2,434,653.00	0.00	0.00	1,084,276.50	0.00	3,518,929.50
FUND BALANCES							
<i>Nonspendable:</i>							
Inventory	2711	6,358,774.21	0.00	0.00	0.00	4,229,207.62	10,587,981.83
Total Nonspendable Fund Balances	2710	6,358,774.21	0.00	0.00	0.00	4,229,207.62	10,587,981.83
<i>Restricted for:</i>							
State Required Carryover Programs	2723	5,235,645.05	0.00	0.00	0.00	0.00	5,235,645.05
Local Sales Tax and Other Tax Levy	2724	0.00	0.00	0.00	216,713,983.12	0.00	216,713,983.12
Debt Service	2725	0.00	111,902,692.04	0.00	0.00	10,029,328.24	121,932,020.28
Capital Projects	2726	0.00	0.00	114,451,986.50	7,212,355.04	127,429.44	121,791,770.98
Restricted for Child Nutrition	2729	0.00	0.00	0.00	0.00	12,983,255.63	12,983,255.63
Restricted for Other Purposes (See Footnote)	2729	24,629,354.70	0.00	0.00	0.00	0.00	24,629,354.70
Total Restricted Fund Balances	2720	29,864,999.75	111,902,692.04	114,451,986.50	223,926,338.16	23,140,013.31	503,286,029.76
<i>Committed to:</i>							
Committed for Other Purposes	2739	0.00	0.00	0.00	0.00	18,252.16	18,252.16
Total Committed Fund Balances	2730	0.00	0.00	0.00	0.00	18,252.16	18,252.16
<i>Assigned to:</i>							
Capital Projects	2743	220,408.53	0.00	0.00	40,559,990.59	0.00	40,780,399.12
Assigned for Other Purposes (See Footnote)	2749	16,258,881.03	0.00	0.00	0.00	0.00	16,258,881.03
Assigned for Next Year's Budget	2749	66,085,156.91	0.00	0.00	0.00	0.00	66,085,156.91
Total Assigned Fund Balances	2740	82,564,446.47	0.00	0.00	40,559,990.59	0.00	123,124,437.06
Total Unassigned Fund Balances	2750	64,000,000.00	0.00	0.00	0.00	0.00	64,000,000.00
Total Fund Balances	2700	182,788,220.43	111,902,692.04	114,451,986.50	264,486,328.75	27,387,473.09	701,016,700.81
Total Liabilities, Deferred Inflows of Resources and Fund Balances		420,262,625.87	111,908,692.04	118,881,353.31	292,272,470.14	53,275,478.41	996,600,619.77

The notes to financial statements are an integral part of this statement.
ESE 145

**DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
For the Fiscal Year Ended June 30, 2019**

Total Fund Balances - Governmental Funds \$ 701,016,700.81

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

Cost of the Assets	\$ 4,907,821,722.73	
Accumulated Depreciation	(1,745,462,445.75)	
Total capital assets, net of depreciation	<u>3,162,359,276.98</u>	3,162,359,276.98

Deferred outflow of resources are reported at net carrying amount for refunding transactions in the statement of net position. 95,143,191.18

Deferred outflows of resources related to Pensions and OPEB are recorded in the statement of net position. 439,006,550.00

Expenditures for insurance and software extending over more than one accounting period not allocated between or among accounting periods, but accounted for as expenditures of the period of acquisition in the funds. 4,659,451.00

An internal service fund is used by management to charge the costs of health premiums, worker's compensation, auto and general liability to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.

Assets	206,298,666.14	
Liabilities (includes OPEB, compensated absences, and long term claims)	(61,306,289.31)	
Net position	<u>144,992,376.83</u>	144,992,376.83

Revenues that have been deferred or unearned in the governmental funds but are recognized as revenue in the governmental-wide financial statements. 3,883,347.27

Deferred inflows of resources related to Pensions and OPEB are recorded in the statement of net position. (132,366,961.00)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Long-term liabilities (net of premiums) at year-end consist of:

Notes / Loan Payable	22,373,798.34	
Bonds Payable	9,381,262.10	
Certificates of Participation	1,408,966,763.22	
Compensated Absences	189,388,994.97	
Other Post Employment Benefits	157,545,000.00	
Net Pension Liability	1,040,457,619.00	
Accrued Interest on Long-term Debt	26,378,654.26	
	<u>(2,854,492,091.89)</u>	(2,854,492,091.89)

Total Net Position - Governmental Activities \$ 1,564,201,841.18

The notes to financial statements are an integral part of this statement.
ESE 145

DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2019

	Account Number	General 100	Other Debt Service 290	Nonvoted Capital Improvement Fund 370	Other Capital Projects 390	Other Governmental Funds	Total Governmental Funds
REVENUES							
Federal Direct	3100	1,279,703.94	0.00	0.00	0.00	7,869,445.88	9,149,149.82
Federal Through State and Local	3200	10,976,383.70	0.00	0.00	0.00	203,117,213.42	214,093,597.12
State Sources	3300	578,440,330.35	0.00	0.00	575,547.01	45,609,368.02	624,625,245.38
<i>Local Sources:</i>							
Property Taxes Levied, Tax Redemptions and Excess Fees for Operational Purposes	3411, 3421, 3423	979,947,603.88	0.00	0.00	0.00	0.00	979,947,603.88
Property Taxes Levied, Tax Redemptions and Excess Fees for Capital Projects	3413, 3421, 3423	0.00	0.00	289,776,185.84	0.00	0.00	289,776,185.84
Local Sales Taxes	3418, 3419	0.00	0.00	0.00	145,847,734.84	0.00	145,847,734.84
Charges for Service - Food Service	345X	0.00	0.00	0.00	0.00	14,749,571.52	14,749,571.52
Other Local Revenue		80,874,397.53	428,154.48	4,341,628.90	6,034,078.07	7,208,192.12	98,886,451.10
Total Local Sources	3400	1,060,822,001.41	428,154.48	294,117,814.74	151,881,812.91	21,957,763.64	1,529,207,547.18
Total Revenues		1,651,518,419.40	428,154.48	294,117,814.74	152,457,359.92	278,553,790.96	2,377,075,539.50
EXPENDITURES							
<i>Current:</i>							
Instruction	5000	1,100,775,979.36	0.00	0.00	0.00	91,912,395.07	1,192,688,374.43
Student Support Services	6100	53,941,051.07	0.00	0.00	0.00	12,747,586.33	66,688,637.40
Instructional Media Services	6200	19,561,290.49	0.00	0.00	0.00	18,770.78	19,580,061.27
Instruction and Curriculum Development Services	6300	37,947,860.49	0.00	0.00	0.00	18,525,771.41	56,473,631.90
Instructional Staff Training Services	6400	11,008,567.52	0.00	0.00	0.00	25,401,154.58	36,409,722.10
Instruction-Related Technology	6500	9,676,140.02	0.00	0.00	0.00	97,515.51	9,773,655.53
Board	7100	8,315,899.54	0.00	0.00	0.00	0.00	8,315,899.54
General Administrator	7200	9,864,504.71	0.00	0.00	0.00	3,470,839.48	13,335,344.19
School Administration	7300	109,308,021.63	0.00	0.00	0.00	360,733.45	109,668,755.08
Facilities Acquisition and Constructor	7410	297,858.29	0.00	0.00	0.00	0.00	297,858.29
Fiscal Services	7500	7,049,359.44	0.00	0.00	0.00	173,593.18	7,222,952.62
Food Services	7600	149,753.27	0.00	0.00	0.00	100,849,161.68	100,998,914.95
Central Services	7700	16,154,658.99	0.00	0.00	0.00	1,064,208.86	17,218,867.85
Student Transportation Services	7800	57,618,467.74	0.00	0.00	0.00	466,418.09	58,084,885.83
Operation of Plant	7900	141,378,536.17	0.00	0.00	0.00	12,580.69	141,391,116.86
Maintenance of Plant	8100	80,090,384.92	0.00	0.00	0.00	8,400.00	80,098,784.92
Administrative Technology Service	8200	7,036,814.25	0.00	0.00	0.00	0.00	7,036,814.25
Community Services	9100	42,149,762.42	0.00	0.00	0.00	3,105,029.78	45,254,792.20
<i>Debt Service: (Function 9200)</i>							
Redemption of Principal	710	0.00	86,358,765.89	0.00	0.00	1,311,000.00	87,669,765.89
Interest	720	1,890,783.19	59,765,222.82	0.00	0.00	4,070,825.00	65,726,831.01
Dues and Fees	730	0.00	97,932.00	0.00	157,250.00	12,763.59	267,945.59
Miscellaneous	790	0.00	0.00	0.00	242,636.79	9,671,893.00	9,914,529.79
<i>Capital Outlay:</i>							
Facilities Acquisition and Constructor	7420	7,001.47	0.00	38,297,761.84	120,088,818.01	1,147,876.09	159,541,457.41
Other Capital Outlay	9300	1,973,261.74	0.00	0.00	0.00	2,954,708.27	4,927,970.01
Total Expenditures		1,716,195,956.72	146,221,920.71	38,297,761.84	120,488,704.80	277,383,224.84	2,298,587,568.91
Excess (Deficiency) of Revenues Over (Under) Expenditures		(64,677,537.32)	(145,793,766.23)	255,820,052.90	31,968,655.12	1,170,566.12	78,487,970.59
OTHER FINANCING SOURCES (USES)							
Loans	3720	0.00	0.00	0.00	16,071,427.00	0.00	16,071,427.00
Sale of Capital Assets	3730	0.00	0.00	0.00	245,275.79	0.00	245,275.79
Loss Recoveries	3740	292.56	0.00	0.00	0.00	0.00	292.56
Transfers In	3600	89,268,697.73	130,251,344.61	0.00	30,000.00	9,542,870.04	229,092,912.38
Transfers Out	9700	(30,000.00)	0.00	(220,844,120.03)	(5,999.73)	(8,212,792.62)	(229,092,912.38)
Total Other Financing Sources (Uses)		89,238,990.29	130,251,344.61	(220,844,120.03)	16,340,703.06	1,330,077.42	16,316,995.35
Net Change in Fund Balances		24,561,452.97	(15,542,421.62)	34,975,932.87	48,309,358.18	2,500,643.54	94,804,965.94
Fund Balances, July 1, 2018	2800	158,226,767.46	127,445,113.66	79,476,053.63	216,176,970.57	24,886,829.55	606,211,734.87
Fund Balances, June 30, 2019	2700	182,788,220.43	111,902,692.04	114,451,986.50	264,486,328.75	27,387,473.09	701,016,700.81

The notes to financial statements are an integral part of this statement
ESE 145

**DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2019**

Net Change in Fund Balances - Governmental Funds \$ 94,804,965.94

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

Capital outlays are reported in governmental funds 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 of depreciation expense (\$109,908,485) in excess of capitalized capital outlay (\$56,303,024) in the current period. (53,605,460.88)

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:

Premium / Discount Amortization 12,167,945.96

Investment loss related to derivative instruments reported in the statement of activities that are not reported as revenue in the governmental funds.

Revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. 3,883,347.27

Revenues reported in the governmental funds that were reported as revenue in the statement of activities in the prior year under full accrual. (4,096,230.64)

Note / Loan proceeds provided current financial resources to governmental funds, but increase long-term liabilities in the statement of net position. 8,728,719.83

Repayment of notes/loans is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position (16,071,427.00)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position 78,941,000.00

The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net position. (316,392.74)

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

Prepaid Insurance & Software	\$ (473,860.00)	
Compensated Absences	(3,462,867.00)	
Other post employment benefits	(7,824,000.00)	
Pension Expense	(51,311,426.00)	
Accrued interest on long-term debt	331,465.29	
		(62,740,687.71)

An internal service fund is used by management to charge the cost of employee health premiums, worker's compensation, auto and general liability claims to individual funds. The net income of the internal service fund is reported with governmental activities. 14,901,501.93

Change in net position of governmental activities \$ 76,597,281.96

The notes to financial statements are an integral part of this statement.
ESE 145

DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2019

	Account Number	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
		Self-Insurance Consortium 911	Other Enterprise Funds	Totals	
ASSETS					
Current assets:					
Cash and Cash Equivalents	1110	0.00	0.00	0.00	199,578,176.41
Due From Other Agencies	1220	0.00	0.00	0.00	3,000,000.00
Cash with Fiscal/Service Agents	1114	0.00	0.00	0.00	3,225,686.73
Total current assets		0.00	0.00	0.00	205,803,863.14
Total Assets		0.00	0.00	0.00	205,803,863.14
DEFERRED OUTFLOWS OF RESOURCES					
Pension	1940	0.00	0.00	0.00	494,803.00
Total Deferred Outflows of Resources		0.00	0.00	0.00	494,803.00
LIABILITIES					
Current liabilities:					
Accrued Salaries and Benefits	2110	0.00	0.00	0.00	35,159.22
Payroll Deductions and Withholdings	2170	0.00	0.00	0.00	6,065.64
Accounts Payable	2120	0.00	0.00	0.00	1,865,528.45
Estimated Unpaid Claims - Self-Insurance Program	2271	0.00	0.00	0.00	22,813,000.00
Total current liabilities		0.00	0.00	0.00	24,719,753.31
Long-term liabilities:					
Liability for Compensated Absences	2330	0.00	0.00	0.00	259,980.00
Estimated Liability for Long-Term Claims	2350	0.00	0.00	0.00	34,881,000.00
Net Other Postemployment Benefits Obligation	2360	0.00	0.00	0.00	106,000.00
Net Pension Liability	2365	0.00	0.00	0.00	1,205,243.00
Total long-term-liabilities		0.00	0.00	0.00	36,452,223.00
Total Liabilities		0.00	0.00	0.00	61,171,976.31
Pension	2640	0.00	0.00	0.00	134,313.00
Total Deferred Inflows of Resources		0.00	0.00	0.00	134,313.00
NET POSITION					
Unrestricted	2790	0.00	0.00	0.00	144,992,376.83
Total Net Position		0.00	0.00	0.00	144,992,376.83

The notes to financial statements are an integral part of this statement.
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DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2019

	Account Number	Business-Type Activities - Enterprise Funds		Governmental Activities - Internal Service Funds
		Self-Insurance Consortium 911	Totals	
OPERATING REVENUES				
Premium Revenue	3484	0.00	0.00	220,300,047.96
Other Operating Revenues	3489	0.00	0.00	15,375,062.79
Total Operating Revenues		0.00	0.00	235,675,110.75
OPERATING EXPENSES				
Salaries	100	0.00	0.00	1,370,655.92
Employee Benefits	200	0.00	0.00	476,689.34
Purchased Services	300	0.00	0.00	515,620.49
Materials and Supplies	500	0.00	0.00	27,695.63
Capital Outlay	600	0.00	0.00	4,333.00
Other	700	0.00	0.00	221,806,767.65
Total Operating Expenses		0.00	0.00	224,201,762.03
Operating Income (Loss)		0.00	0.00	11,473,348.72
NONOPERATING REVENUES (EXPENSES)				
Investment Income	3430	0.00	0.00	3,428,153.21
Total Nonoperating Revenues (Expenses)		0.00	0.00	3,428,153.21
Income (Loss) Before Operating Transfers		0.00	0.00	14,901,501.93
Change In Net Position		0.00	0.00	14,901,501.93
Net Position, July 1, 2018	2880	0.00	0.00	130,090,874.90
Net Position, June 30, 2019	2780	0.00	0.00	144,992,376.83

The notes to financial statements are an integral part of this statement.
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DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2019

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Self-Insurance Consortium 911	Other Enterprise Funds	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from interfund services provided	0.00	0.00	0.00	220,300,047.96
Payments to suppliers	0.00	0.00	0.00	(223,654,141.46)
Payments to employees	0.00	0.00	0.00	(1,789,446.79)
Other receipts (payments)	0.00	0.00	0.00	15,409,662.65
Net cash provided (used) by operating activities	0.00	0.00	0.00	10,266,122.36
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends received	0.00	0.00	0.00	3,428,153.21
Net cash provided (used) by investing activities	0.00	0.00	0.00	3,428,153.21
Net increase (decrease) in cash and cash equivalents	0.00	0.00	0.00	13,694,275.57
Cash and cash equivalents - July 1, 2018	0.00	0.00	0.00	189,109,587.57
Cash and cash equivalents - June 30, 2019	0.00	0.00	0.00	202,803,863.14
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	0.00	0.00	0.00	11,473,348.72
<i>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:</i>				
<i>Change in assets and liabilities:</i>				
(Increase) decrease in accounts receivable	0.00	0.00	0.00	34,599.86
Increase (decrease) in salaries and benefits payable	0.00	0.00	0.00	(4,442.18)
Increase (decrease) in payroll tax liabilities	0.00	0.00	0.00	(262.35)
Increase (decrease) in accounts payable	0.00	0.00	0.00	134,275.31
Increase (decrease) in pension	0.00	0.00	0.00	62,603.00
Increase (decrease) in estimated unpaid claims - Self-Insurance Prog.	0.00	0.00	0.00	(1,434,000.00)
Total adjustments	0.00	0.00	0.00	(1,207,226.36)
Net cash provided (used) by operating activities	0.00	0.00	0.00	10,266,122.36

The notes to financial statements are an integral part of this statement.
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DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2019

	Account Number	Total Investment Trust Funds 84X	Total Private-Purpose Trust Funds 85X	Total Pension Trust Funds 87X	Total Agency Funds 89X
ASSETS					
Cash and Cash Equivalents	1110	0.00	331,274.12	0.00	20,782,612.78
Accounts Receivable, Net	1131	0.00	0.00	0.00	1,437,226.28
Total Assets		0.00	331,274.12	0.00	22,219,839.06
LIABILITIES					
Accounts Payable	2120	0.00	0.00	0.00	174,028.13
Internal Accounts Payable	2290	0.00	0.00	0.00	22,045,810.93
Total Liabilities		0.00	0.00	0.00	22,219,839.06
NET POSITION					
Held in Trust for Other Purposes	2785	0.00	331,274.12	0.00	
Total Net Position		0.00	331,274.12	0.00	

The notes to financial statements are an integral part of this statement.
ESE 145

DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2019

	Account Number	Total Investment Trust Funds 84X	Total Private-Purpose Trust Funds 85X	Total Pension Trust Funds 87X
ADDITIONS				
<i>Contributions:</i>				
Gifts, Grants and Bequests	3440	0.00	20,541.68	0.00
<i>Investment Income:</i>				
Interest on Investments	3431	0.00	1,397.88	0.00
Total Investment Income		0.00	1,397.88	0.00
Net Investment Income		0.00	1,397.88	0.00
Total Additions		0.00	21,939.56	0.00
DEDUCTIONS				
Other	700	0.00	27,000.00	0.00
Total Deductions		0.00	27,000.00	0.00
Change In Net Position		0.00	(5,060.44)	0.00
Net Position Held In Trust, July 1, 2018	2885	0.00	336,334.56	0.00
Net Position Held in Trust for Pension Benefits and Other Purposes, June 30, 2019	2785	0.00	331,274.12	0.00

The notes to financial statements are an integral part of this statement.
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**DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
COMBINING STATEMENT OF NET POSITION
MAJOR AND NONMAJOR CHARTER SCHOOLS
June 30, 2019**

	Account Number	Total Nonmajor Charter Schools	Total Charter Schools
ASSETS			
Cash and Cash Equivalents	1110	31,825,078.99	31,825,078.99
Investments	1160	677,591.18	677,591.18
Accounts Receivable, Net	1131	3,764,085.41	3,764,085.41
Due From Other Agencies	1220	4,890,324.32	4,890,324.32
Deposits Receivable	1210	278,335.50	278,335.50
Cash with Fiscal/Service Agents	1114	5,454,433.00	5,454,433.00
Inventory	1150	8,416.60	8,416.60
Prepaid Items	1230	2,707,786.70	2,707,786.70
Prepaid Insurance Costs	1430	240,780.00	240,780.00
<i>Capital Assets:</i>			
Land	1310	4,686,361.38	4,686,361.38
Construction in Progress	1360	8,450.00	8,450.00
Nondepreciable Capital Assets		4,694,811.38	4,694,811.38
Improvements Other Than Buildings	1320	4,819,919.10	4,819,919.10
Less Accumulated Depreciation	1329	5,396,553.69	5,396,553.69
Buildings and Fixed Equipment	1330	109,452,257.89	109,452,257.89
Less Accumulated Depreciation	1339	(13,324,097.32)	(13,324,097.32)
Furniture, Fixtures and Equipment	1340	20,334,956.61	20,334,956.61
Less Accumulated Depreciation	1349	(14,934,943.13)	(14,934,943.13)
Motor Vehicles	1350	1,320,750.50	1,320,750.50
Less Accumulated Depreciation	1359	(477,642.78)	(477,642.78)
Audiovisual Materials	1381	2,173,497.01	2,173,497.01
Less Accumulated Depreciation	1388	(1,461,422.41)	(1,461,422.41)
Computer Software	1382	6,148,633.91	6,148,633.91
Less Accumulated Amortization	1389	(5,674,620.72)	(5,674,620.72)
Depreciable Capital Assets, Net		113,773,842.35	113,773,842.35
Total Capital Assets		118,468,653.73	118,468,653.73
Total Assets		168,315,485.43	168,315,485.43
DEFERRED OUTFLOWS OF RESOURCES			
Pension	1940	3,655,337.00	3,655,337.00
Total Deferred Outflows of Resources		3,655,337.00	3,655,337.00
LIABILITIES			
Accrued Salaries and Benefits	2110	5,660,144.14	5,660,144.14
Payroll Deductions and Withholdings	2170	279,496.26	279,496.26
Accounts Payable	2120	6,872,252.04	6,872,252.04
Deposits Payable	2220	6,784.00	6,784.00
Unearned Revenues	2410	1,297,800.13	1,297,800.13
<i>Long-Term Liabilities:</i>			
<i>Portion Due Within One Year:</i>			
Notes Payable	2310	1,072,267.52	1,072,267.52
Bonds Payable	2320	1,467,460.38	1,467,460.38
Liability for Compensated Absences	2330	314,152.00	314,152.00
Lease-Purchase Agreements Payable	2340	0.00	0.00
Estimated Liability for Long-Term Claims	2350	210,833.00	210,833.00
Due Within One Year		3,064,712.90	3,064,712.90
<i>Portion Due After One Year:</i>			
Notes Payable	2310	11,814,086.00	11,814,086.00
Bonds Payable	2320	114,827,048.24	114,827,048.24
Liability for Compensated Absences	2330	432,574.00	432,574.00
Estimated Liability for Long-Term Claims	2350	0.00	0.00
Net Other Postemployment Benefits Obligation	2360	2,057,085.43	2,057,085.43
Net Pension Liability	2365	7,220,860.00	7,220,860.00
Due in More than One Year		136,351,653.67	136,351,653.67
Total Long-Term Liabilities		139,416,366.57	139,416,366.57
Total Liabilities		153,532,843.14	153,532,843.14
DEFERRED INFLOWS OF RESOURCES			
Pension	2640	682,872.00	682,872.00
Total Deferred Inflows of Resources		682,872.00	682,872.00
NET POSITION			
Net Investment in Capital Assets	2770	8,966,369.59	8,966,369.59
<i>Restricted For:</i>			
Capital Projects	2780	934,456.72	934,456.72
Other Purposes	2780	373,726.04	373,726.04
Unrestricted	2790	7,480,554.94	7,480,554.94
Total Net Position		17,755,107.29	17,755,107.29

