

*In the opinion of Note Counsel, assuming the accuracy of certain representations and warranties and continuing compliance with certain tax covenants, under existing statutes, regulations, rulings and court decisions, interest on the Notes will be excludable from gross income for federal income tax purposes. Further, interest on the Notes will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest will be taken into account in determining adjusted current earnings for the purpose of computing the federal alternative minimum tax imposed on certain corporations. See "TAX EXEMPTION" herein for a description of other federal tax consequences of ownership of the Notes. Note Counsel is further of the opinion that the Notes and the interest thereon will not be 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 2015**

**Dated:** Date of Delivery

**Due:** February 1, 2016

The Tax Anticipation Notes, Series 2015 (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 commenced July 1, 2015 and ending June 30, 2016 (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 July 15, 2015. 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 Board, 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 Board, 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>
1.00%	0.081%	100.296	696552ES3

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. Public Financial Management, Inc., 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 5, 2015.*

**RBC Capital Markets**

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

**BOARD MEMBERS**

Chuck Shaw, Chairman  
Frank A. Barbieri, Jr., Esq., Vice Chairman  
Mike Murgio  
Karen M. Brill  
Erica Whitfield  
Marcia Andrews  
Debra L. Robinson, M.D.

**SUPERINTENDENT OF SCHOOLS**

Robert Avossa, Ed.D.

**CHIEF OPERATING OFFICER**

Michael J. Burke

**TREASURER**

Leanne Evans, CTP

**GENERAL COUNSEL TO THE SCHOOL BOARD**

Blair Littlejohn, Esq.

**FINANCIAL ADVISOR**

Public Financial Management, Inc.  
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.

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**APPENDICES**

APPENDIX A:	INFORMATION REGARDING PALM BEACH COUNTY, FLORIDA
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, 2014
APPENDIX C:	FORM OF NOTE COUNSEL OPINION
APPENDIX D:	AUTHORIZING RESOLUTION
APPENDIX E:	FORM OF MATERIAL EVENTS NOTICE CERTIFICATE

**OFFICIAL STATEMENT**  
**\$115,000,000**  
**SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA**  
**TAX ANTICIPATION NOTES, SERIES 2015**

**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 2015 (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 D – 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 July 15, 2015 (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, 2015 and ends on June 30, 2016 (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 D – 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 Board, 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 Board, 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. 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 moneys 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 portion of the Pledged Revenues from sources constituting 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.

## **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 5, 2015) 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](http://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 redemptions, tenders, 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 eleventh 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 2014 population of 1,397,710. 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 38 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, 2015, the District included 182 schools and had approximately 183,477 unweighted full time equivalent students and approximately 21,526 full-time and part-time employees, including approximately 15,162 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."

### **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:

<u>Name/Office</u>	<u>Term Expires</u>
Chuck Shaw, Chairman	November, 2016
Frank A. Barbieri, Jr., Esq., Vice Chairman	November, 2016
Mike Murgio, Member	November, 2016
Karen M. Brill, Member	November, 2018
Erica Whitfield, Member	November, 2018
Marcia Andrews, Member	November, 2018
Debra L. Robinson, M.D., Member	November, 2018

## **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:

**Robert Avossa, Ed.D.**, Superintendent, was named as Superintendent in June 2015. Dr. Avossa holds a Bachelor's Degree in Exceptional Education and Behavior Disorders as well as a Master's Degree in Special Education, both from the University of South Florida, and a Doctorate from Wingate University. He also is a graduate of the Broad Superintendents Academy, an advanced executive development program that identifies and prepares experienced leaders to successfully run large urban public education systems.

He served as Superintendent of Fulton County Schools in Georgia for four years. During his tenure, Fulton County achieved dramatic academic gains by implementation of a comprehensive research-based strategic plan. Dr. Avossa previously served as the Chief Strategy and Accountability Officer, Area Superintendent and Chief of Staff for Charlotte-Mecklenburg Schools in North Carolina. He also spent more than a decade in Florida as a teacher and principal. Dr. Avossa has dedicated his entire career to ensuring that every child is given an opportunity to succeed in college and a career of his or her choice.