The notes to financial statements are an integral part of this statement.
ESE 145

**DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
COMBINING STATEMENT OF ACTIVITIES (CONTINUED)
MAJOR AND NONMAJOR CHARTER SCHOOLS
TOTAL NONMAJOR CHARTER SCHOOLS
For the Fiscal Year Ended June 30, 2019**

FUNCTIONS	Account Number	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Charter School
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<i>Charter School Activities:</i>						
Instruction	5000	94,436,704.10	4,097,783.63	5,476,378.39	0.00	(84,862,542.08)
Student Support Services	6100	5,188,160.83	0.00	717,910.66	0.00	(4,470,250.17)
Instructional Media Services	6200	463,857.22	0.00	12,415.00	0.00	(451,442.22)
Instruction and Curriculum Development Services	6300	1,175,393.84	0.00	160,729.77	0.00	(1,014,664.07)
Instructional Staff Training Services	6400	469,694.85	0.00	123,943.66	0.00	(345,751.19)
Instruction-Related Technology	6500	189,083.33	0.00	0.00	0.00	(189,083.33)
Board	7100	1,085,955.44	0.00	0.00	0.00	(1,085,955.44)
General Administration	7200	1,646,198.56	0.00	0.00	0.00	(1,646,198.56)
School Administration	7300	23,200,593.95	0.00	17,357.00	0.00	(23,183,236.95)
Facilities Acquisition and Construction	7400	8,377,328.46	0.00	25,913.00	5,872,709.86	(2,478,705.60)
Fiscal Services	7500	7,636,613.62	0.00	0.00	0.00	(7,636,613.62)
Food Services	7600	2,793,287.44	138,858.00	2,235,194.21	374,492.32	(44,742.91)
Central Services	7700	3,796,777.62	0.00	10,256.00	0.00	(3,786,521.62)
Student Transportation Services	7800	4,506,033.00	0.00	306,741.09	0.00	(4,199,291.91)
Operation of Plant	7900	27,648,890.79	26,575.00	233,122.00	2,642,726.25	(24,746,467.54)
Maintenance of Plant	8100	3,263,431.06	0.00	42,250.27	0.00	(3,221,180.79)
Administrative Technology Services	8200	740,747.41	0.00	42,484.13	0.00	(698,263.28)
Community Services	9100	2,846,551.50	2,868,404.21	52,404.03	0.00	74,256.74
Interest on Long-Term Debt	9200	5,569,563.62	0.00	0.00	0.00	(5,569,563.62)
Unallocated Depreciation/Amortization Expense		626,675.79				(626,675.79)
Total Charter School Activities		195,661,542.43	7,131,620.84	9,457,099.21	8,889,928.43	(170,182,893.95)

General Revenues:

Taxes:

Grants and Contributions Not Restricted to Specific Programs	160,749,246.14
Investment Earnings	252,711.69
Miscellaneous	9,872,617.21
Total General Revenues, Special Items, Extraordinary Items and Transfers	170,874,575.04
Change in Net Position	691,681.09
Net Position, July 1, 2018	17,063,426.20
Net Position, June 30, 2019	17,755,107.29

The notes to financial statements are an integral part of this statement.
ESE 145

**DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
COMBINING STATEMENT OF ACTIVITIES
MAJOR AND NONMAJOR CHARTER SCHOOLS
TOTAL CHARTER SCHOOLS
For the Fiscal Year Ended June 30, 2019**

FUNCTIONS	Account Number	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Charter School
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<i>Charter School Activities:</i>						
Instruction	5000	94,436,704.10	4,097,783.63	5,476,378.39	0.00	(84,862,542.08)
Student Support Services	6100	5,188,160.83	0.00	717,910.66	0.00	(4,470,250.17)
Instructional Media Services	6200	463,857.22	0.00	12,415.00	0.00	(451,442.22)
Instruction and Curriculum Development Services	6300	1,175,393.84	0.00	160,729.77	0.00	(1,014,664.07)
Instructional Staff Training Services	6400	469,694.85	0.00	123,943.66	0.00	(345,751.19)
Instruction-Related Technology	6500	189,083.33	0.00	0.00	0.00	(189,083.33)
Board	7100	1,085,955.44	0.00	0.00	0.00	(1,085,955.44)
General Administration	7200	1,646,198.56	0.00	0.00	0.00	(1,646,198.56)
School Administration	7300	23,200,593.95	0.00	17,357.00	0.00	(23,183,236.95)
Facilities Acquisition and Construction	7400	8,377,328.46	0.00	25,913.00	5,872,709.86	(2,478,705.60)
Fiscal Services	7500	7,636,613.62	0.00	0.00	0.00	(7,636,613.62)
Food Services	7600	2,793,287.44	138,858.00	2,235,194.21	374,492.32	(44,742.91)
Central Services	7700	3,796,777.62	0.00	10,256.00	0.00	(3,786,521.62)
Student Transportation Services	7800	4,506,033.00	0.00	306,741.09	0.00	(4,199,291.91)
Operation of Plant	7900	27,648,890.79	26,575.00	233,122.00	2,642,726.25	(24,746,467.54)
Maintenance of Plant	8100	3,263,431.06	0.00	42,250.27	0.00	(3,221,180.79)
Administrative Technology Services	8200	740,747.41	0.00	42,484.13	0.00	(698,263.28)
Community Services	9100	2,846,551.50	2,868,404.21	52,404.03	0.00	74,256.74
Interest on Long-Term Debt	9200	5,569,563.62	0.00	0.00	0.00	(5,569,563.62)
Unallocated Depreciation/Amortization Expense		626,675.79				(626,675.79)
Total Charter School Activities		195,661,542.43	7,131,620.84	9,457,099.21	8,889,928.43	(170,182,893.95)

General Revenues:

Taxes:

Grants and Contributions Not Restricted to Specific Programs

Investment Earnings

Miscellaneous

Total General Revenues, Special Items, Extraordinary Items and Transfers

Change in Net Position

Net Position, July 1, 2018

Net Position, June 30, 2019

160,749,246.14
252,711.69
9,872,617.21
170,874,575.04
691,681.09
17,063,426.20
17,755,107.29

The notes to financial statements are an integral part of this statement.
ESE 145

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School District of Palm Beach County, Florida (the "District") have been prepared to conform with Accounting Principles Generally Accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Pursuant to Florida Statutes, Section 1010.01, the Superintendent of Schools is responsible for keeping records and accounts of all financial transactions in the manner prescribed by the State Board of Education. The following is a summary of the more significant of these policies.

A. Reporting Entity

The District and its governing board are organized and operated under Section 4, Article IX, of the Constitution of Florida and Chapter 1001 of Florida Statutes. The District's boundaries are coterminous with those of Palm Beach County. Management of the School District is independent of county and city governments. The membership of the governing board of the District (the "Board") consists of seven members elected from single member districts for overlapping four-year terms. The Superintendent is appointed by the Board to act as executive officer of the District.

For financial reporting purposes, the accompanying financial statements include all of the operations over which the District is financially accountable. The District is financially accountable for organizations that make up its legal entity, as well as legally separate organizations that meet certain criteria. In accordance with GASB 14, "The Financial Reporting Entity," as amended by GASB 39, "Determining Whether Certain Organizations Are Component Units" and GASB 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34", the criteria for inclusion in the reporting entity involve those cases where the District or its officials appoint a voting majority of an organization's governing body, and are either able to impose its will on the organization and there is a potential for the organization to provide specific financial benefits to or to impose specific financial burdens on the District or the nature and significance of the relationship between the District and the organization is such that exclusion would cause the District's financial statements to be incomplete. Applying this definition, District management has determined that the component unit and/or joint venture reportable within the accompanying financial statements is the Palm Beach School Board Leasing Corporation (the "Corporation").

Blended Component Unit - The Corporation's sole purpose is to provide for financing and construction of certain District school facilities. Additionally, the Corporation is legally separate from the District and the Board of the Corporation consists of the seven Board members of the District. Therefore, the financial activities of the Corporation have been blended (reported as if it were part of the District) with those of the District. The Corporation does not publish individual component unit financial statements.

Since the District is independent of and is not financially accountable for other governmental units or civic entities, these financial statements represent the operations of the District, the Corporation, as well as all of the funds of the District as a governmental unit.

Based on assessing the criteria for classifying entities as component units under GASB 61, charter schools do not qualify as part of the District's Reporting Entity and should not be reported as discretely presented component units. The District is not financially accountable for charter schools since charter schools are not fiscally dependent on the District. Charter schools also fail to meet the definition of misleading to exclude since the District does not have the ability to access the economic or organizational resources received or held by a charter school. Even though charter schools do not qualify as component units under GASB 61, the Florida Department of Education has required Districts report financial information of charter schools. As a result, charter school unaudited financial information, that was available at the time of publication is included for State reporting purposes, but charter schools will be excluded from the Comprehensive Annual Financial Report to comply with GAAP.

Complete financial statements of the individual charter schools can be obtained from administrative offices. The forty-nine charter schools included on Exhibit C-10, C-11c J-1 and J-2 are listed below:

School	Address
Academy For Positive Learning (0664)	1200 N Dixie Hwy Lake Worth, FL 33460
Believers Academy (3400)	5840 Corporate Way, Suite 100 West Palm Beach, FL 33407
Ben Gamla-Palm Beach (3941)	8600 S Jog Road Boynton Beach, FL 33472-2966
Bridge Prep Charter Academy of Palm Beach (4102)	9085 Happy Hollow Rd. Delray Beach, FL 33446
Bright Futures Academy (3385)	10350 Riverside Dr Palm Beach Gardens, FL 33410
Connections Education Center Of The Palm Beaches (4100)	5841 Corporate Way West Palm Beach, FL 33407
Ed Venture Charter School (2521)	117 E Coast Avenue Hypoluxo, FL 33462-5316
*Eagle Arts Academy (4072)	1100 Wellington Trace Wellington, FL 33414
Everglades Preparatory Academy (3398)	360 East Main Street Building-C Pahokee, FL 33476-1803
Florida Futures Academy North Campus (4081)	1760 N Congress Avenue West Palm Beach, FL 33409-5191
Franklin Academy Charter C (4021)	5651 Hood Road Palm Beach Gardens, FL 33418
Franklin Academy Charter D (4061)	5651 Hood Road Palm Beach Gardens, FL 33418
Franklin Academy Charter School B (4020)	7882 S Military Trail Lake Worth, FL 33463-8143
Gardens School Of Technology Arts Inc (3961)	9153 Roan Ln Palm Beach Gardens, FL 33403-1029
Glades Academy, Inc (3382)	1200 E Main St Pahokee, FL 33476-1102
G-Star School Of The Arts (3396)	2065 Prairie Road,Build.J West Palm Beach, FL 33406-7718

Gulfstream L.I.F.E. Academy (3345)	3800 S Congress Avenue Boynton Beach, FL 33426-8424
Imagine Schools Chancellor Campus (3381)	600 S East Coast Avenue Lantana, FL 33462-4577
Inlet Grove Community High School (1461)	7071 Garden Road Riviera Beach, FL 33404-4906
*Mavericks High School At Palm Springs (3971)	3525 S Congress Avenue Palm Springs, FL 33461-3767
Montessori Academy of Early Enrichment, Inc (3394)	6201 S Military Trail Lake Worth, FL 33461
Palm Beach Maritime Academy (2801)	7719 S Dixie Hwy West Palm Beach, FL 33405-4817
Palm Beach Maritime Academy High School (3924)	600 S East Coast Avenue Lantana, FL 33462
Palm Beach School For Autism (2941)	1199 West Lantana Road, Cottage #16 & 19 Lantana, FL 33462
Palms West Charter School (4000)	12031 Southern Blvd Loxahatchee, FL 33470-4994
Potentials Charter School (2531)	1201 Australian Avenue Riviera Beach, FL 33404-6635
Quantum High School (3401)	1275 Gateway Blvd. Boynton Beach, FL 33426
Renaissance Charter School At Central Palm (4051)	6696 S Military Trail Lake Worth, FL 33463-7501
Renaissance Charter School At Cypress (4050)	8151 Okeechobee Blvd West Palm Beach, FL 33411-2048
Renaissance Charter School At Summit (4002)	2001 Summit Blvd West Palm Beach, FL 33406-4439
Renaissance Charter School At Wellington (4001)	3200 S State Road 7 Wellington, FL 33414
Renaissance Charter School At West Palm Beach (3431)	1889 Palm Beach Lakes Blvd. West Palm Beach, FL 33409
Renaissance Learning Academy (3083)	5841 Corporate Way, Suite 101 West Palm Beach, FL 33407

Seagull Academy (3391)	1801 12Th Avenue S Lake Worth, FL 33461-5771
Somerset Academy Boca East (3413)	333 S.W. 4Th Avenue Boca Raton, FL 33432
Somerset Academy Boca Middle School (4041)	333 SW 4Th Avenue Boca Raton, FL 33432-5709
Somerset Academy Canyons High School (4013)	9385 Boynton Beach Blvd Boynton Beach, FL 33472
Somerset Academy Canyons Middle School (4012)	9385 Boynton Beach Blvd Boynton Beach, FL 33472-4471
Somerset Academy Jfk (3395)	4696 Davis Road Lake Worth, FL 33461-5204
Somerset Academy Lakes (4091)	2845 Summit Blvd West Palm Beach, FL 33406
South Tech Academy (1571)	1300 SW 30Th Avenue Boynton Beach, FL 33426-9018
South Tech Preparatory Academy (3441)	1300 SW 30Th Avenue Boynton Beach, FL 33426-9018
Sports Leadership & Mgmt. (Slam) MS Palm Beach (4090)	2845 Summit Blvd West Palm Beach, FL 33406
Sports Leadership & Mgmt. (Slam) MS/HS Boca (4103)	22500 Hammock St Boca Raton, FL 33428
The Learning Center At The Els Center Of Excellence (2791)	5800 Corporate Way West Palm Beach, FL 33407
Toussaint L'Ouverture High (3386)	777 E. Atlantic Avenue #242 Delray Beach, FL 33483-5360
University Preparatory Academy Palm Beach (4080)	2101 N Australian Avenue West Palm Beach, FL 33407-5630
Western Academy Charter School (2911)	500 F-K Royal Plaza Road Royal Palm Beach, FL 33411-7688
Worthington High School (3421)	1711 Worthington Road West Palm Beach, FL 33409-6407

*These noted charter schools are not included in the Charter School Exhibits since financial reports were unavailable at the time of publication.

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for Fiduciary Funds. The District eliminates from the Statement of Net Position and the Statement of Activities all interfund receivables and payables and transfers between funds as well as the transactions associated with its Internal Service Funds.

The government-wide statements are prepared using the economic resources measurement focus and accrual basis accounting. This is the same approach used in the preparation of the Proprietary Fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. 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 meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Non-major funds are aggregated and presented in a single column. Internal Service Funds are aggregated and presented in a single column in the Proprietary Fund statements. Fiduciary Funds are reported by fund type.

The Governmental Funds are accounted for on the "flow of current financial resources" measurement focus. Governmental fund financial statements are prepared using the current financial resource measurement focus and the modified accrual basis of accounting. The Proprietary Fund is accounted for on an "economic resources" measurement focus. Accordingly, the Statement of Revenues, Expenses and Changes in Fund Net Position for the Proprietary Fund reports increases and decreases in total economic net worth. The private purpose trust fund is reported using the economic resources measurement focus.

GOVERNMENTAL FUNDS

Governmental Funds are those through which most District functions are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in the Proprietary Fund and Fiduciary Funds) are accounted for through Governmental Funds. The measurement focus is upon determination of changes in financial resources rather than upon determination of net income. The following are the District's major Governmental Funds:

General Fund

The General Fund is the primary operating fund of the District. Ad valorem tax revenues, revenues from the Florida Education Finance Program ("FEFP") and other receipts not allocated by law or contractual agreement to other funds are accounted for in this fund. Similarly, general operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are paid from this fund.

Other Debt Service Fund

The Other Debt Service Fund accounts for the repayment of the certificates of participation in addition to the Bus and Equipment Loans.

Nonvoted Capital Improvement Fund

The Capital Improvement Fund accounts for locally received funds, primarily ad valorem tax revenue, for the acquisition, construction or renovation of capital facilities, including land and equipment.

Other Capital Projects Fund

The Other Capital Projects Fund includes:

- Sales Tax Capital Projects Fund which accounts for locally received funds, primarily sales tax revenue, for the acquisition, construction or renovation of capitals facilities, including land and equipment.
- Bus and Equipment Capital Project Funds which accounts for the purchase of buses and equipment.
- Certificates of Participation (“COPS”) Capital Projects Fund which accounts for construction projects and equipment purchases financed by the sale of certificates of participation.
- Other capital projects which account for impact fees and miscellaneous state revenues received for the acquisition, construction and renovation of capital facilities

Other Governmental Funds

The Other Governmental Funds are a summarization of all the Non-major Governmental Funds.

PROPRIETARY FUNDS

The Proprietary Fund is used to account for ongoing activities where the intent is that charges made to users will cover the costs of the services provided. The measurement focus is upon the determination of net income. The only Proprietary Fund that the District has is its Internal Service Funds. A Proprietary Fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund’s principal ongoing operations. Operating expenses for Internal Service Funds include salaries, benefits, administrative expenses, and claims paid. All items not meeting this definition are reported as nonoperating revenues and expenses.

Internal Service Fund

The District has two Internal Service Funds, one for group health and one for worker's compensation, general and auto liability claims. Expenditures of the self-insurance funds are charged back to the appropriate governmental fund.

FIDUCIARY FUNDS

Fiduciary Funds are used to account for assets held by the District on behalf of outside related organizations or on behalf of other funds within the District. The Fiduciary Funds are prepared under the economic resources measurement focus and the accrual basis of accounting.

Agency Funds

Agency Funds consist of activity funds, which are established at each school to record the receipts and disbursements of various school activities administered for the general welfare of the students and completion of certain planned objectives and special programs of school groups. The District retains no equity interest in these funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private Purpose Trust Fund

A trust fund was established in January 1993 and is used to account for a District-supported Florida Future Educators of America. Revenues consist of employee donations and interest income. Expenditures represent scholarships for future teachers, which are awarded in accordance with the trust requirements.

BASIS OF ACCOUNTING

Basis of accounting determines when transactions are recognized in the financial records and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and Fiduciary Funds use the accrual basis of accounting.

Modified Accrual

Under the modified accrual basis, revenues are recognized in the accounting period in which they become susceptible to accrual, i.e., both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Significant revenues susceptible to accrual include ad valorem taxes, reimbursable-type grants and interest on investments. The District considers all revenues (with the exception of the expenditure-driven grants) as available if they are collected within sixty (60) days after year-end. The expenditure driven grants are considered available if received within one year from the balance sheet date. Current year property tax revenue is recognized when levied for, if available. Amounts are considered available if received by the District within sixty (60) days subsequent to fiscal year end. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred. The principal exceptions to this general rule are: (1) interest on general long-term debt is recognized as expenditures when due/paid; and (2) expenditures related to liabilities reported as general long-term obligations are recognized when due, such as compensated absences, Other Post-Employment Benefits (OPEB), pensions, claims payables, bonds, loans and leases.

In applying the susceptible to accrual concept to revenues from Federal and State sources, the legal and contractual requirements of the numerous individual programs are used as guidance. Revenue from grants and entitlements is recognized when all eligibility requirements have been satisfied. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before the District will receive any amounts; therefore, revenues are recognized based upon the occurrence of expenditures. In the other type, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed legal and contractual requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met. In all cases, monies received before the revenue recognition criteria have been met are reported as advance payments or deferred inflows.

Accrual

Under the accrual basis of accounting, revenues are recognized in the period earned and expenses are recognized in the period incurred.

Revenue Recognition

Program and General Revenues – Amounts reported as 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 meeting the operational or capital requirements of a particular program. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than program revenues. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

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 (“FDOE”), under the provisions of Chapter 1011, Florida Statutes. This revenue is recognized in the year of entitlement. The District files reports on full time equivalent (“FTE”) student membership with the FDOE. The FDOE accumulates information from these reports and calculates the allocation of FEFP funds to the District. After review and verification of FTE reports and supporting documentation, the FDOE may adjust subsequent fiscal period allocations of FEFP funding for prior year errors disclosed by its review. Normally, such adjustments are treated as reductions of revenue in the year the reduction is made, as amounts are not significant.

The District receives and recognizes revenue from the State to administer certain categorical educational programs. State Board of Education rules require that revenue earmarked for these programs be expended only for the program for which the money is provided and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical educational programs.

Property Taxes – Property tax revenue anticipated to be collected is recognized in the fiscal year for which it is levied. Delinquent taxes collected in subsequent periods are recognized as revenue during the fiscal year in which they are received.

Sales Tax – Sales tax revenue anticipated to be collected within sixty days of year-end is recognized in the fiscal year collected by the county.

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 granting 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.

Use of Resources – 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.

C. Budgetary Policies

Expenditures are controlled by budgetary systems in accordance with various legal and administrative requirements that govern the District’s operations. The budget represents a process through which policy decisions are made, implemented and controlled. The budget is adopted on a basis consistent with GAAP, except for encumbrances. The budgetary process includes encumbrances in the current year budget. The encumbrances are reported as expenditures on the budgetary basis of accounting.

Annual budgets are legally adopted for all funds except the Fiduciary Funds. The budget amounts for revenues and expenditures reflect all amendments to the original budget with the final amendment approved by the Board on September 5, 2018. Significant dates in the budgeting timetable follow:

1. The Palm Beach County Property Appraiser certifies to the District the taxable value of all nonexempt District property by July 1 of each year, or the Clerk of the Circuit Court is required to certify an interim tax roll.
2. Within 24 days of tax roll certification, the Board considers and approves for advertising a tentative budget.
3. Within 29 days after tax roll certification, the District advertises the tentative budget and the millage rates therein.
4. A public hearing to adopt the tentative budget and proposed millage rate is held not less than two nor more than five days after the budget is advertised.

5. Within 35 days of tax roll certification, the District notifies the Palm Beach County Property Appraiser of proposed millage rates.

At a final public hearing within 80 days, but not less than 65 days, after tax roll certification, the Board adopts the District budget.

The major functional level is the legal level of budgetary control. Per Board policy, management is authorized to make budget amendments at function level with Board approval. All interim budget amendments between major functional areas within each fund are submitted to the Board for approval. Federal and State grant budget amendments which require State approval prior to processing are also submitted to the Board for approval with monthly amendments.

Unreserved appropriations are cancelled at the end of the fiscal year. However, encumbered appropriations for funds do not lapse at the end of the fiscal year. Restricted, committed and assigned fund balances at June 30, 2019 for funds under budgetary control have been re-appropriated for the fiscal year 2019 operating budget within the appropriate fund. Programs restricted for carryover include all State categorical grants required to be expended on specific programs and District approved carryover programs.

D. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to reserve a portion of an applicable appropriation, is utilized for budgetary control purposes. Encumbrances are not the equivalent of expenditures, and accordingly, amounts assigned for encumbrances at the governmental fund level indicate that portion of the fund balance segregated for expenditure upon vendor performance.

E. Cash, Cash Equivalents and Investments

The District maintains a Treasurer's pool for the District's cash and investments. Each fund's portion of the pool is reported as cash, cash equivalents and investments in the financial statements. Investments recorded at fair value consist of direct obligations of the United States Treasury, U.S. Government Agency Securities, U.S. Government sponsored agencies, investing in U.S. Treasury Securities, AAA rated local government investment pools, corporate notes, U.S. Government Supported Corporate Debt, and other investments allowable by the District's investment policy. The District categorizes its investments according to the fair value hierarchy established by GASB Statement No. 72. The hierarchy is based on observable and unobservable inputs used in establishing the fair value of a financial asset or liability. All money market mutual funds are AAA rated by the various rating agencies and each fund is registered as a 2a-7 fund with the SEC and recorded at amortized cost. Rule 2a-7 of the Investment Company Act of 1940, comprises the rules governing money market funds. For purposes of the statement of cash flows, each fund's portion of the pool is considered cash equivalents, which are money market funds and all highly liquid investments with a maturity of three months or less when purchased.

F. Inventories

Inventories are valued at the lower of cost or net realizable value, using the average cost method. The District's inventories include various items consisting of school supplies, paper, textbooks, fuel, commodities, etc. USDA commodities received from the Federal government are recorded at the value established by the Federal government using the average cost method. Inventorial items are recorded as expenditures when shipped to schools and department offices (the consumption method). The nonspendable fund balance at the governmental fund level is equal to the amount of inventories at year-end to indicate the portion of the governmental fund balances that are nonspendable.

G. Prepaid Items

Expenditures for insurance and similar services extending over more than one accounting period are not allocated between or among accounting periods in the governmental funds and are instead accounted for as expenditures in the period of acquisition (Purchase method). In the Government-Wide financial statements these amounts are reported as other assets and will be charged to expense in the period used or consumed.

H. Capital Assets

Capital assets represent the cumulative amount of capital assets owned and in use by the District. Purchased assets are recorded as expenditures in the governmental fund financial statements and are capitalized at cost on the government-wide statement of net position. Gifts or contributions are recorded at estimated acquisition value at the time received. The District’s capitalization levels are \$1,000 on tangible personal property, \$100,000 on building improvements, \$50,000 on improvements other than buildings and \$100,000 on intangible assets. Other costs incurred for repairs and maintenance is expensed as incurred. All reported capital assets except land and construction in progress are depreciated.

Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Furniture, Fixtures and Equipment	3 – 15 years
Motor Vehicles	5 – 10 years
Audio/Video Materials & Software	3 – 5 years
Buildings and Improvements	15 – 50 years
Improvements Other Than Buildings	15 years
Intangibles	5 years

I. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position has a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) that will not be recognized as an outflow of resources (expense/expenditure) until then. One item is the net carrying amount of debt refunding reported in the government-wide statement of net position. A deferred loss on debt refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded debt or new refunding debt. A second item, in accordance with GASB 68, reports pension related deferred outflows of resources and deferred inflows of resources on its financial statements. A third item, in accordance with GASB 75, reports OPEB related deferred inflows of resources on its financial statements.

On the Government-Wide financial statements Deferred Outflows of Resources activity for fiscal year ended June 30, 2019 is as follows (in thousands):

	Ending Balance June 30, 2018	Increase	Decrease	Ending Balance June 30, 2019
Deferred Outflows of Resources				
Net Carrying Amount of Deferred Refunding	\$ 106,386	\$ -	\$ 11,243	\$ 95,143
Pension Related - FRS (see footnote 10)	361,551	70,588	72,143	359,996
Pension Related - HIS (see footnote 10)	72,051	11,975	17,905	66,121
OPEB Related (see footnote 11)	-	13,384	-	13,384
Total Outflows of Resources	\$ 539,988	\$ 82,563	\$ 101,291	\$ 534,644

In addition to liabilities, the statement of net position has a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has \$3.5 million Unavailable Deferred Revenue (\$2.4 million is related to Medicaid administration claims and \$1.1 million related to FEMA claims and fuel tax credit) that qualifies as a deferred inflow of resources and it is shown in the governmental funds Balance Sheet under the modified accrual basis of accounting.

On the Government-Wide financial statements, Deferred Inflows of Resources total \$132.5 million as shown below (in thousands):

	Ending Balance June 30, 2018	Increase	Decrease	Ending Balance June 30, 2019
Deferred Inflows of Resources				
Pension Related - FRS (see footnote 10)	\$ 40,201	\$ 71,054	\$ 40,152	\$ 71,103
Pension Related - HIS (see footnote 10)	36,324	41,167	36,279	41,212
OPEB Related (see footnote 11)	18,465	1,721	-	20,186
Total Inflows of Resources	\$ 94,990	\$ 113,942	\$ 76,431	\$ 132,501

J. Long Term Debt

In the fund-level financial statements, governmental funds report the face amount of debt issued and debt principal payments, as well as any premiums (discounts) as other financing sources (uses). Debt issuance costs and principal payments are reported as debt service expenditures. In the government-wide financial statements, long-term debt is reported as liabilities in the statement of net position. Bond premiums/ discounts and Bond insurance cost are amortized over the life of the bonds.

K. Self-Insurance

The District is self-insured for health (health insurance for employees and eligible dependents) and portions of its general and automobile liability insurance and workers' compensation (insurance for various risks of

loss related to torts; theft of; damage to; destruction of assets; errors and omissions; injury to employees and natural disasters). The estimated liability for self-insured risks represents an estimate of the amount to be paid on insurance claims reported and on insurance claims incurred but not reported (See Note 7).

Consistent with GAAP guidelines, in the Proprietary Fund financial statements, the liability for self-insured risks is recorded under the accrual basis of accounting. Expenditures of the self-insurance funds are charged back to the appropriate governmental fund.

L. Compensated Absences

Compensated absences are obligations to employees for accumulated vacation and sick leave. These amounts also include the related employer's share of applicable taxes and retirement contributions. District employees may accumulate unused vacation and sick leave up to a specified amount depending on their date of hire. Vacation and sick leave are payable to employees upon termination or retirement at the current rate of pay on the date of termination or retirement.

The District uses the vesting method to calculate the compensated absences amounts. The entire compensated absence liability is reported on the government-wide financial statements. The portion related to employees in the Internal Service Fund is recorded at the fund level. The current portion is the amount estimated to be used in the following year. To liquidate the liability, an expenditure is mainly recognized in the general fund as payments come due each period, for example, as a result of employee resignations and retirements. Compensated absences not recorded at the fund level represent a reconciling item between the fund level and government-wide presentations (See Note 9).

M. Pensions

In the government-wide statement of net position, liabilities are recognized for the District's proportionate share of each pension plan's net pension liability. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) defined benefit plan and additions to deductions from the FRS's and the HIS's fiduciary net position have been determined on the same basis as they are reported by the FRS and the HIS plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Pension liabilities are liquidated in the governmental fund in which the employee is charged. Investments are reported at fair value. See footnote 10 for additional information regarding the District's retirement plans and related amounts.

N. Accounting Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets/deferred outflows of resources and liabilities/deferred inflows of resources and disclosures of contingent assets/deferred outflows of resources and liabilities/deferred inflows of resources at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

O. Post-Employment Benefits Other Than Pensions (OPEB)

The District applies GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for the measurement, recognition, and display of OPEB expenditures or expenses, liabilities and assets as discussed in a subsequent note.

P. Impact of Recently Issued Accounting Principles

Recently Issued and Adopted Accounting Pronouncements

In January 2017, GASB Statement No. 83, *Certain Asset Retirement Obligations*, will be effective for the District beginning with its year ending June 30, 2019. The objective of this Statement is to set guidance for determining the timing and pattern of recognition for liabilities and corresponding deferred outflow of resources related to asset retirement obligations. The adoption of this statement did not impact the District's financial statements.

In April 2018, GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, will be effective for the District beginning with its year ending June 30, 2019. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statement related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The adoption of GASB Statement No. 88 did not impact the District financial position or results of operations

Recently Issued Accounting Pronouncements

In January 2017, GASB Statement No. 84, *Fiduciary Activities*, will be effective for the District beginning with its year ending June 30, 2020. The objective of this Statement is to improve guidance regarding what constitutes fiduciary activities for accounting and financial reporting purposes, the recognition of liabilities to beneficiaries, and how fiduciary activities should be reported. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In June 2017, GASB Statement No. 87, *Leases*, will be effective for the District beginning with its year ending June 30, 2020. This Statement outlines new guidance that establishes a single approach to accounting for and reporting leases by state and local governments. The goal is to better align reporting these leases with their particular situations, as well as provide greater transparency and usefulness of financial statements. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In June 2018, GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, will be effective for the District beginning with its year ending June 30, 2020. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In August 2018, GASB Statement No. 90, *Majority Equity Interests-an Amendment of GASB Statement No. 14 and No. 61*, will be effective for the District beginning with its year ending June 30, 2020. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information component units. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

2. AD VALOREM TAXES

The Board is authorized by Florida Statutes to levy property taxes for District operations, capital improvements and debt service. Property taxes consist of ad valorem taxes on real and personal property within the District. The Palm Beach County Property Appraiser assesses property values and the Palm Beach County Tax Collector collects the property taxes.

Property values are assessed as of January 1 each year. The Board levies the property tax at the final budget hearing each year based on the assessed valuation of all non-exempt property. This levy finances the expenditures of the current fiscal year. Tax bills are mailed by the Palm Beach County Tax Collector on November 1 and are due no later than April 1. After this date, taxes become an enforceable lien on property. Discounts of up to 4% are available for early payment. The majority of ad valorem taxes are collected in November and December and remitted to the School Board. Section 197.383, Florida Statutes, requires the Palm Beach County Tax Collector to distribute the taxes collected to each taxing authority at least four times during the first two months after the tax roll comes into the Tax Collector's possession, and at least once per month thereafter. Taxes are considered delinquent if not paid prior to April 1. State law provides for enforcement of collection of taxes by the sale of tax certificates on real property and for levy upon, seizure and sale of personal property after the Palm Beach County Tax Collector initiates a sequence of required procedures resulting in a court order to carry out the action.

The State Legislature prescribes the maximum non-voted millage that may be levied by the Board for each fiscal year. The total millage rate levy was 6.5720 mills (including .25 mills approved by voters in November 2014) and the total assessed value on which the 2018-19 levy was based was \$200.5 billion. Gross taxes levied were approximately \$1.3 billion. Total revenue, net of discounts, was approximately \$1.3 billion. A portion of the taxes levied for the Local Capital Improvement Capital Project Fund, designated for repairs and maintenance programs are transferred to the General Fund as provided by Chapter 1013, Florida Statutes. For fiscal year 2019, the maintenance transfer amounted to approximately \$80.8 million. Additionally, approximately \$8.5 million was transferred for property insurance; bringing the total transfer from capital funds to approximately \$89.3 million.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

Florida Statutes authorize the deposit of District funds in demand deposits or time deposits of financial institutions approved by the State Treasurer and are defined as public deposits. All District public deposits are held in qualified public depositories pursuant to chapter 280, Florida Statutes, the "Florida Security for Public Deposits Act." Under the Act, all qualified public depositories are required to pledge eligible collateral having a market value equal to or greater than the average daily or monthly balance of all public deposits times the depository's collateral pledging level. The collateral pledging level may range from 50% to 125% depending upon the depository's financial condition and the length of time that the depository has been established. All collateral must be deposited with the State Treasurer. Any losses to public depositories resulting from insolvency are covered by applicable deposit insurance, sale of securities pledged as collateral and, if necessary, assessment against other qualified public depositories of the same type as the depository in default. All bank balances of the District are fully insured or collateralized. At June 30, 2019, the carrying amount of the District's cash deposits was approximately \$160.2 million and the bank balance was approximately \$164.4 million. The carrying amount of the Agency Fund - School Internal Funds cash deposits was approximately \$20.8 million.

The District receives interest on all balances in its cash accounts from the qualified public depository acting as its banking agent. Interest earnings are allocated to all funds based on the average daily balance of each fund's equity in the Treasurer's Pool.

Cash Equivalents consist of amounts invested in money market mutual funds, FL Palm and Florida Prime. FL Palm and Florida PRIME are external investment pools that are not registered with the Securities Exchange Commission (SEC), but do operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. Rule 2a-7 allows funds to use amortized cost to maintain a constant net asset value (NAV) of \$1.00 per share. Accordingly, the District's investments in both FL Palm and Florida PRIME are reported at the account balance, which is amortized cost. There are no restrictions or fees for withdrawal from either of these pools.

Investments

The District's investment policy permits investments in the Florida Prime Fund, FL Palm, securities of the United States Government, U.S. Government Agencies, Federal instrumentalities, interest bearing time deposit or savings accounts, repurchase agreements, commercial paper, corporate notes, bankers' acceptances, state and/or local government debt, and money market mutual funds. The District's investment advisor used the effective duration method to calculate effective duration measures for the securities held by the District. Besides measuring the sensitivity of the securities market value to changes in interest rates, the effective duration method accounts for any call (early redemption) features that a security may have.

In accordance with GASB *Statement No. 72, Fair Value Measurement and Application*, the District categorizes investments according to the fair value hierarchy established by this Statement. The hierarchy is based on valuation inputs used to measure the fair value of the asset as follows: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs to include quoted prices for similar assets in active and non-active markets; Level 3 inputs are significant unobservable inputs. Certain investments are measured at fair value using the net asset value per share (or its equivalent) practical expedient and have not been classified in the fair value hierarchy. The fair value amounts, presented in the following table, are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of net position.

As of June 30, 2019, the District had the following unrestricted cash and investments with stated maturities that were categorized as Level 1 and Level 2 (amounts in thousands):

	Balance (in thousands)	Fair Value Measurements Using		Effective Duration (years)
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	
Investments by Level				
Commercial Paper	\$ 160,285	\$ -	\$ 160,285	2.42
Core Fund Investments				
US Treasury - Notes	114,276	114,276	-	2.16
US Treasury - Bills	199,150	199,150	-	2.07
Federal Agency - Bond/Notes	10,658	-	10,658	2.30
Corporate Notes	13,207	-	13,207	2.20
Total Investments by Fair Value Level	497,576	\$ 313,426	\$ 184,150	
Investments Reported at Amortized Cost				
FL Palm	223,863			N/A
Money Market Funds	49,671			N/A
Florida Prime (SBA)	162,020			0.04
Total Investments Reported at Amortized Cost	435,554			
Total Investments	933,130			
Cash Deposits	160,181			
Total Cash and Investments	\$ 1,093,311			

Interest Rate Risk

To limit exposure to fair value losses resulting from increases in interest rates, the District's Investment Policy limits operating funds to maturities of two years or less. Investments of reserves, project funds, debt proceeds and other non-operating funds ("core funds") shall have a term appropriate to the need for funds and in accordance with debt covenants, but in no event shall exceed five (5) years and the average duration of the funds as a whole may not exceed three (3) years. The District's investment in the Federally Backed Securities (Fannie Mae, Freddie Mac (also known as Federal Home Loan Mortgage Corporation) and Farmer Mac) matures between July 2018 and January 2022. As of June 30, 2019, the District held approximately \$3.9 million in fair value of callable Corporate Notes, which permit the issuer to redeem the securities prior to their original maturity date.

Concentration of Credit Risk

The District's Investment Policy specifies the maximum percentage allocation to any single investment type as well as the maximum percentage holding per issuer. Up to 100% of the portfolio may be invested in U.S. Government securities, 80% may be invested in Federal Instrumentalities (US government sponsored agencies) with no more than 50% with a single issuer and 50% may be invested in US government agencies with no more than 25% with a single issuer. Corporate Notes are limited to 15% of the portfolio with no more than 5% with a single issuer.

PORTFOLIO / INVESTMENTS	CARRYING AMOUNT (in thousands)	PERCENTAGE OF INVESTMENT BALANCE	RATING S&P / MOODY'S
Money Market Funds			
Dreyfus Treasury and Agency	\$ 23,350	2.14%	AAAm/Aaa-mf
Federated Government Obligation	7,859	0.72%	AAAm/Aaa-mf
Fidelity Institutional Government Fund	18,462	1.69%	AAAm/Aaa-mf
FL Palm	223,863	20.48%	AAAm
Florida Prime (SBA)	162,020	14.82%	AAAm
Commercial Paper	160,285	14.66%	A-1+/P-1
Investments in Fixed Income Securities			
US Treasury - Notes	114,276	10.45%	AA+/Aaa
US Treasury - Bill	199,150	18.22%	A-1+/P-1
Corporate Notes	13,207	1.21%	(1)
Federally Backed Securities (Fannie Mae, Farmer Mac & Freddie Mac) - Long Term	10,658	0.97%	AA+/Aaa
Total Investments	<u>933,130</u>	<u>85.35%</u>	
Plus Cash Deposits	<u>160,181</u>	<u>14.65%</u>	
Total Cash and Investments	<u>\$ 1,093,311</u>	<u>100.00%</u>	

(1) Forty six Corporate securities rating range - S&P (AA+ / BBB+) and Moody's (Aaa / A3)

As of June 30, 2019, all District investments were in compliance with the District's Investment Policy or Debt Management Policy and did not exceed portfolio allocation or issuer maximums.

Credit Risk

The District’s Investment Policy lists the authorized investment types as well as the minimum allowable credit rating for each investment type. Corporate notes purchased for investment must be issued by corporations organized and operating within the United States or by depository institutions licensed by the United States that have a long term debt rating, at the time of purchase, at a minimum "A" by Moody's and a minimum long term debt rating of "A" by Standard & Poor's ("S&P"). The maximum length to maturity for corporate notes shall be three (3) years from the date of purchase. As of June 30, 2019, the District held \$13.2 million of corporate notes of which had an S&P rating between AA- and BBB+. All investments in the Federally Backed Securities (Fannie Mae, Freddie Mac (also known as Federal Home Loan Mortgage Corporation) and Farmer Mac) had an S&P rating of AA+ and a Moody’s rating of Aaa for securities held for more than one year. All other rated investments were rated between BBB+ and AAAM by S&P. As of June 30, 2019, the Local Government Investment Pools were rated AAAM by S&P.

Custodial Risk

The District’s investment policy requires that all securities, with the exception of certificates of deposit, be held with a third party custodian; and all securities purchased by, and all collateral obtained by the District should be properly designated as an asset of the District. The securities must be held in an account separate and apart from the assets of the financial institution. A third party custodian is defined as any bank depository chartered by the Federal government, the state of Florida, or any other state or territory of the United States which has a branch or principal place of business in the state of Florida as defined in § 658.12, F.S., or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in the state of Florida. Certificates of deposit will be placed in the provider's safekeeping department for the term of the deposit. Security transactions between a broker/dealer and the custodian involving the purchase or sale of securities by transfer of money or securities are made on a "delivery vs. payment" basis, if applicable, to ensure that the custodian will have the security or money, as appropriate, in hand at the conclusion of the transaction. As of June 30, 2019, the District’s investment in fixed income securities was held with a third-party custodian.

4. DUE FROM OTHER GOVERNMENTS OR AGENCIES

At June 30, 2019, the District had a total of approximately \$35.0 million in Due From Other Governments or Agencies which consisted of the following balances (amount in thousands):

	General Fund	Other Capital Projects Fund	Other Governmental Funds	Internal Service Fund	Total
Federal and State Sources					
Medicaid*	\$ 2,992	\$ -	\$ -	\$ -	\$ 2,992
Grants and Entitlements	-	-	21,128	-	21,128
FEMA and Other Emergency Claims	677	991	-	-	1,668
Fuel Tax*	-	131	-	-	131
Eduaction Facilities Security	-	243	-	-	243
Restart Grant	3,941	-	-	-	3,941
Local Sources					
Early Learning Coalition	782	-	-	-	782
Pharmacy Rebates	-	-	-	3,000	3,000
Other	367	-	784	-	1,151
Total Due From Other Governments or Agencies	\$ 8,759	\$ 1,365	\$ 21,912	\$ 3,000	\$ 35,036

* All or partially recorded as Deferred Inflow - Unavailable Revenue at the fund level.

5. INTERFUND ACTIVITIES

Due to/from other funds consisted of the following balances at June 30, 2019 (amounts in thousands):

	Interfund Receivables	Interfund Payables
General Fund	\$ 11,000	\$ -
Other Governmental Funds	-	11,000
Total Interfund	<u>\$ 11,000</u>	<u>\$ 11,000</u>

The amount payable by the Other Governmental Fund to the General Fund is to cover temporary cash shortages related to timing of receipts.

Interfund transfers for the year ended June 30, 2019 were as follows (amounts in thousands):

Transfer from:	Transfer to:				Total
	General Fund	Other Debt Service	Other Capital Projects	Other Governmental Funds	
Nonvoted Capital Improvement	\$ 81,050	\$ 130,251	\$ -	\$ 9,543	\$ 220,844
General Fund	-	-	30	-	30
Other Capital Projects	6	-	-	-	6
Other Governmental Funds	8,213	-	-	-	8,213
Total	<u>\$ 89,269</u>	<u>\$ 130,251</u>	<u>\$ 30</u>	<u>\$ 9,543</u>	<u>\$ 229,093</u>

Transfers to the General Fund relate primarily to funding for the maintenance, renovation and/or repair of school facilities, pursuant to Section 1011.71 of the Florida Statutes. Transfers to Other Debt Service and Other Governmental funds mainly relate to amounts transferred to make debt service payments and to fund minor capital projects.