**Michael Burke**, Chief Operating 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. Mr. Burke also serves as the Chief Financial 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 as Chairman of 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 \$6 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, 2015 was approximately 21,526, the largest number of employees of any single employer in the County.

**Employee Relations**

Approximately 58% 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 9% are non-union represented staff.

As of June 30, 2015, the Board employed approximately 21,526 full and part time persons representing the following groups:

Instructional	12,928
Instructional Support Services	2,235
Central Support Services	4,626
Administrative Support Services	1,486
Community Services	<u>251</u>
Total	<u>21,526</u>

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

Teachers	June 30, 2015*
Clerical	December 31, 2016
Police	December 31, 2016
Bus, Custodial, Maintenance and Mechanics	December 31, 2015

\*Contract has expired. Florida law requires operating under the expired contract until a new contract has been negotiated and approved.

**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, 2014."

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**The School District of Palm Beach County, Florida**  
**Outstanding Long-Term Direct Debt**  
**June 30, 2015**

<u>Description</u>	<u>Principal Amount Outstanding</u>
Self-Supporting State Bonds: <sup>(1)</sup>	
State Board of Education, Capital Outlay Bonds, Series 2009-A	\$ 755,000
State Board of Education, Capital Outlay Bonds, Series 2010-A	8,985,000
State Board of Education, Capital Outlay Bonds, Series 2011-A	3,415,000
State Board of Education, Capital Outlay Bonds, Series 2014-B	4,275,000
Sub-Total State Board Bonds:	\$17,430,000
Certificates of Participation: <sup>(2)</sup>	
Certificates of Participation, Series 2002E	14,760,000
Certificates of Participation, Series 2002-QZAB	950,000
Certificates of Participation, Series 2003A	3,680,000
Certificates of Participation, Series 2003B	124,295,000
Certificates of Participation, Series 2004A	3,495,000
Certificates of Participation, Series 2004-QZAB	2,923,326
Certificates of Participation, Series 2005-QZAB	2,150,308
Certificates of Participation, Series 2006A	14,035,000
Certificates of Participation, Series 2007A	40,270,000
Certificates of Participation, Series 2007C	179,260,000
Certificates of Participation, Series 2007D	5,000,000
Certificates of Participation, Series 2007E	15,025,000
Certificates of Participation, Series 2010A	67,665,000
Certificates of Participation, Series 2011A	112,425,000
Certificates of Participation, Series 2011B	845,000
Certificates of Participation, Series 2011C	6,540,000
Certificates of Participation, Series 2011D	24,195,000
Certificates of Participation, Series 2012A	20,085,000
Certificates of Participation, Series 2012B	107,310,000
Certificates of Participation, Series 2012C	67,145,000
Certificates of Participation, Series 2014A	115,560,000
Certificates of Participation, Series 2014B	166,010,000
Certificates of Participation, Series 2014C	33,280,000
Certificates of Participation, Series 2015B	145,535,000
Certificates of Participation, Series 2015D	221,640,000
Certificates of Participation, Series 2015A	106,315,000
Sub-Total Certificates of Participation:	\$1,600,393,634
<b>TOTAL LONG-TERM DIRECT DEBT OUTSTANDING</b>	<b>\$1,617,823,634</b>

<sup>(1)</sup> 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.

<sup>(2)</sup> Subject to annual appropriation.

Source: The School District of Palm Beach County, Florida.



**The School District of Palm Beach County, Florida**  
**Direct and Overlapping General Obligation Debt**  
**June 30, 2015**  
**(in thousands)**

Direct Debt	
General Obligation	\$ 0
Special Obligation <sup>(1)</sup>	21,889
Total Direct Debt	\$ 21,889
Overlapping Debt <sup>(1)</sup>	
Palm Beach County Debt	\$975,044
Estimated Percentage Applicable	11.16%
Total Overlapping Debt	\$108,882
Total Direct and Overlapping Debt	<u>\$130,771</u>

<sup>(1)</sup> Special obligation debt is payable from motor vehicle license taxes.