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 is as follows (amounts in thousands):

	Beginning Balance <u>July 1, 2018</u>	Additions and Transfer In <u> </u>	Retirements and Transfers Out <u> </u>	Ending Balance <u>June 30, 2019</u>
<u>Non-Depreciable Assets:</u>				
Land	\$ 342,755	\$ 900	\$ -	\$ 343,655
Construction in Progress	8,788	17,528	6,493	19,823
Total Non-Depreciable Assets	<u>351,543</u>	<u>18,428</u>	<u>6,493</u>	<u>363,478</u>
<u>Depreciable Assets:</u>				
Improvements Other Than Buildings	59,138	873	-	60,011
Buildings and Improvements	4,171,560	-	441	4,171,119
Furniture, Fixtures & Equipment	124,412	22,612	6,924	140,100
Motor Vehicles	120,897	12,710	11,148	122,459
Audio/Video Materials & Software	44,846	8,173	2,365	50,654
Total Depreciable Assets	<u>4,520,853</u>	<u>44,368</u>	<u>20,878</u>	<u>4,544,343</u>
<u>Less Depreciation For:</u>				
Improvements Other Than Buildings	(39,186)	(3,594)		(42,780)
Buildings and Improvements	(1,402,426)	(87,032)	(418)	(1,489,040)
Furniture, Fixtures & Equipment	(100,955)	(8,739)	(6,812)	(102,882)
Motor Vehicles	(74,349)	(8,273)	(10,966)	(71,656)
Audio/Video Materials & Software	(39,199)	(2,270)	(2,365)	(39,104)
Total Accumulated Depreciation	<u>(1,656,115)</u>	<u>(109,908)</u>	<u>(20,561)</u>	<u>(1,745,462)</u>
Capital Assets, Net	<u>\$ 3,216,281</u>	<u>\$ (47,112)</u>	<u>\$ 6,810</u>	<u>\$ 3,162,359</u>

Depreciation expense for the year ended June 30, 2019 of approximately \$109.9 million was not allocated to specific functions. The District's capital assets essentially serve all functions and as such, the depreciation expense is included as a separate line item in the statement of activities.

7. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; administrative errors and omissions; injuries to employees, students and guests; as well as natural disasters and employee health and medical insurance. The District is self-insured for portions of its general and automobile liability insurance, workers compensation and employee health and medical insurance. Losses involving auto and general liability claims are limited (generally) by provisions of the Florida State Statute 768.28. A third party administers these self-insured funds. The District purchases commercial insurance for other risks including property, construction and other miscellaneous risks. The District has not experienced any significant reduction in insurance coverage from previous years nor has it paid any settlements in excess of insurance coverage in the past three years. This liability is typically liquidated from the internal service fund.

The employee health insurance claims liability is based on an analysis performed by management, which is based on historical trends. The remaining claims liability is based on an actuarial evaluation performed by an independent actuary as of June 30, 2019 using a discounted rate factor of 2.0%. The liability consists of claims reported and payable, as well as an estimate for claims incurred but not reported. At June 30, 2019, the liability for claims consisted of approximately \$14.0 million, \$8.2 million and \$35.5 million for employee health, auto and general liability, and workers' compensation, respectively.

A summary of changes in the estimated liability for self-insured risks is as follows (amounts in thousands):

	Fiscal Year Ended June 30, 2018	Fiscal Year Ended June 30, 2019
Beginning Balance	\$ 62,028	\$ 59,128
Additions:		
Current year claims and changes in estimates	201,007	(187,286)
Reductions:		
Claim payments	(203,907)	185,852
Ending Balance	<u>\$ 59,128</u>	<u>\$ 57,694</u>

8. SHORT-TERM DEBT

Tax Anticipation Notes

On September 25, 2019, the District issued Tax Anticipation Notes ("TANS") Series 2019. The \$115.0 million issue has a coupon rate of 3.00% with an effective yield of 1.97%. The notes are dated October 03, 2019 and are due August 30, 2019.

Short-term debt activity for the year ended June 30, 2019 was as follows (amount in thousands):

	Beginning Balance July 1, 2018	Issued	Redeemed	Ending Balance June 30, 2019
Tax anticipation notes	<u>\$ 115,000</u>	<u>\$ 115,000</u>	<u>\$ 115,000</u>	<u>\$ 115,000</u>
Total short-term debt	<u>\$ 115,000</u>	<u>\$ 115,000</u>	<u>\$ 115,000</u>	<u>\$ 115,000</u>

The District has an unused line of credit in the amount of \$80.0 million.

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS (Exhibit D-1)
FOR THE YEAR ENDED JUNE 30, 2019

9. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2019, is as follows (amounts in thousands):

	Beginning Balance July 1, 2018	Additions	Reductions	Ending Balance June 30, 2019	Amounts Due Within One Year
Governmental Activities:					
Bonds, Notes and Other Payable:					
Notes/Loans Payable	\$ 15,031	\$ 16,072	\$ (8,729)	\$ 22,374	\$ 8,805
Capital Outlay Bond Issue	9,853	-	(1,311)	8,542	1,177
Certificates of Participation	1,355,973	-	(77,630)	1,278,343	73,380
	<u>1,380,857</u>	<u>16,072</u>	<u>(87,670)</u>	<u>1,309,259</u>	<u>83,362</u>
Plus Issuance Premium	154,873	-	(23,410)	131,463	-
Total Bonds, Notes and Other Payable	<u>1,535,730</u>	<u>16,072</u>	<u>(111,080)</u>	<u>1,440,722</u>	<u>83,362</u>
Other Liabilities:					
Compensated Absences	193,826	19,301	(15,670)	197,457	15,264
Self-Insurance					
Claims and Judgments	59,128	185,852	(187,286)	57,694	22,813
Net OPEB Liability	138,163	19,488	-	157,651	-
Net Pension Liability	1,033,565	8,098	-	1,041,663	-
Total Other Liabilities	<u>1,424,682</u>	<u>232,739</u>	<u>(202,956)</u>	<u>1,454,465</u>	<u>38,077</u>
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 2,960,412</u>	<u>\$ 248,811</u>	<u>\$ (314,036)</u>	<u>\$ 2,895,187</u>	<u>\$ 121,439</u>

The compensated absences and post-employment benefits are generally liquidated by the General Fund. Long-term claims and judgments are liquidated by the Internal Service Funds. Pension contributions are paid by the governmental fund consistent with employee compensation.

Notes/Loans Payable

On February 20, 2014, the District entered into loan agreement 2014 with TD Equipment Finance for financing the acquisition of 119 buses. The \$14.0 million issue with a coupon of 1.235% is payable over 5 years and will mature August 1, 2019.

On July 2, 2015, the District entered into loan agreement 2015 with Banc of America Public Capital Corp for financing the acquisition of 125 buses and other equipment \$14.2 million issue with a coupon rate of 1.242%. Under the terms of the loan agreement the debt is payable over five years.

On November 19, 2015, the District entered into loan agreement 2015A with Banc of America Public Capital Corp for financing the acquisition of 18 HVAC systems and other equipment \$7.2 million issue with a coupon rate of 1.274%. Under the terms of the loan agreement the debt is payable over five years.

On March 18, 2016, the District entered into loan agreement 2016 with Banc of America Public Capital Corp for financing the acquisition of 60 buses and other equipment \$6.9 million issue with a coupon rate of 1.255%. Under the terms of the loan agreement the debt is payable over five years and will mature February 1, 2021.

On October 18, 2018, the District entered into loan agreement 2018 with Banc of America Public Capital Corp for financing the acquisition of various HVAC systems and other components \$16.1 million issue with a coupon rate of 3.044%. Under the terms of the loan agreement the debt is payable over five years, and will mature on August 1, 2023.

The District’s outstanding notes were direct placements and contained a provision that in an event of default, the outstanding amounts would become immediately due.

A summary of notes/loans payable terms are presented as follows (amounts in thousands):

Bus & Equipment Loans	Date of Issue	Amount Issued	Remaining Interest Rates (Percent)	Final Maturity Date	Debt			Debt
					Outstanding June 30, 2018	Debt Issued	Debt Reedemed	Outstanding June 30, 2019
2014	02/20/14	\$ 14,002	-	08/01/18	\$ 1,427	\$ -	\$ 1,427	\$ -
2015	07/02/15	14,235	1.242%	02/01/20	5,770	-	2,867	2,903
2015 A	11/19/15	7,152	1.274%	08/01/20	3,619	-	1,434	2,185
2016	03/18/16	6,950	1.255%	02/01/21	4,215	-	1,388	2,827
2018	10/18/18	16,072	3.044%	08/01/23	-	16,072	1,613	14,459
		<u>\$ 58,411</u>			<u>\$ 15,031</u>	<u>\$ 16,072</u>	<u>\$ 8,729</u>	<u>\$ 22,374</u>

The annual future minimum loan payments are as follows (amounts in thousands):

Year Ended June 30	Principal	Interest	Total Principal and Interest
2020	\$ 8,805	\$ 498	\$ 9,303
2021	5,294	342	5,636
2022	3,235	227	3,462
2023	3,335	128	3,463
2024	1,705	26	1,731
Total	<u>\$ 22,374</u>	<u>\$ 1,221</u>	<u>\$ 23,595</u>

State Board of Education Capital Outlay Bond Issues

State Board of Education Capital Outlay Bond Issues ("COBI") are serviced entirely by the State using a portion of the District's share of revenue derived from motor vehicle license taxes pursuant to Chapter 320, Florida Statutes, and Article XII, Section 9(d), of the Florida Constitution. The State Board of Administration determines the annual sinking fund requirements. The amounts necessary to retire bonds and interest payable are withheld from the entitlement to the District. Interest rates on the COBI bonds range from 2.00% to 5.00%. Interest is payable semiannually on January 1 and July 1. The bonds are redeemable at par.

A summary of bond terms is presented as follows (amounts in thousands):

Capital Outlay Bond Issues	Date of Issue	Amount Issued	Remaining Interest Rates (Percent)	Final Maturity Date	Debt Outstanding June 30, 2018	Debt Matured	Debt Outstanding June 30, 2019
COBI 2009-A	9/10/2009	\$ 1,655	-	1/1/2019	\$ 205	\$ 205	\$ -
COBI 2010-A	10/14/2010	9,700	3.5% to 5.0%	1/1/2030	6,240	465	5,775
COBI 2010-A	10/14/2010	1,790	4.0% to 5.0%	1/1/2022	900	200	700
COBI 2011-A	12/7/2011	5,820	3.0% to 5.0%	1/1/2023	2,425	400	2,025
COBI 2014-B	12/2/2014	4,275	2.0% to 5.0%	1/1/2020	83	41	42
		<u>\$23,240</u>			<u>\$ 9,853</u>	<u>\$ 1,311</u>	<u>\$ 8,542</u>

The debt service requirements through maturity to the holders of the Capital Outlay Bond Issue are as follows (amounts in thousands):

Year Ended June 30	Principal Capital Outlay Bonds	Interest	Total Principal and Interest
2020	\$ 1,177	\$ 358	\$ 1,535
2021	1,200	300	1,500
2022	1,280	241	1,521
2023	1,070	187	1,257
2024	515	150	665
2025-2029	2,725	438	3,163
2030-3034	575	23	598
Total	<u>\$ 8,542</u>	<u>\$ 1,697</u>	<u>\$ 10,239</u>

The District is subject to State Board of Education Administrative Rule 6A-1037(2) that limits the amount of State Board of Education Capital Outlay Bond Issues outstanding to 10% of the non-exempt assessed valuation. At June 30, 2019, the statutory limit for the District was approximately \$20.9 billion, providing additional debt capacity of approximately \$20.9 billion.

Certificates of Participation

On November 16, 1994, the District entered into a Master Lease Purchase Agreement (the "Master Lease") dated November 1, 1994, with the Palm Beach School Board Leasing Corporation, a Florida not-for-profit corporation, to finance the acquisition and construction of certain facilities, and equipment for District operations. The Corporation was formed by the Board solely for the purpose of acting as the lessor for Certificates of Participation financed facilities, with the District as lessee. The Corporation issued Certificates of Participation (COP) to third parties, evidencing undivided proportionate interest in basic lease payments to be made by the District, as lessee, pursuant to the Master Lease. Simultaneously therewith, the Board entered into Ground Leases with the Corporation for the Facilities sites.

The District also sold Certificates of Participation Qualified Zone Academy Bonds (“QZAB”). The QZAB program is a financial instrument that provides a different form of subsidy from traditional tax-exempt bonds. Interest on QZABs is paid by the Federal government in the form of an annual tax credit to an eligible financial institution that holds the QZAB. The QZAB issuer is responsible for repayment upon maturity. The tax credits and bonding authority are made available by the Federal government to support innovative school partnerships; enhance reform initiatives, including augmenting Federal education programs, technology and vocational equipment; and development of curriculum or better teacher training to promote market driven technology. To be eligible, a school must:

1. Be located in an Empowerment Zone or an Enterprise Community or have 35% or more of its students eligible for free or reduced lunch under the National School Lunch Act.
2. Obtain cash and/or in-kind contribution agreements from partnerships equal to at least 10% of the gross proceeds of the QZAB.

The District deposits funds annually into an escrow account, which when coupled with interest earnings will be sufficient to pay off the principal at maturity.

As part of the American Reinvestment and Recovery Act, the District was authorized to issue up to \$67.7 million of Qualified School Construction Bonds (QSCB) for the purpose of new construction. The District chose to modernize two schools (Galaxy Elementary and Gove Elementary) and replace two roofs (Belle Glade Elementary and Pioneer Park Elementary). The District issued the bonds as Taxable Certificates of Participation through the Build America Bonds program, also created by the ARRA legislation. The District issued taxable bonds and receives a federal subsidy from the Treasury department equal to the difference between the taxable and tax-exempt rates. The Certificates were sold to Bank of America during a competitive sale held on November 3, 2010 and closed on November 15, 2010. The par amount was \$67.7 million and the interest rate was 5.40%. The District will pay interest only until 2019 when deposits to the sinking fund begin. The final maturity of the bonds is August 1, 2025. The total interest that will be paid over the life of the bonds is \$53.8 million. A total subsidy of \$48.8 million will be recorded as revenue in the year earned. Therefore, the amount the District will pay net of the federal subsidy is \$5.0 million. In the current year, the District recorded \$3.3 million subsidy as revenue and \$3.7 million as interest expense resulting in a net impact of \$0.4 million.

Subsequent to the sale of the QSCB certificates, the District entered into a forward delivery agreement (FDA) classified as a nonparticipating interest-earning investment contract with Barclays Bank related to the COPs 2010A QSCB. A forward delivery agreement is a type of investment in which the investor purchases eligible securities on a periodic basis from the agreement provider at a fixed rate of return. The Board expects to purchase eligible securities, which consist of direct obligations of or obligations guaranteed by the US Treasury and AAA-rated senior debt obligations of Fannie Mae, Freddie Mac the FHLB and Federal Farm Credit System from Barclays on a semi-annual basis beginning July 1, 2019 through the final maturity date of August 1, 2025. The Agreement will generate a guaranteed fixed rate of return of 4.262% or \$8.1 million. The interest earnings associated with this transaction will completely offset the interest due (net of the federal subsidy) and will generate an additional \$3.0 million to be used to repay the principal in 2025.

The Corporation leases facilities and equipment to the District under the Master Lease. The Master Lease is automatically renewable annually unless terminated, in accordance with the provisions of the Master Lease, as a result of default or the failure of the Board to appropriate funds to make lease payments in its final official budget. Failure to appropriate funds to pay lease payments under any lease will, and an event of default under any lease may, result in the termination of all leases. The remedies on default or upon an event of non-appropriation include the surrender of the COP Series 2000A, Series 2001A, Series 2002A, Series 2002B, Series 2002C, Series 2002D, Series 2003A, Series 2003B, Series 2004A, Series 2006A, Series 2007A, Series 2007B, Series 2007E; QZAB Series 2002, QZAB Series 2004, QZAB Series 2005, and QSCB Series 2010A Facilities by the District and the Trustee's re-letting for the

remaining Ground Lease term, or the voluntary sale of the COP Series 2000A, Series 2001A, Series 2002A, Series 2002B, Series 2002C, Series 2002D, Series 2003A, Series 2003B, Series 2004A, Series 2006A, Series 2007A, Series 2007B, Series 2007E; QZAB Series 2002, QZAB Series 2004, QZAB Series 2005, and QSCB Series 2010A, Facilities by the School Board. In either case, the proceeds will be applied against the School Board's obligations under the Master Lease.

A summary of lease terms are presented as follows (amounts in thousands):

Certificate Series	Date of Issue	Amount Issued	Remaining Interest Rates (Percent)	Final Maturity Date	Debt		Debt		Ground Lease Term
					Outstanding June 30, 2018	Debt Matured	Outstanding June 30, 2019		
2004 QZAB	04/30/2004	\$ 2,923	-	**	04/30/2020	\$ 2,923	\$ -	\$ 2,923	N/A
2005 QZAB	12/15/2005	2,150	-	**	12/15/2020	2,150	-	2,150	N/A
2010A QSCB	11/15/2010	67,665	5.40%	*	08/01/2025	67,665	-	67,665	08/01/2032
2011A (1)	07/13/2011	112,425	4.00% to 5.00%		08/01/2021	17,860	-	17,860	08/01/2032
2011C (2)	11/15/2011	15,355	-		N/A	1,355	1,355	-	08/01/2018
2011D (3)	11/15/2011	25,065	2.64%	**	08/01/2021	15,325	4,435	10,890	08/01/2021
2012A (4)	05/15/2012	20,085	5.00%		08/01/2022	1,795	-	1,795	08/01/2028
2012C (5)	08/09/2012	67,145	4.00% to 5.00%		08/01/2029	59,965	3,825	56,140	08/01/2029
2014B (6)	06/27/2014	166,010	4.00% to 5.00%		08/01/2025	139,390	14,945	124,445	08/01/2025
2014C (7)	07/29/2014	33,280	5.00%	**	08/01/2031	33,280	-	33,280	08/01/2031
2015A (8)	05/05/2015	106,315	2.52%	**	08/01/2022	61,555	18,820	42,735	08/01/2022
2015B (9)	01/14/2015	145,535	5.00%		08/01/2031	138,790	7,080	131,710	08/01/2031
2015D (10)	04/30/2015	221,640	5.00%		08/01/2032	221,640	18,915	202,725	08/01/2032
2015C (11)	10/28/2015	62,970	5.00%		08/01/2032	62,970	-	62,970	08/01/2032
2017A (12)	10/11/2017	147,850	5.00%		08/01/2027	147,850	-	147,850	08/01/2027
2017B (13)	12/26/2017	41,945	5.00%		08/01/2028	41,945	-	41,945	08/01/2032
2018A (14)	02/13/2018	114,770	5.00%		08/01/2027	114,770	2,780	111,990	08/01/2027
2018B (15)	02/28/2018	103,955	5.00%		08/01/2028	103,955	5,475	98,480	08/01/2028
2018C (16)	02/28/2018	120,790	5.00%		08/01/2029	120,790	-	120,790	08/01/2029
		<u>\$ 1,577,873</u>				<u>\$ 1,355,973</u>	<u>\$ 77,630</u>	<u>\$ 1,278,343</u>	

* 2010A QSCB - Average coupon rate before IRS subsidy is 5.4%. Net interest rate with IRS subsidy is 0.5422%

**Outstanding direct placement debt that contains a provision that in an event of default these amounts would become immediately due.

Notes to Certificates of Participation Series leases on previous pages:

- (1) Issued to advance refund and defease Series 2007B Certificates of Participation, refunded and partially defeased by 2015C Certificates of Participation. **
- (2) Issued to advance refund and defease a portion of Series 2002A Certificates of Participation. **
- (3) Issued to advance refund and defease a portion of Series 2003A Certificates of Participation. **
- (4) Issued to advance refund and defease a portion of Series 2002D Certificates of Participation. **
- (5) Issued to advance refund and defease a portion of Series 2004A Certificates of Participation. **
- (6) Issued to advance refund and defease a portion of Series 2011B Certificates of Participation (which previously refunded Series 2001B Certificates of Participation). **
- (7) Issued to advance refund and defease Series a portion of 2007A Certificates of Participation. **
- (8) Issued to advance refund and defease a portion of Series 2005A Certificates of Participation (which previously refunded Series 2001A, 2002A, 2002C, and 2002D Certificates of Participation). **
- (9) Issued to advance refund and defease a portion of Series 2006A Certificates of Participation. **
- (10) Issued to advance refund and defease portions of Series 2007A and 2007E Cert. of Participation. **
- (11) Issued to advance refund and defease a portion of Series 2011A Cert. of Participation. **
- (12) Issued to advance refund and defease a portion of Series 2007C Cert. of Participation. **
- (13) Issued to advance refund and defease a portion of Series 2011A and 2012A Cert. of Participation. **
- (14) Issued to advance refund and defease Series 2002B Cert. of Participation. **
- (15) Issued to advance refund and defease Series 2012B Cert. of Participation. **
- (16) Issued to advance refund and defease Series 2003B Cert. of Participation. **

** These refunding issues were done in order to achieve debt service savings.

The Certificates are not separate legal obligations of the Board but represent undivided proportionate interests in lease payments to be made from appropriated funds budgeted annually by the School Board for such purpose from current or other funds authorized by law and regulations of the Department of Education, including the local optional millage levy. However, neither the Board, the District, the State of Florida, nor any political subdivision thereof are obligated to pay, except from Board appropriated funds, any sums due under the Master Lease from any source of taxation. The full faith and credit of the Board and the District are not pledged for payment of such sums due under the Master Lease, and such sums do not constitute an indebtedness of the Board or the District within the meaning of any constitutional or statutory provision or limitation. A trust fund was established with a Trustee to facilitate payments in accordance with the Master Lease and the Trust Agreement. Various accounts are maintained by the Trustee in accordance with the trust indenture. Interest earned on invested funds is applied toward the basic lease payments. Basic lease payments are deposited with the Trustee semi-annually on June 30 and December 30, and are payable to Certificate holders on August 1 and February 1.

Due to the economic substance of the issuances of Certificates of Participation as a financing arrangement on behalf of the Board, the financial activities of the Corporation have been blended in with the financial statements of the District. For accounting purposes, due to the blending of the Corporation within the District's financial statements, basic lease payments are reflected as debt service expenditures when payable to Certificate holders. During the year ended June 30, 2019, no amount was expended for capital outlay in the Certificates of Participation Capital Projects Funds.

All Certificates of Participation issued are subject to arbitrage rebate. At June 30, 2019, the arbitrage liability was zero.

The debt service requirements through maturity to the holders of the Certificates of Participation, which will be serviced by the annual lease payments, are as follows (amounts in thousands):

Year ended June 30	Series 2011A	Series 2011D	Series 2012A	Series 2012C	Series 2014B	Series 2014C	Series 2015A
2020	\$ 5,630	\$ 4,555	\$ -	\$ 4,015	\$ 15,615	\$ -	\$ 18,345
2021	5,895	4,670	-	4,180	16,190	-	5,475
2022	6,335	1,665	-	4,385	16,965	-	9,345
2023	-	-	1,795	4,565	17,685	-	9,570
2024	-	-	-	4,790	18,480	-	-
2025-2029	-	-	-	27,790	39,510	7,890	-
2030-2034	-	-	-	6,415	-	25,390	-
Total	\$ 17,860	\$ 10,890	\$ 1,795	\$ 56,140	\$ 124,445	\$ 33,280	\$ 42,735

Year ended June 30	Series 2015B	Series 2015C	Series 2015D	Series 2017A	Series 2017B	Series 2018A	Series 2018B
2020	\$ 7,435	\$ -	\$ 5,275	\$ -	\$ -	\$ 10,260	\$ 250
2021	7,805	-	5,535	12,805	-	10,680	185
2022	8,200	-	5,815	3,740	-	11,255	6,310
2023	8,605	-	6,105	3,990	6,335	11,795	3,955
2024	9,040	-	6,410	15,020	6,365	12,365	6,785
2025-2029	52,435	-	91,165	112,295	29,245	55,635	80,995
2030-2034	38,190	62,970	82,420	-	-	-	-
Total	\$ 131,710	\$ 62,970	\$ 202,725	\$ 147,850	\$ 41,945	\$ 111,990	\$ 98,480

Year ended June 30	Series 2018C	Series 2004 QZAB	Series 2005 QZAB	Series 2010A QSCB	Total Lease Payment	Total Interest	Total Lease Payment & Interest
2020	\$ 2,000	\$ 2,923	\$ -	\$ -	\$ 76,303	\$ 60,839	\$ 137,142
2021	-	-	2,150	-	75,570	57,655	133,225
2022	3,305	-	-	-	77,320	54,230	131,550
2023	6,930	-	-	-	81,330	50,576	131,906
2024	6,320	-	-	-	85,575	46,522	132,097
2025-2029	27,390	-	-	67,665	592,015	147,266	739,281
2030-2034	74,845	-	-	-	290,230	22,283	312,513
Total	\$ 120,790	\$ 2,923	\$ 2,150	\$ 67,665	\$ 1,278,343	\$ 439,371	\$ 1,717,714

State Statute requires that no more than 75% of the capital millage levy be used for COP debt service. Two trends have lowered the district's debt capacity in this area. First, property values decline between fiscal year 2009 and fiscal year 2013. Second, the Florida Legislature lowered the allowable capital millage rate from 2.0 mills to 1.75 mills in fiscal year 2009 and again from 1.75 to 1.50 mills in fiscal year 2010. In the course of two years, the Legislature reduced district debt service capacity by 25%. Debt service payments remain in compliance at 52.6% of capital millage proceeds. The District's legal lease purchase agreement remaining debt issuance capacity is \$61.2 million, however Board Policy recommends no additional issuance until debt service falls below 50% of capital millage.

Defeased Debt

In prior years, the District defeased certain certificates of participation by creating separate irrevocable trust funds. New debt was issued and the proceeds were used to purchase U.S. Government Securities that were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments. These investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the financial statements.

As of June 30, 2019, the total amount of defeased debt outstanding but removed from the District’s financial statements amounted to \$45.0 million.

Certificates of Participation:

<u>Series</u>	<u>Maturities</u>	<u>Outstanding (in thousands)</u>	<u>Call Date</u>	<u>Defeased by COPS Series</u>
2011A	8/2022 - 8/2025	\$ 26,660	8/1/2021	2017B
2012A	8/1/2028	18,290	8/1/2022	2017B
Total Defeased COPS		\$ 44,950		

10. RETIREMENT PLANS

Florida Retirement System (FRS)

General Information about the FRS

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any state-administered retirement system in paying the costs of health insurance.

Essentially all regular employees of the District are eligible to enroll as members of the State-administered 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 FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost-sharing, multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of 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’ Website (www.dms.myflorida.com).

The District’s pension expense in the governmental funds totaled \$96.4 million for the fiscal year ended June 30, 2019.

FRS Pension Plan - Defined Benefit

Plan Description. The FRS Pension Plan (Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees. The general classes of membership are as follows:

- *Regular Class* – Members of the FRS who do not qualify for membership in the other classes.
- *Elected County Officers Class* – Members who hold specified elective offices in local government.
- *Senior Management Service Class (SMSC)* – Members in senior management level positions.
- *Special Risk Class* – Members who are employed as law enforcement officers and meet the criteria to qualify for this class.

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, “except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 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 “except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service”). Members of the Plan 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 to eligible participants.

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. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years’ earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years’ earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors’ benefits.

The following chart shows the percentage value for each year of service credit earned:

<u>Class, Initial Enrollment, and Retirement Age/Years of Service % Value</u>	
<i>Regular Class members initially enrolled before July 1, 2011</i>	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
<i>Regular Class members initially enrolled on or after July 1, 2011</i>	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
<i>Elected County Officers</i>	3.00
<i>Senior Management Service Class</i>	2.00
<i>Special Risk Regular</i>	
Service from December 1, 1970 through September 30, 1974	2.00
Service on and after October 1, 1974	3.00

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2018-19 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	6.54
FRS, Elected County Officers	3.00	46.98
FRS, Senior Management Service	3.00	22.34
FRS, Special Risk Regular	3.00	22.78
DROP - Applicable to		
Members from All of the Above Classes	0.00	12.37
TRS, Plan E	6.25	11.90

Notes (1) Employer rates do not include 1.66 percent for the contribution for the Retiree Health Insurance Subsidy (HIS). Also, employer rates, other than for DROP participants, and the fee 0.06 percent for administrative costs of the FRS Investment Plan.

The District’s contributions to the Plan totaled \$101.7 million (which includes \$29.6 million of employee contributions) for the fiscal year ended June 30, 2019. This excludes the HIS defined benefit pension plan contributions.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2019, the District reported a liability of \$697.7 million for its proportionate share of the Plan’s net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The District’s proportionate share of the net pension liability was based on the District’s 2017-18 fiscal year contributions relative to the 2017-18 fiscal year contributions of all participating members. At June 30, 2018, the District’s proportionate share was 2.316 percent, which was a decrease of 0.005 percent from its proportionate share measured as of June 30, 2017.

For the fiscal year ended June 30, 2019, the District recognized pension expense of \$43.0 million (\$115.1 million due to the District’s share of changes in deferred inflows and deferred outflows of resources, reduced by \$72.1 million for the District’s contributions subsequent to the measurement date) related to the FRS Plan. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 59,104	\$ (2,145)
Change of assumptions	227,968	-
Net difference between projected and actual earnings on FRS pension plan investments	-	(53,904)
Changes in proportion and differences between District FRS contributions and proportionate share of contributions	780	(15,054)
District FRS contributions subsequent to the measurement date	72,144	-
Total	\$ 359,996	\$ (71,103)

The deferred outflows of resources related to pensions, totaling \$72.1 million, resulting from District contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

Fiscal Year Ending June 30	Amount
2020	\$ 90,348
2021	58,029
2022	1,017
2023	37,320
2024	25,990
Thereafter	4,045

Actuarial Assumptions. The total pension liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including Inflation
Investment rate of return	7.00 percent, net of pension plan investment expenses, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the July 1, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy’s description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1%	2.9%	2.9%	1.8%
Fixed Income	18%	4.4%	4.3%	4.0%
Global Equity	54%	7.6%	6.3%	17.0%
Real Estate (property)	11%	6.6%	6.0%	11.3%
Private equity	10%	10.7%	7.8%	26.5%
Strategic Investment	6%	6.0%	5.7%	8.6%
Total	100%			

Assumed inflation - Mean 2.6% 1.9%

Note: (1) as outlined in the Plan's investment policy

Discount Rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions will be made at the statutorily required rates. The Pension Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The FRS Actuarial Assumption Conference is responsible for setting the assumptions used in the valuations of the defined benefit pension plans pursuant to Section 216.136(10), Florida Statutes. The 7.00% rate of return assumption used in the June 30, 2018 calculations was determined by the Plan's consulting actuary to be reasonable and appropriate per Actuarial Standard of Practice No. 27 (ASOP 27) for accounting purposes, which differs from the rate used for funding purposes, which is used to establish the contribution rates for the Pension Plan. The discount rate used in the July 1, 2017 valuation was 7.10%.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.0 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current rate (amounts in thousands):

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net pension liability (asset)	\$ 1,273,295	\$ 697,680	\$ 219,597

Pension Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan. At June 30, 2019, the District reported a payable of \$14.3 million for the outstanding amount of contributions owed to the Plan required for the fiscal year ended June 30, 2019.

HIS Pension Plan

Plan Description. The HIS Pension Plan (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Division of Retirement within the Florida Department of Management Services.

Benefits Provided. For the fiscal year ended June 30, 2019, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2019, the contribution rate was 1.66 percent of payroll pursuant to section 112.363, Florida Statutes. The District contributed 100 percent of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The District's contributions to the HIS Plan totaled \$17.9 million for the fiscal year ended June 30, 2019.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2019, the District reported a net pension liability of \$344.0 million for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The District's proportionate share of the net pension liability was based on the District's 2017-18 fiscal year contributions relative to the total 2017-18 fiscal year contributions

of all participating members. At June 30, 2018, the District's proportionate share was 3.250 percent, which is .004% higher than proportionate share measured as of June 30, 2017.

For the fiscal year ended June 30, 2019, the District recognized pension expense of \$7.7 million (\$25.6 million due to the District's share of changes in deferred inflows and deferred outflows of resources, reduced by \$17.9 million for the District's contributions subsequent to the measurement date) related to the HIS Plan. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change of assumptions	\$ 38,255	\$ (36,369)
Net difference between projected and actual earnings on HIS pension plan investments	208	-
Difference between expected and actual experience	5,266	(584)
Changes in proportion and differences between District HIS contributions and proportionate share of HIS contributions	4,487	(4,259)
District contributions subsequent to the measurement date	17,905	-
Total	<u>\$ 66,121</u>	<u>\$ (41,212)</u>

The deferred outflows of resources related to pensions, totaling \$17.9 million, resulting from District contributions to the HIS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2020	\$ 4,736
2021	4,720
2022	2,723
2023	1,153
2024	(4,309)
Thereafter	(2,019)

Actuarial Assumptions. The total pension liability in the July 1, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including Inflation
Municipal Bond Rates	3.87 percent

Mortality rates were based on the Generational RP-2000 with Projected Scale BB. The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

Discount Rate. The discount rate used to measure the total pension liability was 3.87 percent, up from 3.58 percent in the prior year. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 3.87 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87 percent) or 1-percentage-point higher (4.87 percent) than the current rate (amounts in thousands):

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
District's proportionate share of the net pension liability	\$ 39,177	\$ 343,983	\$ 304,144

Pension Plan Fiduciary Net Position. Detailed information about the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan. At June 30, 2019, the District reported a payable of \$2.7 million for the outstanding amount of contributions owed the HIS Plan required for the fiscal year ended June 30, 2019.

FRS – Defined Contribution Pension Plan

The District contributes to the FRS Investment Plan (Investment Plan), a defined contribution pension plan, for its eligible employees electing to participate in the Investment Plan. The Investment Plan is administered by the SBA, and is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report. Service retirement benefits are based upon the value of the member's account upon retirement.

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 the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices.

Allocations to the investment member’s accounts during the 2018-19 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Compensation</u>
FRS, Regular	6.54%
FRS, Elected Count	46.98%
FRS, Senior Manag	22.34%
FRS, Special Risk R	22.78%

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five year period, the employee will regain control over their account. If the employee does not return within the five year period, the employee will forfeit the accumulated account balance. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of Investment Plan members. For the fiscal year ended June 30, 2018, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the District.

After termination and applying to receive benefits, the member may rollover-vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The District’s Investment Plan pension expense totaled \$5.6 million for the fiscal year ended June 30, 2019.

Payables to the Investment Plan. At June 30, 2019, the District reported a payable of \$1.8 million for the outstanding amount of contributions owed the Investment Plan required for the fiscal year ended June 30, 2019.

11. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

The District follows the guidance contained in Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, (GASB 75); for certain post-employment health care benefits provided by the District for the fiscal year ended June 30, 2019

Plan Description.

Pursuant to Section 112.0801, Florida Statutes, the District is required to permit participation in the health insurance program by retirees and their eligible dependents at a cost to the retiree that is no greater than the cost at which coverage is available for active employees. Retirees pay 100% of the blended (active and retiree combined) equivalent premium rates. The blended rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The plan is a single employer plan, and no separate financial statements of the Plan are issued.

Funding Policy.

The District is financing the post-employment benefits on a pay-as-you-go basis. Expenditures for these insurance premiums are prorated between the General Fund and other funds where the personnel are located. For fiscal year 2019, 799 retirees received health care benefits. The District provided required contributions of approximately \$7.4 million toward the annual OPEB cost. Retiree contributions total approximately \$4.5 million.

Total OPEB Liability.

The District's total OPEB liability of \$157.7 million was measured as of June 30, 2019, and was determined by an actuarial valuation as of June 30, 2019.

Actuarial Assumptions and Other Inputs.

The total OPEB liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.50%
20-Year Tax-Exempt General Obligation Bonds	3.50%
Bond Rate Basis	Average Rating AA/Aa or higher
Salary Increases	2.5% per annum
Health Care Cost Trend Rate	6.5%
Medical Consumer Price Index Trend	Chained –CPI of 2.0% per annum
Inflation Rate	2.5% per annum
Census Data	Provided by the District as of June 2019.
Medicare Eligibility	All current and future retirees are assumed to be eligible for Medicare at age 65.
Actuarial Cost Method	Entry Age Normal based on level percentage of projected salary.
Amortization Method	Experience/Assumptions gains and losses are amortized over a closed period of 14.1 years starting the current fiscal year, equal to the average remaining service of active and inactive plan members.
Plan Participation Percentage	The participation percentage is the assumed rate of future eligible retirees who elect to continue health coverage at retirement. It is assumed that 30% of all employees and their dependents who are eligible for the early retiree benefits will participate in the retiree medical plan. This assumes that a one-time irrevocable election to participate is made at retirement.
Mortality Rates	RP 2014 Generational Mortality Table projected using Scale MP-18, applied on a gender-specific basis.

Termination Tables

FRS Actuarial Valuation as of July 1, 2018

Retirement Tables

FRS Actuarial Valuation as of July 1, 2018

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 termination, mortality, and the 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, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information.

Projection of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the type of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The valuation date was June 30, 2018, and rolled forward to June 30, 2019.

Changes to the Total OPEB Liability.

Below are the details regarding the total OPEB liability for the measurement period from July 1, 2018 to June 30, 2019 (amounts in thousands):

	Total OPEB Liability
Balance Recognized at 7/1/2018	\$ 138,163
Changes for the Fiscal Year:	
Service Cost	7,418
Interest on the Total OPEB Liability	5,591
Difference Between Expected and Actual Experience	(3,464)
Changes in Assumptions and Other Inputs	14,398
Benefit Payments	(4,455)
Net Change in total OPEB	<u>19,488</u>
Total OPEB Liability at 6/30/2019	<u>\$ 157,651</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.87 percent as of June 30, 2018 to 3.50 percent as of June 30, 2019.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.50 percent) or 1 percentage point higher (4.50 percent) than the current discount rate (amounts in thousands):

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB Liability	\$ 189,476	\$ 157,651	\$ 132,783

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend

The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower and 1 percentage point higher than the current healthcare cost trend rates (amounts in thousands):

	1% Decrease	Healthcare Cost Current Trend	1% Increase
Total OPEB Liability	\$ 126,936	\$ 157,651	\$ 198,566

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.

For the year ended June 30, 2019, the District recognized OPEB expense of \$12.3 million. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (amounts in thousands):

	Deferred Outflows	Deferred Inflows
Difference between Expected and Actual Experience	\$ -	\$ (7,332)
Changes of Assumptions or Other Inputs	13,384	(12,854)
Total	\$ 13,384	\$ (20,186)

Amounts recognized in the deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the OPEB expense as follows (amounts in thousands):

<u>Year Ending June 30</u>	<u>Amount</u>
2020	\$ (729)
2021	(730)
2022	(729)
2023	(730)
2024	(729)
Thereafter	<u>(3,155)</u>
	<u>\$ (6,802)</u>

12. NET POSITION AND FUND BALANCE REPORTING

Fund Balance

GASB 54 categorizes fund balance as either nonspendable or spendable. Nonspendable is defined as the portion of fund balance that includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. District nonspendable items include inventories.

Spendable is defined as a hierarchy of fund balance classifications that is available to be spent based on the element to which the District is bound to observe constraints imposed upon the use of resources:

- Restricted fund balance is constrained by external parties, and constitutional provisions or enabling legislation. District restricted balances includes: Carryover balances as a result of revenue received with constraints from Federal laws, Florida Statute, Florida School Board Rules, local ordinances or contract provisions.
- Committed fund balance can only be used for specific purposes pursuant to constraints imposed by formal action of the School Board. District committed balance includes: Funds committed by the School Board on June 2, 2010 for future purchase and installation of equipment needed to transmit and receive programming for The Education Network (TEN).
- Assigned fund balances are amounts that are constrained by the School Board or Superintendent to be used for a specific purpose. Florida Statute 1001.51, Duties and Responsibilities of District School Superintendent, delegates certain financial authority to the Superintendent.
- Unassigned fund balance is the residual classification for the general fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the District’s policy to use restricted assets first, followed by unrestricted assets. Committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

The District has not established a stabilization arrangement. Instead, the Board has established policy 2.55, Fund Balance for Contingency to set aside 3% of total annual operating fund appropriations and transfers from the operating fund to cover unanticipated financial needs and to avoid a budget deficit. At the end of the fiscal year, the unassigned general fund balance was \$64.0 million or 3.7% of general fund total expenditures.

The following table shows the District's fund balance classification at June 30, 2019 (in thousands):

	Major Funds						
	General Fund	Other Debt Service	Nonvoted Capital Improvement	Other Capital Projects	Other Governmental	Total Governmental	
FUND BALANCES:							
<u>Nonspendable:</u>							
<u>Inventory:</u>							
Textbooks	\$ 5,174	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,174
Child Nutrition	-	-	-	-	4,229	-	4,229
Transportation	371	-	-	-	-	-	371
Warehouse	790	-	-	-	-	-	790
Other	24	-	-	-	-	-	24
Total Nonspendable	6,359	-	-	-	4,229	-	10,588
<u>Restricted for:</u>							
Categorical carryover programs	5,236	-	-	-	-	-	5,236
IB, AP, AICE & Industry cert prog	12,662	-	-	-	-	-	12,662
Industry Certification	6,766	-	-	-	-	-	6,766
School Improvement	1,774	-	-	-	-	-	1,774
Local Sales Tax Projects	-	-	-	216,714	-	-	216,714
Workforce development	3,427	-	-	-	-	-	3,427
Child nutrition	-	-	-	-	12,983	-	12,983
Debt service	-	111,903	-	-	10,029	-	121,932
Capital projects	-	-	114,452	7,212	127	-	121,792
Total Restricted	29,865	111,903	114,452	223,926	23,140	-	503,286
<u>Committed to:</u>							
The Education Network program	-	-	-	-	18	-	18
Total Committed	-	-	-	-	18	-	18
<u>Assigned to:</u>							
<u>School Operations</u>							
Instruction	165	-	-	-	-	-	165
Instructional support services	18	-	-	-	-	-	18
Board	9	-	-	-	-	-	9
General & School admin	5	-	-	-	-	-	5
Central services	7	-	-	-	-	-	7
Pupil transportation services	17	-	-	-	-	-	17
Operation of plant	299	-	-	-	-	-	299
<u>Community services:</u>							
After care/summer camp	11,407	-	-	-	-	-	11,407
Pre-K/VPK Fee Based Activities	434	-	-	-	-	-	434
Community Schools	834	-	-	-	-	-	834
Other	179	-	-	-	-	-	179
Capital projects	220	-	-	40,560	-	-	40,780
Misc local grants/donations	2,885	-	-	-	-	-	2,885
Next year budget appropriations	66,085	-	-	-	-	-	66,085
Total Assigned	82,564	-	-	40,560	-	-	123,124
Unassigned	64,000	-	-	-	-	-	64,000
Total fund balance	\$ 182,788	\$ 111,903	\$ 114,452	\$ 264,486	\$ 27,387	\$ -	\$ 701,017

13. COMMITMENTS AND CONTINGENCIES

The District receives funding from the State that is based, in part, on a computation of the number of full time equivalent ("FTE") students enrolled in different types of instructional programs. The accuracy of data compiled by individual schools supporting the FTE count is subject to State audit and, if found to be in error, could result in refunds or in decreases in future funding allocations. It is the opinion of management that any amounts of revenue which may be remitted back to the State due to errors in the FTE count, if any, will not be material to the financial position of the District.

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the District.

The District is involved in various lawsuits arising in the ordinary course of operations. In the opinion of management, the District's estimated aggregate liability with respect to probable losses has been provided for in the estimated liability for insurance risks and pending claims in the accompanying financial statements, after giving consideration to the District's related insurance coverage, as well as the Florida statutory limitations of governmental liability on uninsured risks. It is the opinion of management in consultation with legal counsel that any final settlements in these matters will not result in a material adverse effect on the financial position of the District.