<sup>(2)</sup> Overlapping governments are those whose geographic area coincides at least in part with the area of the District.

Source: The School District of Palm Beach County, Florida Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2014.

**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 F.T.E. Enrollment <sup>(1)</sup>	Expenditures per F.T.E. Student <sup>(2)</sup>
2014-15	182	15,162	183,477	\$7,160
2013-14	182	15,355	180,285	7,016
2012-13	182	15,013	177,797	6,605
2011-12	182	14,668	175,083	6,453
2010-11	182	14,124	172,829	7,218

<sup>(1)</sup> Unweighted, includes adults.

<sup>(2)</sup> Excludes outgoing transfers. Includes adults.

Source: The School District of Palm Beach County, Florida.

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**FTE Growth**

The Full-Time Equivalent (FTE) Enrollment for School Years 2010-11 through 2014-15 was as follows:

**School District of Palm Beach, Florida  
Profile of Enrollments – Unweighted Full-Time Equivalent Students<sup>(1)</sup>  
2010-11 – 2014-15**

	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
Grades K-3	44,719	45,516	46,724	49,192	49,915
Grades 4-8	61,664	62,089	62,330	63,254	64,375
Grades 9-12	45,149	46,120	49,702	47,369	48,419
Exceptional Education	1,423	1,505	1,490	1,356	1,325
Vocational Education	4,947	4,968	1,726	4,208	4,206
At Risk Programs	14,927	14,885	15,824	14,906	15,207
Total	<u>172,829</u>	<u>175,083</u>	<u>177,797</u>	<u>180,285</u>	<u>183,477</u>
Percentage Change	0.64%	1.30%	1.55%	1.39%	1.74%

<sup>(1)</sup> 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 FEP (Florida Education Finance Program) calculation.

**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."

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

<u>Fiscal Year</u>	<u>Description</u>	<u>Amount Issued</u>
2014-15	Tax Anticipation Notes, Series 2014	\$115,000,000
2013-14	Tax Anticipation Notes, Series 2013	115,000,000
2012-13	Tax Anticipation Notes, Series 2012	115,000,000
2011-12	Tax Anticipation Notes, Series 2011	115,000,000
2010-11	Tax Anticipation Notes, Series 2010	115,000,000

**Constitutional Amendments Related to Class Size Legislation and Pre-K Programs**

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, which implements 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. Such legislation generally provided for a phased-in compliance which would be determined on a school-by-school basis through and including Fiscal Year 2009-10, with final compliance on an individual classroom basis beginning in Fiscal Year 2010-11. Beginning in Fiscal Year 2013-14, school districts could be measured at the school level average for schools of choice. In the event a school district is not in compliance with such requirements, the legislation provided that the State would reduce categorical funds due to such school district for operational purposes.

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.

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. As of the October 2014 Survey, the week during which Department of Education determines compliance with class size maximums, the District had 100% of the classrooms in compliance. The District expects to be in compliance with the class size requirements for Fiscal Year 2015-16.

### Pre-K Programs

Amendment 8 to the Constitution provides that every 4-year old child in the State shall be offered a free, high quality pre-kindergarten learning opportunity by the State. Part V of Chapter 1002, Florida Statutes, creates a statewide Voluntary Pre-Kindergarten Education Program (the "Pre-K Program"). Among other things, the Pre-K Program provides eligibility and enrollment requirements, authorizes parents to enroll their children in a school-year prekindergarten ("Pre-K") program delivered by a private Pre-K provider, a summer program delivered by a public school or a private Pre-K provider, or if offered in a school district that meets class-size reduction requirements, a school year Pre-K program delivered by a public school. The Pre-K Program also requires school districts to deliver summer Pre-K programs and permits school districts to deliver school-year Pre-K programs. Additionally, the Pre-K Program appropriates State funds to finance the Pre-K programs and provides the method for calculating the funds allocated to each Pre-K provider.