The District has entered into various construction and other contracts that extend beyond year-end. The District has capital outlay commitments of \$154.6 million and other encumbrances of \$2.2 million as of June 30, 2019 are shown below (amounts in thousands):

	<u>Encumbrances</u>	<u>Capital Fund Commitments</u>	<u>Total</u>
General Fund	\$ 706	\$ -	\$ 706
Nonvoted Capital Improvement	-	9,857	9,857
Other Capital Projects	-	143,937	143,937
Other Governmental	1,500	828	2,328
Total Commitments	<u>\$ 2,206</u>	<u>\$ 154,622</u>	<u>\$ 156,828</u>

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2019**

**SCHEDULE OF FUNDING PROGRESS
OTHER POST EMPLOYMENT BENEFITS PLAN**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (in thousands) (b)	Unfunded AAL (UAAL) (in thousands) (b-a)	Funded Ratio (a/b)	Covered Payroll (in thousands) (c)	UAAL as a percentage of Covered Payroll ((b-a)/c)
July 1, 2018	\$ -	\$ 157,651	\$ 157,651	0.0%	\$ 1,072,877	14.7%
July 1, 2017	-	115,142	115,142	0.0%	1,051,957	10.9%
July 1, 2016	-	141,585	141,585	0.0%	1,022,732	13.8%
July 1, 2015	-	141,585	141,585	0.0%	989,739	14.3%
July 1, 2014	-	135,559	135,559	0.0%	966,098	14.0%
July 1, 2013	-	138,454	138,454	0.0%	971,608	14.2%
July 1, 2012	-	130,194	130,194	0.0%	933,906	13.9%
July 1, 2011	-	168,939	168,939	0.0%	900,764	18.8%
July 1, 2010	-	161,375	161,375	0.0%	906,746	17.8%
July 1, 2009	-	218,964	218,964	0.0%	922,938	23.7%
July 1, 2008	-	216,013	216,013	0.0%	926,287	23.3%
June 30, 2008	-	239,500	239,500	0.0%	930,821	25.7%

**Schedule of the District's Proportionate Share of the Net Pension Liability -
Florida Retirement System Pension Plan (1)
(amounts expressed in thousands)**

	2018	2017	2016	2015	2014
District's proportion of the FRS net pension liability (asset)	2.3163%	2.3208%	2.3253%	2.4332%	2.5354%
District's proportionate share of the FRS net pension liability (asset)	\$ 697,680	\$ 686,486	\$ 587,133	\$ 314,284	\$ 154,697
District's covered-employee payroll	\$ 1,072,877	\$ 1,011,258	\$ 989,739	\$ 966,098	\$ 971,624
District's proportionate share of the FRS net pension liability (asset) as a percentage of its covered-employee payroll	65.03%	67.88%	59.32%	32.53%	15.92%
FRS Plan fiduciary net position as a percentage of the total pension liability	84.26%	83.89%	84.88%	92.00%	96.09%

Note: (1) The amounts presented for each fiscal year were determined as of June 30 (in thousands). Additional years will be displayed as they become available.

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2019

Schedule of District Contributions – Florida Retirement System Pension Plan (1)
(amounts expressed in thousands)

	2019	2018	2017	2016	2015
Contractually required FRS contribution	\$ 72,055	\$ 66,459	\$ 60,417	\$ 57,082	\$ 59,324
District FRS contributions in relation to the contractually required contribution	(72,055)	(66,459)	(60,417)	(57,082)	(59,324)
FRS contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 1,072,877	\$ 1,051,957	\$ 1,011,258	\$ 989,739	\$ 966,098
FRS contributions as a percentage of covered-employee payroll	6.72%	6.32%	5.97%	5.77%	6.14%

Schedule of the District's Proportionate Share of the Net Pension Liability - Health Insurance Subsidy Pension Plan (1)
(amounts expressed in thousands)

	2018	2017	2016	2015	2014
District's proportion of the HIS net pension liability (asset)	3.2499%	3.2460%	3.2461%	3.1986%	3.3048%
District's proportionate share of the HIS net pension liability (asset)	\$ 343,983	\$ 347,078	\$ 378,316	\$ 326,211	\$ 309,012
District's covered-employee payroll	\$ 1,072,877	\$ 1,011,258	\$ 989,739	\$ 966,098	\$ 971,624
District's proportionate share of the HIS net pension liability (asset) as a percentage of its covered-employee payroll	32.06%	34.32%	38.22%	33.77%	31.80%
HIS Plan fiduciary net position as a percentage of the total pension liability	2.15%	1.64%	0.97%	0.50%	0.99%

Schedule of District Contributions – Health Insurance Subsidy Pension Plan (1)
(amounts expressed in thousands)

	2019	2018	2017	2016	2015
Contractually required HIS contribution	\$ 17,883	\$ 17,613	\$ 17,178	\$ 16,674	\$ 12,227
District HIS contributions in relation to the contractually required contribution	(17,883)	(17,613)	(17,178)	(16,674)	(12,227)
HIS contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 1,072,877	\$ 1,051,957	\$ 1,011,258	\$ 989,739	\$ 966,098
HIS contributions as a percentage of covered-employee payroll	1.67%	1.67%	1.70%	1.68%	1.27%

Note: (1) The amounts presented for each fiscal year were determined as of June 30 (in thousands). Additional years will be displayed as they become available.

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DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2019

	Account Number	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
		Original	Final		
REVENUES					
Federal Direct	3100	807,000.00	1,279,703.94	1,279,703.94	0.00
Federal Through State and Local	3200	5,000,000.00	10,976,383.70	10,976,383.70	0.00
State Sources	3300	591,107,756.00	578,440,330.35	578,440,330.35	0.00
<i>Local Sources:</i>					
Property Taxes Levied, Tax Redemptions and Excess Fees for Operational Purposes	3411, 3421, 3423	976,249,397.00	979,947,603.88	979,947,603.88	0.00
Other Local Revenue		62,983,685.54	80,874,397.55	80,874,397.53	(0.02)
Total Local Sources	3400	1,039,233,082.54	1,060,822,001.43	1,060,822,001.41	(0.02)
Total Revenues		1,636,147,838.54	1,651,518,419.42	1,651,518,419.40	(0.02)
EXPENDITURES					
<i>Current:</i>					
Instruction	5000	1,195,869,711.37	1,179,410,357.17	1,100,775,979.36	78,634,377.81
Student Support Services	6100	56,505,939.00	59,146,749.80	53,941,051.07	5,205,698.73
Instructional Media Services	6200	20,438,871.00	19,932,249.29	19,561,290.49	370,958.80
Instruction and Curriculum Development Services	6300	37,050,394.00	38,133,444.11	37,947,860.49	185,583.62
Instructional Staff Training Services	6400	11,766,442.28	12,430,816.27	11,008,567.52	1,422,248.75
Instruction-Related Technology	6500	9,707,348.00	9,766,765.53	9,676,140.02	90,625.51
Board	7100	8,720,529.00	9,418,446.32	8,315,899.54	1,102,546.78
General Administration	7200	9,536,695.95	10,730,785.35	9,864,504.71	866,280.64
School Administration	7300	106,753,288.61	109,638,489.68	109,308,021.63	330,468.05
Facilities Acquisition and Construction	7410	735,022.00	727,291.00	297,858.29	429,432.71
Fiscal Services	7500	7,265,047.00	7,384,465.22	7,049,359.44	335,105.78
Food Services	7600	21,659.00	162,342.90	149,753.27	12,589.63
Central Services	7700	16,432,679.00	16,323,251.77	16,154,658.99	168,592.78
Student Transportation Services	7800	54,420,024.00	58,003,888.50	57,618,467.74	385,420.76
Operation of Plant	7900	152,632,252.79	157,328,184.64	141,378,536.17	15,949,648.47
Maintenance of Plant	8100	85,271,111.00	80,433,306.62	80,090,384.92	342,921.70
Administrative Technology Services	8200	6,481,738.00	7,753,275.73	7,036,814.25	716,461.48
Community Services	9100	54,622,573.00	56,369,246.27	42,149,762.42	14,219,483.85
<i>Debt Service: (Function 9200)</i>					
Interest	720	1,008,000.00	1,890,821.00	1,890,783.19	37.81
<i>Capital Outlay:</i>					
Facilities Acquisition and Construction	7420	0.00	0.00	7,001.47	(7,001.47)
Other Capital Outlay	9300	0.00	0.00	1,973,261.74	(1,973,261.74)
Total Expenditures		1,835,239,325.00	1,834,984,177.17	1,716,195,956.72	118,788,220.45
Excess (Deficiency) of Revenues Over (Under) Expenditures		(199,091,486.46)	(183,465,757.75)	(64,677,537.32)	118,788,220.43
OTHER FINANCING SOURCES (USES)					
Loss Recoveries	3740	0.00	292.56	292.56	0.00
Transfers In	3600	97,364,719.00	89,268,697.73	89,268,697.73	0.00
Transfers Out	9700	0.00	(30,000.00)	(30,000.00)	0.00
Total Other Financing Sources (Uses)		97,364,719.00	89,238,990.29	89,238,990.29	0.00
Net Change in Fund Balances		(101,726,767.46)	(94,226,767.46)	24,561,452.97	118,788,220.43
Fund Balances, July 1, 2018	2800	158,226,767.46	158,226,767.46	158,226,767.46	0.00
Fund Balances, June 30, 2019	2700	56,500,000.00	64,000,000.00	182,788,220.43	118,788,220.43

DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2019

	Account Number	Special Revenue Funds		
		Food Services 410	Other Federal Programs 420	Total Nonmajor Special Revenue Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
ASSETS				
Cash and Cash Equivalents	1110	16,104,240.16	63,129.75	16,167,369.91
Due From Other Agencies	1220	1,095,504.89	20,689,301.90	21,784,806.79
Inventory	1150	4,229,207.62	0.00	4,229,207.62
Prepaid Items	1230	0.00	72,006.21	72,006.21
Total Assets and Deferred Outflows of Resources		21,428,952.67	20,824,437.86	42,253,390.53
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accrued Salaries and Benefits	2110	1,181,818.59	4,652,028.83	5,833,847.42
Payroll Deductions and Withholdings	2170	281,039.70	184,629.83	465,669.53
Accounts Payable	2120	2,581,041.77	2,400,252.43	4,981,294.20
Due to Budgetary Funds	2161	0.00	11,000,000.00	11,000,000.00
Construction Contracts Payable	2140	172,589.36	0.00	172,589.36
Unearned Revenues	2410	0.00	2,569,274.61	2,569,274.61
Total Liabilities		4,216,489.42	20,806,185.70	25,022,675.12
DEFERRED INFLOWS OF RESOURCES				
FUND BALANCES				
<i>Nonspendable:</i>				
Inventory	2711	4,229,207.62	0.00	4,229,207.62
<i>Total Nonspendable Fund Balances</i>	2710	4,229,207.62	0.00	4,229,207.62
<i>Restricted for:</i>				
Restricted for Child Nutrition	2729	12,983,255.63	0.00	12,983,255.63
<i>Total Restricted Fund Balances</i>	2720	12,983,255.63	0.00	12,983,255.63
<i>Committed to:</i>				
Committed for Education Network Program	2739	0.00	18,252.16	18,252.16
<i>Total Committed Fund Balances</i>	2730	0.00	18,252.16	18,252.16
Total Fund Balances	2700	17,212,463.25	18,252.16	17,230,715.41
Total Liabilities, Deferred Inflows of Resources and Fund Balances		21,428,952.67	20,824,437.86	42,253,390.53

The notes to financial statements are an integral part of this statement.
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DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2019

	Account Number	Debt Service Funds		
		SBE/COBI Bonds 210	ARRA Debt Service 299	Total Nonmajor Debt Service Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
ASSETS				
Investments	1160	182,984.77	9,846,343.47	10,029,328.24
Total Assets		182,984.77	9,846,343.47	10,029,328.24
DEFERRED OUTFLOWS OF RESOURCES				
Total Assets and Deferred Outflows of Resources		182,984.77	9,846,343.47	10,029,328.24
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
FUND BALANCES				
<i>Restricted for:</i>				
Debt Service	2725	182,984.77	9,846,343.47	10,029,328.24
<i>Total Restricted Fund Balances</i>	2720	182,984.77	9,846,343.47	10,029,328.24
Total Fund Balances	2700	182,984.77	9,846,343.47	10,029,328.24
Total Liabilities, Deferred Inflows of Resources and Fund Balances		182,984.77	9,846,343.47	10,029,328.24

The notes to financial statements are an integral part of this statement.
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DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2019

	Account Number	Capital Projects Funds			
		Capital Outlay Bond Issues (COBI) 310	Public Education Capital Outlay (PECO) 340	Capital Outlay and Debt Service 360	Total Nonmajor Capital Projects Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
ASSETS					
Cash and Cash Equivalents	1110	4,541.20	860,788.25	0.00	865,329.45
Due From Other Agencies	1220	0.00	0.75	127,429.44	127,430.19
Total Assets		4,541.20	860,789.00	127,429.44	992,759.64
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	2120	4,541.20	860,789.00	0.00	865,330.20
Total Liabilities		4,541.20	860,789.00	0.00	865,330.20
DEFERRED INFLOWS OF RESOURCES					
FUND BALANCES					
<i>Restricted for:</i>					
Capital Projects	2726	0.00	0.00	127,429.44	127,429.44
<i>Total Restricted Fund Balances</i>	2720	0.00	0.00	127,429.44	127,429.44
Total Fund Balances	2700	0.00	0.00	127,429.44	127,429.44
Total Liabilities, Deferred Inflows of Resources and Fund Balances		4,541.20	860,789.00	127,429.44	992,759.64

The notes to financial statements are an integral part of this statement.
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DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2019

	Account Number	Permanent Funds 000	Total Nonmajor Governmental Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
ASSETS			
Cash and Cash Equivalents	1110	0.00	17,032,699.36
Investments	1160	0.00	10,029,328.24
Due From Other Agencies	1220	0.00	21,912,236.98
Inventory	1150	0.00	4,229,207.62
Prepaid Items	1230	0.00	72,006.21
Total Assets and Deferred Outflows of Resources		0.00	53,275,478.41
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accrued Salaries and Benefits	2110	0.00	5,833,847.42
Payroll Deductions and Withholdings	2170	0.00	465,669.53
Accounts Payable	2120	0.00	5,846,624.40
Due to Budgetary Funds	2161	0.00	11,000,000.00
Construction Contracts Payable	2140	0.00	172,589.36
Unearned Revenues	2410	0.00	2,569,274.61
Total Liabilities		0.00	25,888,005.32
DEFERRED INFLOWS OF RESOURCES			
FUND BALANCES			
<i>Nonspendable:</i>			
Inventory	2711	0.00	4,229,207.62
<i>Total Nonspendable Fund Balances</i>	2710	0.00	4,229,207.62
<i>Restricted for:</i>			
Debt Service	2725	0.00	10,029,328.24
Capital Projects	2726	0.00	127,429.44
Restricted for Child Nutrition	2729	0.00	12,983,255.63
<i>Total Restricted Fund Balances</i>	2720	0.00	23,140,013.31
<i>Committed to:</i>			
Committed for Education Network Program	2739	0.00	18,252.16
<i>Total Committed Fund Balances</i>	2730	0.00	18,252.16
Total Fund Balances	2700	0.00	27,387,473.09
Total Liabilities, Deferred Inflows of Resources and Fund Balances		0.00	53,275,478.41

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

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DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2019

	Account Number	Special Revenue Funds		
		Food Services 410	Other Federal Programs 420	Total Nonmajor Special Revenue Funds
REVENUES				
Federal Direct	3100	0.00	4,582,388.45	4,582,388.45
Federal Through State and Local	3200	80,912,770.93	122,204,442.49	203,117,213.42
State Sources	3300	1,044,518.44	24,853,981.91	25,898,500.35
<i>Local Sources:</i>				
Charges for Service - Food Service	345X	14,749,571.52	0.00	14,749,571.52
Other Local Revenue		522,306.87	6,685,885.25	7,208,192.12
Total Local Sources	3400	15,271,878.39	6,685,885.25	21,957,763.64
Total Revenues		97,229,167.76	158,326,698.10	255,555,865.86
EXPENDITURES				
<i>Current:</i>				
Instruction	5000	0.00	91,912,395.07	91,912,395.07
Student Support Services	6100	0.00	12,747,586.33	12,747,586.33
Instructional Media Services	6200	0.00	18,770.78	18,770.78
Instruction and Curriculum Development Services	6300	0.00	18,525,771.41	18,525,771.41
Instructional Staff Training Services	6400	0.00	25,401,154.58	25,401,154.58
Instruction-Related Technology	6500	0.00	97,515.51	97,515.51
General Administration	7200	0.00	3,470,839.48	3,470,839.48
School Administration	7300	0.00	360,733.45	360,733.45
Fiscal Services	7500	0.00	173,593.18	173,593.18
Food Services	7600	100,794,535.27	54,626.41	100,849,161.68
Central Services	7700	0.00	1,064,208.86	1,064,208.86
Student Transportation Services	7800	0.00	466,418.09	466,418.09
Operation of Plant	7900	0.00	12,580.69	12,580.69
Maintenance of Plant	8100	0.00	8,400.00	8,400.00
Community Services	9100	0.00	3,105,029.78	3,105,029.78
<i>Capital Outlay:</i>				
Other Capital Outlay	9300	2,043,992.61	910,715.66	2,954,708.27
Total Expenditures		102,838,527.88	158,330,339.28	261,168,867.16
Excess (Deficiency) of Revenues Over (Under) Expenditures		(5,609,360.12)	(3,641.18)	(5,613,001.30)
Net Change in Fund Balances		(5,609,360.12)	(3,641.18)	(5,613,001.30)
Fund Balances, July 1, 2018	2800	22,821,823.37	21,893.34	22,843,716.71
Fund Balances, June 30, 2019	2700	17,212,463.25	18,252.16	17,230,715.41

The notes to financial statements are an integral part of this statement.
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**DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2019**

	Account Number	Debt Service Funds		
		SBE/COBI Bonds 210	ARRA Debt Service 299	Total Nonmajor Debt Service Funds
REVENUES				
Federal Direct	3100	0.00	3,287,057.43	3,287,057.43
State Sources	3300	1,691,796.55	0.00	1,691,796.55
<i>Local Sources:</i>				
Total Revenues		1,691,796.55	3,287,057.43	4,978,853.98
EXPENDITURES				
<i>Debt Service: (Function 9200)</i>				
Redemption of Principal	710	1,311,000.00	0.00	1,311,000.00
Interest	720	416,915.00	3,653,910.00	4,070,825.00
Dues and Fees	730	657.53	5,150.00	5,807.53
Total Expenditures		1,728,572.53	3,659,060.00	5,387,632.53
Excess (Deficiency) of Revenues Over (Under) Expenditures		(36,775.98)	(372,002.57)	(408,778.55)
OTHER FINANCING SOURCES (USES)				
Transfers In	3600	0.00	9,542,870.04	9,542,870.04
Total Other Financing Sources (Uses)		0.00	9,542,870.04	9,542,870.04
Net Change in Fund Balances		(36,775.98)	9,170,867.47	9,134,091.49
Fund Balances, July 1, 2018	2800	219,760.75	675,476.00	895,236.75
Fund Balances, June 30, 2019	2700	182,984.77	9,846,343.47	10,029,328.24

The notes to financial statements are an integral part of this statement.
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DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2019

	Account Number	Capital Projects Funds			
		Capital Outlay Bond Issues (COBI) 310	Public Education Capital Outlay (PECO) 340	Capital Outlay and Debt Service 360	Total Nonmajor Capital Projects Funds
REVENUES					
State Sources	3300	0.00	12,430,655.00	5,588,416.12	18,019,071.12
Total Revenues		0.00	12,430,655.00	5,588,416.12	18,019,071.12
EXPENDITURES					
<i>Debt Service: (Function 9200)</i>					
Dues and Fees	730	0.00	0.00	6,956.06	6,956.06
Miscellaneous	790	0.00	9,671,893.00	0.00	9,671,893.00
<i>Capital Outlay:</i>					
Facilities Acquisition and Construction	7420	0.00	1,147,876.09	0.00	1,147,876.09
Total Expenditures		0.00	10,819,769.09	6,956.06	10,826,725.15
Excess (Deficiency) of Revenues Over (Under) Expenditures		0.00	1,610,885.91	5,581,460.06	7,192,345.97
OTHER FINANCING SOURCES (USES)					
Transfers Out	9700	0.00	(2,758,762.00)	(5,454,030.62)	(8,212,792.62)
Total Other Financing Sources (Uses)		0.00	(2,758,762.00)	(5,454,030.62)	(8,212,792.62)
Net Change in Fund Balances		0.00	(1,147,876.09)	127,429.44	(1,020,446.65)
Fund Balances, July 1, 2018	2800	0.00	1,147,876.09	0.00	1,147,876.09
Fund Balances, June 30, 2019	2700	0.00	0.00	127,429.44	127,429.44

The notes to financial statements are an integral part of this statement.
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DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2019

	Account Number	Permanent Funds 000	Total Nonmajor Governmental Funds
REVENUES			
Federal Direct	3100	0.00	7,869,445.88
Federal Through State and Local	3200	0.00	203,117,213.42
State Sources	3300	0.00	45,609,368.02
<i>Local Sources:</i>			
Charges for Service - Food Service	345X	0.00	14,749,571.52
Other Local Revenue		0.00	7,208,192.12
Total Local Sources	3400	0.00	21,957,763.64
Total Revenues		0.00	278,553,790.96
EXPENDITURES			
<i>Current:</i>			
Instruction	5000	0.00	91,912,395.07
Student Support Services	6100	0.00	12,747,586.33
Instructional Media Services	6200	0.00	18,770.78
Instruction and Curriculum Development Services	6300	0.00	18,525,771.41
Instructional Staff Training Services	6400	0.00	25,401,154.58
Instruction-Related Technology	6500	0.00	97,515.51
General Administration	7200	0.00	3,470,839.48
School Administration	7300	0.00	360,733.45
Fiscal Services	7500	0.00	173,593.18
Food Services	7600	0.00	100,849,161.68
Central Services	7700	0.00	1,064,208.86
Student Transportation Services	7800	0.00	466,418.09
Operation of Plant	7900	0.00	12,580.69
Maintenance of Plant	8100	0.00	8,400.00
Community Services	9100	0.00	3,105,029.78
<i>Debt Service: (Function 9200)</i>			
Redemption of Principal	710	0.00	1,311,000.00
Interest	720	0.00	4,070,825.00
Dues and Fees	730	0.00	12,763.59
Miscellaneous	790	0.00	9,671,893.00
<i>Capital Outlay:</i>			
Facilities Acquisition and Construction	7420	0.00	1,147,876.09
Charter School Local Capital Improvement	7430	0.00	2,954,708.27
Other Capital Outlay	9300	0.00	2,954,708.27
Total Expenditures		0.00	277,383,224.84
Excess (Deficiency) of Revenues Over (Under) Expenditures		0.00	1,170,566.12
OTHER FINANCING SOURCES (USES)			
Transfers In	3600	0.00	9,542,870.04
Transfers Out	9700	0.00	(8,212,792.62)
Total Other Financing Sources (Uses)		0.00	1,330,077.42
Net Change in Fund Balances		0.00	2,500,643.54
Fund Balances, July 1, 2018	2800	0.00	24,886,829.55
Fund Balances, June 30, 2019	2700	0.00	27,387,473.09

The notes to financial statements are an integral part of this statement.
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**DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
SPECIAL REVENUE FUND**
For the Fiscal Year Ended June 30, 2019

	Account Number	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
		Original	Final		
REVENUES					
Federal Direct	3100	7,626,099.65	7,731,133.60	4,582,388.45	(3,148,745.15)
Federal Through State and Local	3200	194,736,349.38	214,433,849.71	203,117,213.42	(11,316,636.29)
State Sources	3300	7,582,917.76	30,174,834.92	25,898,500.35	(4,276,334.57)
<i>Local Sources:</i>					
Charges for Service - Food Service	345X	13,376,000.63	14,760,097.92	14,749,571.52	(10,526.40)
Other Local Revenue		3,862,051.87	10,099,705.25	7,208,192.12	(2,891,513.13)
Total Local Sources	3400	17,238,052.50	24,859,803.17	21,957,763.64	(2,902,039.53)
Total Revenues		227,183,419.29	277,199,621.40	255,555,865.86	(21,643,755.54)
EXPENDITURES					
<i>Current:</i>					
Instruction	5000	67,837,377.07	103,543,781.54	91,912,395.07	11,631,386.47
Student Support Services	6100	12,129,693.67	14,865,616.89	12,747,586.33	2,118,030.56
Instructional Media Services	6200	24,269.34	24,196.76	18,770.78	5,425.98
Instruction and Curriculum Development Services	6300	18,060,170.98	19,049,459.14	18,525,771.41	523,687.73
Instructional Staff Training Services	6400	24,240,647.20	29,829,205.53	25,401,154.58	4,428,050.95
Instruction-Related Technology	6500	127,147.01	115,925.19	97,515.51	18,409.68
Board	7100	5,267.91	0.00	0.00	0.00
General Administration	7200	3,212,168.52	4,069,287.04	3,470,839.48	598,447.56
School Administration	7300	597,803.62	536,801.41	360,733.45	176,067.96
Fiscal Services	7500	79,679.25	229,487.80	173,593.18	55,894.62
Food Services	7600	97,511,343.14	102,918,871.02	100,849,161.68	2,069,709.34
Central Services	7700	892,554.07	1,498,009.46	1,064,208.86	433,800.60
Student Transportation Services	7800	889,582.72	954,929.58	466,418.09	488,511.49
Operation of Plant	7900	7,395.36	14,769.15	12,580.69	2,188.46
Maintenance of Plant	8100	0.00	8,400.00	8,400.00	0.00
Community Services	9100	1,590,212.14	5,153,882.19	3,105,029.78	2,048,852.41
<i>Capital Outlay:</i>					
Other Capital Outlay	9300	0.00	0.00	2,954,708.27	(2,954,708.27)
Total Expenditures		227,205,312.00	282,812,622.70	261,168,867.16	21,643,755.54
Excess (Deficiency) of Revenues Over (Under) Expenditures		(21,892.71)	(5,613,001.30)	(5,613,001.30)	0.00
Net Change in Fund Balances		(21,892.71)	(5,613,001.30)	(5,613,001.30)	0.00
Fund Balances, July 1, 2018	2800	22,843,716.71	22,843,716.71	22,843,716.71	0.00
Fund Balances, June 30, 2019	2700	22,821,824.00	17,230,715.41	17,230,715.41	0.00

**DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
DEBT SERVICE FUND**
For the Fiscal Year Ended June 30, 2019

	Account Number	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
		Original	Final		
REVENUES					
Federal Direct	3100	3,280,034.00	3,287,057.43	3,287,057.43	0.00
State Sources	3300	1,998,490.00	1,691,796.55	1,691,796.55	0.00
<i>Local Sources:</i>					
Other Local Revenue		0.00	428,154.48	428,154.48	0.00
Total Local Sources	3400	0.00	428,154.48	428,154.48	0.00
Total Revenues		5,278,524.00	5,407,008.46	5,407,008.46	0.00
EXPENDITURES					
<i>Debt Service: (Function 9200)</i>					
Redemption of Principal	710	89,671,600.69	87,669,765.89	87,669,765.89	0.00
Interest	720	69,196,883.85	63,836,047.82	63,836,047.82	0.00
Dues and Fees	730	329,785.84	103,739.53	103,739.53	0.00
Total Expenditures		159,198,270.38	151,609,553.24	151,609,553.24	0.00
Excess (Deficiency) of Revenues Over (Under) Expenditures		(153,919,746.38)	(146,202,544.78)	(146,202,544.78)	0.00
OTHER FINANCING SOURCES (USES)					
Transfers In	3600	154,871,220.59	139,794,214.65	139,794,214.65	0.00
Total Other Financing Sources (Uses)		154,871,220.59	139,794,214.65	139,794,214.65	0.00
Net Change in Fund Balances		951,474.21	(6,408,330.13)	(6,408,330.13)	0.00
Fund Balances, July 1, 2018	2800	128,340,350.41	128,340,350.41	128,340,350.41	0.00
Fund Balances, June 30, 2019	2700	129,291,824.62	121,932,020.28	121,932,020.28	0.00

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DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2019

	Account Number	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
		Original	Final		
REVENUES					
State Sources	3300	18,986,101.00	25,139,059.34	18,594,618.13	(6,544,441.21)
<i>Local Sources:</i>					
Property Taxes Levied, Tax Redemptions and Excess Fees for Capital Projects	3413, 3421, 3423	288,717,290.00	289,776,185.84	289,776,185.84	0.00
Local Sales Taxes	3418, 3419	122,827,241.00	145,847,734.84	145,847,734.84	0.00
Impact Fees	3496	4,100,000.00	0.00	0.00	0.00
Other Local Revenue		1,000,000.00	10,375,706.97	10,375,706.97	0.00
Total Local Sources	3400	416,644,531.00	445,999,627.65	445,999,627.65	0.00
Total Revenues		435,630,632.00	471,138,686.99	464,594,245.78	(6,544,441.21)
EXPENDITURES					
<i>Debt Service: (Function 9200)</i>					
Dues and Fees	730	0.00	612,480.18	164,206.06	448,274.12
Miscellaneous	790	0.00	9,914,529.79	9,914,529.79	0.00
<i>Capital Outlay:</i>					
Facilities Acquisition and Construction	7420	664,245,060.41	673,296,546.62	159,534,455.94	513,762,090.68
Charter School Local Capital Improvement	7430	0.00	0.00	0.00	0.00
Total Expenditures		664,245,060.41	683,823,556.59	169,613,191.79	514,210,364.80
Excess (Deficiency) of Revenues Over (Under) Expenditures		(228,614,428.41)	(212,684,869.60)	294,981,053.99	507,665,923.59
OTHER FINANCING SOURCES (USES)					
Proceeds of Lease-Purchase Agreements	3750	75,656,015.00	57,093,515.03	0.00	(57,093,515.03)
Loans	3720	108,393,452.71	87,578,090.87	16,071,427.00	(71,506,663.87)
Sale of Capital Assets	3730	0.00	245,275.79	245,275.79	0.00
Transfers In	3600	0.00	30,000.00	30,000.00	0.00
Transfers Out	9700	(252,235,939.59)	(229,062,912.38)	(229,062,912.38)	0.00
Total Other Financing Sources (Uses)		(68,186,471.88)	(84,116,030.69)	(212,716,209.59)	(128,600,178.90)
Net Change in Fund Balances		(296,800,900.29)	(296,800,900.29)	82,264,844.40	379,065,744.69
Fund Balances, July 1, 2018	2800	296,800,900.29	296,800,900.29	296,800,900.29	0.00
Fund Balances, June 30, 2019	2700	0.00	0.00	379,065,744.69	379,065,744.69

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APPENDIX D

FORM OF NOTE COUNSEL OPINION

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FORM OF LEGAL OPINION

On the date of issuance of the Tax Anticipation Notes, Series 2019, Greenberg Traurig, P.A., Note Counsel, proposes to issue its approving opinion in substantially the following form:

[Date of Delivery]

School District of Palm Beach County, Florida
3322 Forest Hill Boulevard
West Palm Beach, Florida 33406-5813

Re: \$115,000,000 School District of Palm Beach County, Florida
Tax Anticipation Notes, Series 2019

Ladies and Gentlemen:

We have acted as Note Counsel in connection with the issuance by the School District of Palm Beach County, Florida (the “District”) of its \$115,000,000 Tax Anticipation Notes, Series 2019 initially issued and delivered on this date (the “Notes”) pursuant to the Constitution and laws of the State of Florida, particularly Section 1011.13, Florida Statutes, as amended, and other applicable provisions of law (collectively, the “Act”), and a note resolution duly adopted by The School Board of Palm Beach County, Florida (the “Board”), a body corporate under the laws of the State of Florida and the governing body of the District, on August 21, 2019 (the “Note Resolution”).

The proceeds of the Notes are to be used, together with other available funds of the District, to pay any and all lawful expenses incurred in operating the District schools for its fiscal year ending June 30, 2020 and to pay expenses incurred in issuing the Notes.

The principal of and interest on the Notes shall be payable from the District's legally available gross, real and tangible personal property ad valorem tax receipts and other legally available revenues of the District anticipated to be received during the fiscal year which commenced on July 1, 2019, and amounts on deposit in the Sinking Fund as defined in the Note Resolution (the “Pledged Revenues”).

We have examined the Act, the Note Resolution and such certified copies of the proceedings of the Board and such other documents as we have deemed necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon representations of the District furnished to us without undertaking to verify such representations by independent investigation.

In rendering the opinion in paragraph number 4 below, we have assumed the accuracy of certain certifications by the District and continuing compliance with the requirements of the

Internal Revenue Code of 1986, as amended (the “Code”) that must be met after the issuance of the Notes in order that interest on the Notes be and remain excludable from gross income for federal income tax purposes. The District’s failure to meet such requirements may cause interest on the Notes to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Notes. The District has covenanted in the Note Resolution to comply with such requirements.

Based on the foregoing, we are of the opinion that:

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Notes by the District pursuant to the Constitution and laws of the State of Florida, including particularly Section 1011.13, Florida Statutes, as amended.

2. The Note Resolution has been duly adopted by the Board, creates a valid pledge of the Pledged Revenues and constitutes a legal, valid and binding obligation of the District.

3. The issuance and sale of the Notes have been duly authorized by the Board and the Notes constitute valid and binding special obligations of the District, payable in accordance with and as limited by the terms of the Note Resolution.

4. Under existing statutes, regulations, rulings and court decisions, interest on the Notes is excludable from gross income for federal income tax purposes. Furthermore, interest on the Notes is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. We express no opinion regarding other federal tax consequences resulting from the ownership, receipt or accrual of interest on or disposition of the Notes.

5. The Notes and the income thereon are not subject to taxation under the laws of the State of Florida, except as to estate taxes and taxes under Chapter 220, Florida Statutes, on interest, income or profits on debt obligations owned by corporations, as defined therein.

This opinion is qualified to the extent that the enforcement of the Notes and the Note Resolution may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights generally, now or hereafter in effect, and by equitable principles which may limit the enforcement thereof.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Respectfully submitted,
GREENBERG TRAURIG, P.A.

APPENDIX E
AUTHORIZING RESOLUTION

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THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA

A RESOLUTION OF THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA AUTHORIZING AND PROVIDING FOR THE ISSUANCE, SALE AND APPLICATION OF THE PROCEEDS OF NOT EXCEEDING \$115,000,000 AGGREGATE PRINCIPAL AMOUNT OF SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA TAX ANTICIPATION NOTES, SERIES 2019 (THE "NOTES") TO PROVIDE INTERIM FUNDS FOR THE PAYMENT OF OPERATING EXPENSES OF THE DISTRICT; PROVIDING FOR A BOOK-ENTRY SYSTEM WITH RESPECT TO THE NOTES; AUTHORIZING A PUBLIC SALE OF THE NOTES; APPROVING THE FORM OF AND AUTHORIZING THE DISTRIBUTION OF A PRELIMINARY OFFICIAL STATEMENT AND AUTHORIZING THE EXECUTION AND DELIVERY OF A FINAL OFFICIAL STATEMENT; AUTHORIZING THE EXECUTION AND DELIVERY OF A MATERIAL EVENTS NOTICE CERTIFICATE; APPOINTING A PAYING AGENT AND REGISTRAR FOR THE NOTES; MAKING CERTAIN FINDINGS, COVENANTS AND AGREEMENTS IN CONNECTION THEREWITH; PROVIDING FOR INCIDENTAL ACTION; AND PROVIDING FOR SEVERABILITY AND AN EFFECTIVE DATE.

BE IT RESOLVED BY THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA:

Section 1. Authority For This Resolution. This Resolution is adopted pursuant to the provisions of Section 1011.13, Florida Statutes, as amended (the "Act").

Section 2. Findings. It is hereby found, determined and declared as follows that:

(A) Pursuant to the Act, the school board of any school district in the State of Florida is authorized to negotiate a current loan for any fiscal year in which school funds are estimated to be insufficient at any time during such fiscal year to pay obligations created by the school board in accordance with the official budget of the school district or a tentative budget approved by the school board preliminary to the official budget required to be adopted pursuant to Section 1011.02, Florida Statutes.

(B) The School Board of Palm Beach County, Florida (the "Board"), a body corporate under the laws of the State of Florida and the governing body of the School District of Palm Beach County, Florida (the "District"), hereby determines that it is necessary for the benefit of the schools of the District for a current loan to be negotiated to pay obligations which are set forth in the tentative budget of the District for the fiscal year of the District commencing July 1, 2019 and ending June 30, 2020 (the "Current Fiscal Year"), such loan to be retired from (i) the District's gross, real, and tangible personal property ad valorem tax receipts but only to the extent such tax receipts are legally available to be used for operating purposes, and (ii) amounts on deposit in the hereinafter described Sinking Fund (collectively, the "Pledged Revenues"), which

are anticipated to be received in accordance with the tentative and official budgets for said Current Fiscal Year. "Pledged Revenues" shall not include ad valorem taxes collected to pay the principal of and interest on bonds of the District issued pursuant to Sections 1010.40 – 1010.55, Florida Statutes, or to pay the principal of and interest on any obligations issued by the Board pursuant to Section 1011.14, Florida Statutes, or otherwise levied pursuant to Section 1011.71(2), Florida Statutes.

(C) The Board, to the extent possible, has endeavored to arrange the expenditures of the District for the Current Fiscal Year so as to make it unnecessary for the District to incur loans.

(D) The Board hereby further determines that said loan shall be evidenced by the issuance of not exceeding \$115,000,000 of tax anticipation notes of the District to be known as "School District of Palm Beach County, Florida Tax Anticipation Notes, Series 2019" (the "Notes"), the principal of and the interest on which will be payable by their terms not more than twelve (12) months after the issuance of said Notes, and the principal amount of which is less than 80% of the amount estimated by the Board to be included in the tentative and official budgets of the District for the Current Fiscal Year to be available from the District tax revenues.

(E) The Board has further determined that the loan to be computed as prescribed by the Act is for an amount not in excess of the amount necessary for the continued operation of the schools in the District, including reasonable reserves.

(F) The principal amount of the Notes will not exceed the maximum anticipated cumulative cash flow deficit (treating as unavailable a reasonable working capital reserve equal to five percent of the District's expenditures paid from current revenues for the prior fiscal year) to be financed by the anticipated Pledged Revenues for the period for which the Pledged Revenues are anticipated and during which the Notes are outstanding.

(G) The Notes shall be payable as to both principal and interest from the Pledged Revenues to be included in and estimated in the tentative and official budgets of the District for the Current Fiscal Year to be available, and, if necessary, are additionally payable from, but are not secured by, all legally available funds of the District derived from sources other than ad valorem taxation ("Non-Ad Valorem Funds"). Neither the faith and credit nor the taxing power of the State of Florida, Palm Beach County, Florida or the District are pledged to the payment of the principal of or the interest on the Notes, except for the Pledged Revenues for the Current Fiscal Year.

(H) It is estimated that the Pledged Revenues herein pledged for payment of the Notes will exceed the amounts necessary to pay the principal of and interest on the Notes when due.

Section 3. Authorization of Borrowing; Book Entry System. Pursuant to the Constitution and laws of the State of Florida, particularly the Act, the Board hereby authorizes the borrowing of money for the purpose of financing the cost of obligations to be incurred in the ordinary operations of the District in the Current Fiscal Year, and hereby authorizes the issuance and sale of not exceeding \$115,000,000 aggregate principal amount of the Notes. The Notes shall be numbered R-1 and upward in registered book-entry-only form as herein provided, shall be dated as of such date, shall mature no later than twelve (12) months from their date of issuance, and shall bear interest at a rate not exceeding

the maximum rate permitted by law, all as shall be set forth in the bid of the successful bidder for the Notes. Interest shall be computed on the basis of a 360-day year comprised of twelve 30-day months. The Notes shall not be subject to redemption prior to maturity. The Notes shall be issued in substantially the form set forth in **Exhibit A** attached hereto and made a part hereof, with such deletions, changes, revisions or modifications as may be approved by the Chairman, Vice Chairwoman or Superintendent, execution and delivery of the Notes by the Chairman or Vice Chairwoman and the Superintendent, as ex-officio Secretary of the Board, being conclusive evidence of such approval and that the Notes are issued in accordance with this Resolution.

So long as the District shall maintain a book-entry-only system with respect to the Notes, the following provisions shall apply:

The Notes shall initially be issued in the name of Cede & Co. as nominee for The Depository Trust Company ("DTC"), which will act as securities depository for the Notes and so long as the Notes are held in book-entry-only form, Cede & Co. shall be considered the registered owner for all purposes hereof. On original issue, the Notes shall be deposited with DTC, which shall be responsible for maintaining a book-entry-only system for recording the ownership interests of its participants ("Direct Participants") and other institutions that clear through or maintain a custodial relationship with a Direct Participant either directly or indirectly ("Indirect Participants"). The Direct Participants and Indirect Participants will be responsible for maintaining records with respect to the beneficial ownership interests of individual purchasers of the Notes ("Beneficial Owners").

Principal and interest at maturity shall be payable directly to Cede & Co. in care of DTC. Disbursal of such amounts to Direct Participants shall be the responsibility of DTC. Payments to Indirect Participants shall be the responsibility of Direct Participants and payments by Direct Participants and Indirect Participants to Beneficial Owners shall be the responsibility of Direct Participants and Indirect Participants and not of DTC, the Paying Agent (as hereinafter defined) or the District.

The Notes shall initially be issued in the form of one fully registered Note and shall be held in such form until maturity. Individuals may purchase beneficial interests in the amount of \$5,000 or integral multiples thereof in book-entry-only form, without certificated Notes, through the Direct Participants.

DURING THE PERIOD FOR WHICH CEDE & CO. IS THE REGISTERED OWNER OF THE NOTES, ANY NOTICE TO BE PROVIDED TO ANY REGISTERED OWNER WILL BE PROVIDED TO CEDE & CO. DTC SHALL BE RESPONSIBLE FOR NOTICE TO DIRECT PARTICIPANTS AND DIRECT PARTICIPANTS SHALL BE RESPONSIBLE FOR NOTICE TO INDIRECT PARTICIPANTS, AND DIRECT PARTICIPANTS AND INDIRECT PARTICIPANTS SHALL BE RESPONSIBLE FOR NOTICE TO INDIVIDUAL PURCHASERS OF BENEFICIAL INTERESTS.

The District has entered into a blanket issuer letter of representations with DTC providing for such a book-entry-only system. A copy of such blanket issuer letter of representations is attached hereto as **Exhibit B**. Such agreement may be terminated at any time by either DTC or the District. In the event of such termination, the District shall select another securities depository or discontinue such book-entry only system. If the District does not replace DTC, the Registrar (as hereinafter defined) will register and deliver to the Beneficial Owners replacement Notes in the form of fully registered Notes in denominations of \$5,000 or integral multiples thereof, in accordance with instructions from Cede & Co.

The principal of and the interest on the Notes shall be payable in any coin or currency of the United States of America which, at the time of payment thereof is legal tender for the payment of public and private debts.

The District shall deposit and separately account for (in accordance with the provisions of Section 13 hereof) sufficient moneys to pay the principal of and interest on the Notes at their maturity. Such moneys shall be held in the Sinking Fund (hereinafter created) for the benefit of Cede & Co. as registered owner of the Notes in the Sinking Fund (as hereinafter defined) and separately restricted on the books of account of the District, and shall be paid to Cede & Co. at maturity of the Notes.

Section 4. Execution of Notes. The Notes shall be executed with the manual or engraved, imprinted, stamped or otherwise reproduced facsimile of the signature of the Chairman or Vice Chairwoman of the Board and countersigned by the manual or engraved, imprinted, stamped or otherwise reproduced facsimile of the signature of the Superintendent, as ex-officio Secretary of the Board; provided, however, that at least one of the signatures shall be manual, and the seal of the Board shall be imprinted or impressed thereon. In case any officer whose signature shall appear on any Notes shall cease to be such officer before delivery of such Notes, such signature shall, nevertheless, be valid and sufficient for all purposes as if such officer had remained in office until such delivery, and such Notes may, nevertheless, be issued and delivered as though the person who signed or sealed such Notes had not ceased to be such officer; and alternatively any of such Notes may be executed and sealed on behalf of the District by such officers of the Board who may at the time of the execution of such Notes hold the proper offices on the Board although on the date of issuance of such Notes or on the date of any lawful proceedings taken in connection therewith such persons may not have held such offices.

Section 5. Notes Mutilated, Destroyed, Stolen or Lost. In case any of the Notes shall be mutilated, or be destroyed, stolen or lost, the District may, in its discretion, issue and deliver a new Note of like tenor as the Note so mutilated, destroyed, stolen or lost in exchange and substitution for such mutilated Note, upon surrender and cancellation of such mutilated Note, if any, or in lieu of or substitution for the Note, if any, destroyed, stolen or lost, and upon the registered owner furnishing the District proof of its ownership thereof and indemnity satisfactory to the District and complying with such other reasonable regulations and conditions as the District may prescribe and upon payment of such expenses as the District may incur. The Note so surrendered shall be canceled by the District. If the Notes shall have matured, or be about to mature, instead of issuing a substitute Note, the District may pay the same, upon being indemnified as aforesaid, and if such be lost, stolen or destroyed, without surrender thereof.

Any such duplicate Note issued pursuant to this section shall constitute an original, additional contractual obligation of the District whether or not the lost, stolen or destroyed Note be at any time found by anyone, and such duplicate Note shall be entitled to equal and proportionate benefits and rights as to lien on and source and security for payment from the funds, as hereinafter pledged, to the same extent as any other Note issued hereunder.