## **Reading Mandate**

The 2012 Legislature mandated that all elementary schools which are determined to be among the lowest 100 schools in the State for reading performance must provide an additional hour of reading instruction beyond the normal school day. The 2014 Legislature expanded the mandate to include the lowest 300 schools in the State. The State has determined that 23 District schools fall into the low 300 designation. The District funded the extra hour of reading for 21 schools last year. The cost of implementing an additional hour of reading at the 23 schools is \$8.9 million which will be funded from the Supplemental Academic Instruction categorical within the general fund.

## **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 2015-2016 is expected to be adopted by the Board on September 9, 2015. Revisions may be made to the adopted budget in accordance with Florida law.

## **GENERAL FUND OPERATIONS AND REVENUE SOURCES**

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

### **State Sources**

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 2013-14 and 2014-15 were \$266,681,366 and \$242,365,405 (unaudited), respectively, and are budgeted at \$234,773,926 for Fiscal Year 2015-16.

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. Total State categorical aid was \$220,289,943 and \$209,872,957 (unaudited) for Fiscal Years 2013-14 and 2014-15, respectively, and is budgeted at \$213,576,080 for Fiscal Year 2015-16.

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 has increased by an average of just over 2,000 for Fiscal Years 2010 through 2014. The District's current estimated enrollment for Fiscal Year 2015 was 183,477, which reflects an increase of approximately 3,200 students from Fiscal Year 2014. Future enrollment is projected to continue to increase slowly over the next four years.

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 2014-15, local property taxes provided 62.93% of the FEFP funds and is budgeted to provide 68.03% of the FEFP funds for Fiscal Year 2015-16.

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 \$8.44 million and \$10.58 million (unaudited) in Florida School Recognition Program revenues for Fiscal Years 2013-14 and 2014-15, respectively, and the District budgeted \$10.58 million in Florida School Recognition Program revenues for Fiscal Year 2015-16. The District has received \$1.9 million in Discretionary Lottery revenues in Fiscal Year 2013-14, \$0.7 million (unaudited) in Fiscal Year 2014-15 and is budgeted to receive \$0.7 million of such revenues in Fiscal Year 2015-16.

## 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 operational funds to 10 mills (\$10 per \$1,000 of taxable real and personal property value). Chapter 1011, Florida Statutes, as amended, 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, 2016, the District's required local effort is 5.003 mills. In addition to such required local effort millage for Fiscal Year 2015-16, the District levied a Prior Period Funding Adjustment Millage of 0.011 mills as required by Section 1011.62(4)(e), Florida Statutes. Such Prior Period 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 0.25 mills for capital outlay and maintenance of school facilities in lieu of operating discretionary millage. For Fiscal Year ending June 30, 2016, the District's discretionary operating millage is 0.748 mills. The District is not levying any capital outlay discretionary millage for the Fiscal Year ending June 30, 2016. See "AD VALOREM TAXATION - Millage Rates.

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. See "AD VALOREM TAXATION - Millage Rates" herein.

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The following table sets forth the District's tentatively budgeted operating millage levies for Fiscal Year 2015-16:

<u>Operating Millage</u>	<u>District Levy</u>	<u>Description</u>	<u>Max</u>
Required Local Effort	5.003 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	5.003 mills
Prior Period RLE Adjustment	0.011 mills	Non-voted; not to exceed amount established annually by the State	0.011 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)	0.250 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.	0.250 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 \$809,908,854 for Fiscal Year 2013-14 to \$878,769,177 (unaudited) for Fiscal Year 2014-15. Ad valorem taxes for operating purposes are budgeted to be \$953,906,533 for Fiscal Year 2015-16.