Section 6. Public Sale; Award of Notes. It is hereby found, ascertained, determined and declared by the Board that a public sale of the Notes of the District in the aggregate principal amount of not exceeding \$115,000,000 is in the best interest of the District and is hereby authorized. The Chief Financial Officer or the Treasurer of the District is hereby authorized to prepare and publish a summary notice of sale for the Notes, to prepare and distribute an official invitation to bid for the Notes and related documents, and to prepare a Preliminary Official Statement for distribution in connection with such

official invitation to bid. The forms of the official notice of sale and summary notice of sale shall be substantially in the forms set forth in **Exhibit C**, attached hereto. The Notes shall be offered at public sale on or about [September 24, 2019], the exact date to be determined in the discretion of the Chief Financial Officer or the Treasurer of the District without further authorization from the Board. The Chief Financial Officer or the Treasurer of the District is hereby authorized and directed to publish, or cause to be published, the official or summary form of notice of sale in The Bond Buyer, a financial newspaper published and/or of general circulation in the Borough of Manhattan, City and State of New York and, in the discretion of the Chief Financial Officer or the Treasurer of the District, in a newspaper of general circulation in the area of the District one time not less than ten (10) days prior to such date of sale. The Board hereby separately authorizes and directs the Chairman or Vice Chairwoman, the Superintendent, the Chief Financial Officer, the Treasurer, and the Office of the General Counsel to take all actions necessary to consummate such sale, upon the terms and conditions set forth in the official invitation to bid.

The Board and its officers are hereby authorized and directed to take such action as the Board or its officers deem necessary or desirable to obtain a securities rating for the Notes from Moody's Investors Service, Inc.

The Superintendent, the Chief Financial Officer and the Treasurer, acting separately or with another named officer and in consultation with and upon the advice of one or more of the District's Financial Advisor, the Office of the General Counsel, and Note Counsel, are authorized to receive bids for the purchase of the Notes and to award the Notes to the lowest responsive bidder as evidenced by the execution of the Certificate of Award (as hereinafter defined), without further action by the Board.

Characteristics of the Notes or any installment thereof, determined on the basis of the bids and the provisions of this Resolution, shall be set forth in a certificate of the District awarding such Notes (the "Certificate of Award") to the successful purchaser thereof. The Certificate of Award shall be executed by the Chief Financial Officer or the Treasurer, upon satisfaction of the conditions specified below, without further action by the Board.

This delegation of the District is expressly made subject to the following conditions, the failure of any of which shall render the successful bid voidable at the option of the District. The conditions for execution of the Certificate of Award are:

1. The form of Certificate of Award shall be approved by Note Counsel to the District;
2. The net interest cost rate for the Notes, based upon their award to the successful bidder, shall not exceed the interest rate limitation contained in Section 215.84, Florida Statutes.
3. Prior to award of the Notes to the successful bidder, the District shall receive from the successful bidder a truth-in-bonding statement as required by Sections 218.385(2) and (3), Florida Statutes; and
4. The successful bidder (the "Purchaser") shall comply with such other conditions as requested by Note Counsel to the District.

Section 7. Approval of Preliminary Official Statement; Execution of Final Official Statement. The form of the Preliminary Official Statement attached to this Resolution as **Exhibit D** is

hereby approved, and the Board hereby authorizes the distribution and use of the Preliminary Official Statement in connection with the sale of the Notes. If between the date hereof and the mailing of the Preliminary Official Statement it is necessary to make insertions, modifications and changes to the Preliminary Official Statement, each of the Chairman, the Vice Chairwoman, the Superintendent, the Chief Financial Officer and the Treasurer is hereby authorized to approve such insertions, changes and modifications, and each of the Chairman, the Vice Chairwoman, the Superintendent, the Chief Financial Officer and the Treasurer is hereby authorized to deem the Preliminary Official Statement "final" within the meaning of Rule 15c2-12 of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule"), in the form as mailed, and in furtherance thereof to execute a certificate evidencing the same substantially in the form attached hereto as **Exhibit E**.

The Superintendent is hereby authorized to have prepared and each of the Chairman or Vice Chairwoman and the Superintendent are hereby authorized to execute a final Official Statement and, upon such execution, to deliver the same to the Purchaser for use by it in connection with the sale of the Notes. The Official Statement shall be substantially in the form of the Preliminary Official Statement, with such changes as shall be approved by the Superintendent, the Chief Financial Officer or the Treasurer as necessary to conform the details of the Notes and such other insertions, modifications and changes as may be approved by the Superintendent, the Chief Financial Officer or the Treasurer. The execution and delivery of the Official Statement by the Chairman or Vice Chairwoman and the Superintendent shall constitute conclusive evidence of the approval thereof. The Board hereby authorizes the Official Statement and the information contained therein to be used in connection with the offering and sale of the Notes.

Section 8. Material Events Notice. The Board hereby covenants and agrees that, in order to provide for compliance by the District with the secondary market disclosure requirements of the Rule, it will comply with and carry out all of the provisions of the Material Events Notice Certificate to be executed by the Chairman or Vice Chairwoman and dated the date of delivery of the Notes, as it may be amended from time to time in accordance with the terms thereof. The Material Events Notice Certificate shall be substantially in the form attached hereto as **Exhibit F** with such changes, amendments, modifications, omissions and additions as shall be approved by the Chairman or Vice Chairwoman, each of whom is hereby authorized to execute and deliver such Certificate. Notwithstanding any other provision of this Resolution or the Notes, failure of the District to comply with such Material Events Notice Certificate shall not be considered an event of default under this Resolution or the Notes; provided, however, any Noteholder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Section 8 and the Material Events Notice Certificate.

Section 9. Delivery of the Notes. Upon payment of the purchase price for the Notes pursuant to the terms of the official invitation to bid and official bid form and the fulfillment of the other conditions contained therein, there shall be delivered to DTC on account of the Purchaser the properly executed Notes in the form described herein.

Section 10. Receipt for the Notes. Upon receipt of such purchase price, a proper receipt therefor shall be executed by the District and by the Purchaser.

Section 11. Appointment of Registrar and Paying Agent. The Board shall serve as Registrar and Paying Agent for the Notes.

Section 12. Covenants and Pledge of Pledged Revenues. The District covenants with and for the benefit of the holders of the Notes:

(A) That it has adopted or will adopt a tentative budget and will adopt an official budget for the Current Fiscal Year as soon as feasible, and in accordance with Florida law will levy District ad valorem taxes as required by law and in compliance with such operating budgets.

(B) To the extent necessary to pay when due the principal of and the interest on the Notes, the Pledged Revenues for the Current Fiscal Year are irrevocably pledged to the payment of the Notes.

(C) The interest rate on the Notes will not exceed the interest rate limitation contained in Section 215.84, Florida Statutes.

(D) The Notes have the nature of current obligations in anticipation of budgeted revenues as provided in the Act.

(E) The Pledged Revenues are hereby irrevocably pledged to the payment when due of the principal of and interest on the Notes.

Section 13. Sinking Fund. There is hereby established a Sinking Fund to be held by the District as a separate special account for the benefit of the Noteholders (the "Sinking Fund"); provided, that the cash required to be accounted for therein may be pooled with other funds of the District so long as adequate accounting records are maintained to reflect and control the restricted purposes of such Sinking Fund moneys. The Sinking Fund shall be held in trust by the District for the sole benefit of the Noteholders, and the Noteholders are granted an express lien on the moneys and/or investments held in the Sinking Fund. The Noteholders shall have no lien upon any Non-Ad Valorem Funds unless and until such funds are deposited into the Sinking Fund. The District covenants that it shall deposit sufficient moneys or investments legal for District moneys pursuant to the provisions of Sections 1010.53(2) and 218.415, Florida Statutes, as amended from time to time pursuant to Board policy ("Permitted Investments") into the Sinking Fund no later than twenty-one (21) days prior to the maturity date of the Notes, or the first business day thereafter, so that the balance on deposit therein, together with the earnings to be received thereon, if any, will equal the amount of principal and interest becoming due on the Notes at maturity. Funds in the Sinking Fund may be invested only in Permitted Investments which mature on or prior to the maturity date of the Notes. Earnings on investments held in the Sinking Fund shall be retained and reinvested in the Sinking Fund until the amount on deposit in the Sinking Fund, together with the earnings to be received thereon, is equal to the entire principal of and interest on the Notes due at their maturity. Thereafter, such earnings may be withdrawn by the District and used in the District's discretion as provided by law. Realized losses, if any, on investments held in the Sinking Fund shall be restored by the District by deposit of additional moneys into the Sinking Fund on or prior to the maturity date of the Notes.

The District will transfer to Cede & Co. in care of DTC, the amounts so maintained in the Sinking Fund on or prior to the maturity date of the Notes. DTC will use such moneys to retire the Notes as they mature in accordance with the provisions of Section 3 hereof. Any balance in the Sinking Fund shall be released from the restriction described herein upon payment in full of the Notes.

Section 14. Taxing Power Not Pledged. No holder of the Notes issued hereunder shall ever have the right to compel the exercise of the ad valorem taxing power of the District, Palm Beach County, Florida or the State of Florida, or taxation in any form of any real or personal property therein to pay such Notes or the interest thereon except for the Pledged Revenues for the Current Fiscal Year commencing July 1, 2019.

Section 15. District Budget. The District, in preparing, approving and adopting its official budget controlling or providing for the expenditures of its funds, so long as any principal of or interest on the Notes is outstanding and unpaid, will appropriate, allot and approve, in the manner required by law, from funds of the District derived from sources other than ad valorem taxes (except as provided in Sections 13 and 14 hereof) and legally available therefor, the amounts sufficient to pay the principal of and interest on the Notes.

Section 16. Application of Note Proceeds. The proceeds of the sale of the Notes shall initially be applied by the District to pay the costs of preparation and issuance of the Notes including, but not limited to, rating agency, financial advisory and attorneys' fees, and the cost of preparation and dissemination of the preliminary and final Official Statements for the Notes, to the extent not paid from other legally available funds of the District. The remaining proceeds from the sale of the Notes shall be used by the District to pay the lawful expenses of the District as the Board shall direct.

Section 17. Noteholder Not Affected by Use of Note Proceeds. The proceeds, including investment proceeds and accrued interest, if any, from the issuance of the Notes (the "Note Proceeds") are not pledged as security for payment of the principal of and interest on the Notes except as provided in Section 12 hereof and shall be expended by the District to pay the obligations of the District created by the District in accordance with the official budget of the District for the Current Fiscal Year. The holders of the Notes issued hereunder shall have no responsibility for the use of the proceeds of said Notes, and the use of such Note Proceeds by the District shall in no way affect the rights of such Noteholders.

Section 18. Arbitrage Covenants; Tax Exemption. The District covenants that no investment or use will be made of the proceeds of the Notes herein authorized or the interest thereon which will cause said Notes to be "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder as such provisions may be applicable to said Notes at the time of such investment or use. The Chairman or Vice Chairwoman of the Board, the Superintendent, the Chief Financial Officer and the Treasurer are each hereby separately authorized to execute on behalf of the District an arbitrage certificate in appropriate form to assure the holders of the Notes that the Notes are not arbitrage bonds; such arbitrage certificate shall constitute a representation of the District, and no use of the proceeds of the Notes will be made contrary to the representations therein contained. The District further covenants that, so long as the Notes remain outstanding, that it will perform all obligations required by law to assure that interest on the Notes remains excludable from gross income for federal income tax purposes.

Section 19. Further Assurances. The Board covenants that the provisions of this Resolution do not conflict with or violate any existing resolution of the Board, and that no contract or other agreement will be entered into and no action will be taken by which the rights of the holders of the Notes herein authorized might be impaired or diminished. The Board further covenants that it will comply with all of the terms, provisions and conditions required under Florida law and particularly Chapter 1011, Florida Statutes, for the adoption of and compliance with the official budget for the Current Fiscal Year and for the assessment of millages and the levying of ad valorem taxes against the appropriate taxable

property in the District. The members of the Board and the officers and employees of the District are hereby authorized and directed to do all acts and things required of them by the provisions of this Resolution, and the Notes herein authorized for the full, punctual and complete performance of all terms, covenants, provisions and agreements contained in such Notes and this Resolution.

Section 20. Resolution to Constitute a Contract. Upon the sale of the Notes hereby authorized, this Resolution will constitute a contract with the holders thereof, and such holders may enforce the provisions hereof by appropriate proceedings.

Section 21. Defeasance. If, at any time the District shall have paid, or shall have made provision for payment of, the principal of and interest on the Notes then, and in that event, the pledge of and lien on the Pledged Revenues in favor of the holders of the Notes shall no longer be in effect and the Notes shall no longer be deemed to be outstanding and unpaid for the purposes of this Resolution. For purposes of the preceding sentence, deposit in irrevocable trust with a bank or trust company for the sole benefit of the Noteholders, of sufficient Permitted Investments or any other securities or investments which may be authorized by law from time to time and sufficient under such law to effect such a defeasance, the principal of which, together with the earnings to be received thereon, will be sufficient to make timely payment of the principal of and interest on the Notes, shall constitute provision for payment. For purposes of defeasance, "Permitted Investments" shall mean direct obligations of, or obligations the timely payment of principal of and interest on which are unconditionally guaranteed by, the United States of America.

Section 22. Modification or Amendment. Modifications and amendments to this Resolution or any proceeding of the Board amendatory hereof may be made without the consent of registered holders of the Notes for purposes of clarification, curing any ambiguity or curing, correcting or supplementing any defective provisions (whether because of any inconsistency with any other provisions hereof or otherwise), in such manner as shall not impair the security for or adversely affect the rights of registered holders of the Notes; provided, however, that no material modification or amendment of this Resolution or of any proceeding of the Board amendatory hereof or supplemental hereto, may be made without the consent in writing of registered holders of fifty-one percent (51%) or more in aggregate principal amount of the Notes outstanding; provided further, however, that no modification or amendment shall permit a change in the maturity of the Notes or a reduction of the rate of interest thereon or in the amount of the principal obligation, or affect the covenants of the District provided in this Resolution, including without limitation, the covenant to pay the principal of and interest on the Notes, or reduce such percentage of registered holders of such Notes required above for such modifications or amendments, without the consent of the registered holders of all such Notes. Copies of all amendments shall be provided to Moody's Investors Service, Inc.

Section 23. Remedies. Any Noteholder or any trustee acting for such Noteholders in the manner hereinafter provided, may by suit, action, mandamus or other proceeding in any court of competent jurisdiction, protect and enforce any and all rights under the laws of the State of Florida, or granted and contained in this Resolution, and may enforce and compel the performance of all duties required by this Resolution or by any applicable statutes to be performed by the District or by any officer thereof. The holder or holders of Notes in an aggregate principal amount of not less than twenty-five percent (25%) of Notes then outstanding may, by a duly executed certificate, appoint a trustee for holders of Notes, with authority to represent such holders in any legal proceedings for the enforcement and protection of the rights of such holders. Such certificate shall be executed by such holders or their duly authorized attorneys or representatives and shall be filed with the District.

Section 24. Additional Acts. The Chairman, Vice Chairwoman, the Superintendent, the Chief Financial Officer and the Treasurer are each authorized and directed to execute and deliver all additional documents, contracts, instruments and certificates, and to take all actions and steps on behalf of the District which are necessary or desirable in connection with the issuance of the Notes and which are not inconsistent with the terms and provisions of this Resolution.

Section 25. Statutory References. All statutory references herein shall be to said statutes as they exist on the date of adoption of this Resolution and as they may be from time to time amended or renumbered, including pursuant to the Florida K-20 Education Code, as well as by future legislation, except to the extent contractual commitments would preclude application of a subsequent statutory revision or repeal.

Section 26. Severability. If any one or more of the provisions of this Resolution or of the Notes herein authorized shall for any reason be held illegal or invalid, such illegality or invalidity shall not affect any other provision of this Resolution or of the Notes, but this Resolution and the Notes shall be construed and enforced as if such illegal or invalid provision had not been contained therein.

Section 27. Repealing Clause. All resolutions or orders and parts thereof in conflict herewith, to the extent of such conflict, are hereby superseded and repealed.

Section 28. Open Meeting Findings. It is hereby found and determined that all official acts of the Board concerning and relating to the adoption of this Resolution and all prior resolutions affecting the District's ability to issue the Notes were taken in an open meeting of the Board and that all deliberations of the Board that resulted in such official acts were taken in meetings open to the public, in compliance with all legal requirements, including Section 286.011, Florida Statutes.

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Section 29. Effective Date. This Resolution shall take effect immediately upon its passage.

Adopted this 21st day of August, 2019.

[SEAL]

/s/ Frank A. Barbieri, Jr.
Frank A. Barbieri, Jr., Chairman
The School Board of Palm Beach County,
Florida

Attest:

/s/ Donald E. Fennoy, II
Donald E. Fennoy II, Ed.D.
Secretary, The School Board of Palm Beach
County, Florida

Approved as to form:

/s/ Office of the General Counsel
Office of the General Counsel to The School
Board of Palm Beach County, Florida

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APPENDIX F

FORM OF MATERIAL EVENTS NOTICE CERTIFICATE

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MATERIAL EVENTS NOTICE CERTIFICATE

This Material Events Notice Certificate is executed and delivered by the School District of Palm Beach County, Florida (the “District”) in connection with the issuance by the District of its \$115,000,000 Tax Anticipation Notes, Series 2019 (the “Notes”) on October 3, 2019 (the “Closing Date”). The Notes are being issued pursuant to a Resolution adopted on August 21, 2019 (the “Note Resolution”), by The School Board of Palm Beach County, Florida (the “Board”) acting as the governing body of the District. The District covenants and agrees as follows:

SECTION 1. Purpose of the Material Events Notice Certificate. This Material Events Notice Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Notes and in order to assist the Participating Underwriter in complying with the Rule defined below.

SECTION 2. Definitions. In addition to the definitions set forth in the Note Resolution and in the Notes, which apply to any capitalized term used in this Material Events Notice Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Beneficial Owner” shall mean any person who, (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Notes (including persons holding Notes through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Notes for federal income tax purposes.

“Dissemination Agent” shall mean the Board, Digital Assurance Certification, LLC, or any successor Dissemination Agent designated in writing by the Board and which has filed with the Board a written acceptance of such designation.

"Financial Obligation" means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) a guarantee of an obligation or instrument described in either clause (a) or (b). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Listed Events” shall mean any of the events listed in Section 3(a) of this Material Events Notice Certificate.

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

“Participating Underwriter” shall mean the original purchaser of the Notes required to comply with the Rule in connection with the offering of the Notes.

“Rule” shall mean Rule 15c2-12(b)(5) of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of Florida.

SECTION 3. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 3, the District shall give, or cause to be given in a timely manner, not in excess of ten (10) business days after the occurrence of the event, to the MSRB at <http://emma.msrb.org/>, notice of the occurrence of any of the following events with respect to the Notes:

- (1) Principal and interest payment delinquencies,
- (2) Non-payment related defaults under the Note Resolution,
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties,
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties,
- (5) Substitution of the credit or liquidity providers or their failure to perform,
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Notes or other material events affecting the tax-exempt status of the Notes,
- (7) Modifications to rights of Noteholders,
- (8) Optional, contingent or unscheduled Note calls,
- (9) Defeasances,
- (10) Release, substitution or sale of property securing repayment of the Notes,
- (11) Rating changes,
- (12) Bankruptcy, insolvency, receivership or similar event of the District or an obligated person,

Note to subsection (a)(12) of this Section 3: For the purposes of the event described in subsection (a)(12) of this Section 3, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

- (13) The consummation of a merger, consolidation or acquisition of an obligated person or the sale of all or substantially all of the assets of an obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material,
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material, and
- (15) Tender offers,
- (16) Incurrence of a Financial Obligation, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation, any of which affect security holders, if material, and
- (17) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation, any of which reflect financial difficulties.

(b) Upon the occurrence of a Listed Event under subsections (a)(1), (3), (4), (5), (6), (9), (11), (12), (15) and (17), the District shall file a notice of such event with the MSRB at <http://emma.msrb.org> in a timely manner not in excess of ten business days after the occurrence of the event.

(c) If the District determines that knowledge of the occurrence of a Listed Event under subsections (a)(2), (7), (8), (10), (13), (14) and (16) would be material under applicable federal securities laws, the District shall file a notice of such event with the MSRB at <http://emma.msrb.org> in a timely manner not in excess of ten (10) business days after the occurrence of the event.

SECTION 4. Termination of Reporting Obligation. The District's obligations under this Material Events Notice Certificate shall terminate upon the legal defeasance or payment in full of all of the Notes. If such termination occurs prior to the final maturity of the Notes, the District shall give notice of such termination in the same manner as for a Listed Event under Section 3(a).

SECTION 5. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Material Events Notice Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The District has appointed Digital Assurance Certification LLC as Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Material Events Notice Certificate.

SECTION 6. Amendment; Waiver. Notwithstanding any other provision of this Material Events Notice Certificate, the District may amend this Material Events Notice Certificate, and any provision of this Material Events Notice Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 3(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Notes, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized securities law counsel, have complied with the requirements of the Rule at the time of the original issuance of the Notes, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Notes in the same manner as provided in the Note Resolution for amendments to the Note Resolution with the consent of Holders, or (ii) does not, in the opinion of nationally recognized securities law counsel, materially impair the interests of the Holders or Beneficial Owners of the Notes.

In the event of any amendment or waiver of a provision of this Material Events Notice Certificate, the District shall describe such amendment in a notice of such change given in the same manner as for a Listed Event under Section 3(a), and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver.

SECTION 7. Additional Information. Nothing in this Material Events Notice Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Material Events Notice Certificate or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Material Events Notice Certificate. If the District chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Material Events Notice Certificate, the District shall have no obligation under this Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

SECTION 8. Default. In the event of a failure of the District to comply with any provision of this Material Events Notice Certificate any Holder or Beneficial Owner of the Notes may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the District to comply with its obligations under this Material Events Notice Certificate. A default under this Material Events Notice Certificate shall not be deemed an event of default with respect to the Note Resolution or the Notes, and the sole remedy under this Material Events Notice Certificate in the event of any failure of the District to comply with this Material Events Notice Certificate shall be an action to compel performance.

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SECTION 9. Beneficiaries. This Material Events Notice Certificate shall inure solely to the benefit of the District, the Board, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Notes, and shall create no rights in any other person or entity.

Dated: Closing Date

**SCHOOL DISTRICT OF PALM BEACH
COUNTY, FLORIDA**

By: _____
Frank A. Barbieri, Jr., Chairman
The School Board of Palm Beach County, Florida

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