### **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 \$977,825 and \$1,067,602 (unaudited) in Fiscal Years 2013-14 and 2014-15, respectively, and are budgeted at \$807,000 for Fiscal Year 2015-16. Federal funds through the State totaled \$7,499,004 and \$7,567,462 in Fiscal Years 2013-14 and 2014-15, respectively, and are budgeted to be \$5,360,000 in Fiscal Year 2015-16.

### **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, 2014."

The following table summarizes results of operations for the general fund of the District for the Fiscal Years ended June 30, 2012, through June 30, 2015, and the budgeted results of operations for the Fiscal Year ending June 30, 2016.

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**The School District of Palm Beach County, Florida**  
**Summary of Revenues and Expenditures - General Fund**  
**(In Millions)<sup>(1)</sup>**

	<b>For the Fiscal Years Ended June 30</b>				
	<u><b>2012</b></u>	<u><b>2013</b></u>	<u><b>2014</b></u>	<u><b>2015<sup>(2)</sup></b></u>	<u><b>Budget 2016<sup>(3)</sup></b></u>
<b>Beginning Fund Balance:</b>	\$186.9	\$166.7	\$133.3	\$111.8	\$117.1
<b>Revenues:</b>					
Local Sources and Other Financing Sources:					
Ad Valorem Taxes	\$846.7	\$802.1	\$809.9	\$878.8	\$953.9
Interest Income and Other	3.4	3.1	3.5	3.4	5.1
Other Revenue	56.0	53.5	59.7	72.5	53.6
Transfers In	89.2	87.0	106.8	91.4	92.9
<b>Total Local Sources and Other Financing Sources:</b>	<u>\$995.3</u>	<u>\$945.7</u>	<u>\$979.9</u>	<u>\$1,046.1</u>	<u>\$1,105.5</u>
State Sources:					
FL Educ. Finance Pro. & Lottery	\$98.8	\$187.3	\$266.7	\$242.4	\$234.7
Categorical Grants	211.7	217.0	220.3	209.9	213.6
Other	21.5	23.3	20.2	33.7	33.0
<b>Total State Sources</b>	<u>\$332.0</u>	<u>\$427.6</u>	<u>\$507.2</u>	<u>\$486.0</u>	<u>\$481.3</u>
Federal Sources	<u>\$6.5</u>	<u>\$7.2</u>	<u>\$8.5</u>	<u>\$8.6</u>	<u>\$6.2</u>
<b>Total Revenues</b>	<u>\$1,333.8</u>	<u>\$1,380.5</u>	<u>\$1,495.6</u>	<u>\$1,540.7</u>	<u>\$1,593.0</u>
Adjustments to Fund Balance					
<b>Total Rev. &amp; Fund Balance</b>	<u>\$1,520.7</u>	<u>\$1,547.2</u>	<u>\$1,628.9</u>	<u>\$1,652.5</u>	<u>\$1,710.1</u>
<b>Expenditures:</b>					
Salaries	\$842.7	\$880.8	\$908.7	\$906.3	\$915.6
Employee Benefits	255.0	255.1	284.7	282.9	296.3
Purchased Services and other	256.3	278.0	323.7	346.2	388.1
Transfer Out	-	-	-	-	-
<b>Total Expenditures</b>	<u>\$1,354.0</u>	<u>\$1,413.9</u>	<u>\$1,517.1</u>	<u>\$1,535.4</u>	<u>\$1,600.0</u>
Excess of Revenues Over (Under)					
Expenditures	\$(20.2)	\$(33.4)	\$(21.5)	\$5.3	\$(7.0)
<b>Ending Fund Balance</b>					
Nonspendable	\$5.7	\$11.3	\$9.6	\$9.0	\$9.0
Restricted	23.3	27.8	28.2	28.1	21.1
Committed	-	-	-	-	-
Assigned	86.6	49.8	27.5	30.0	30.0
Unassigned	51.1	44.4	46.5	50.0	50.0
<b>Total Fund Balance</b>	<u>\$166.7</u>	<u>\$133.3</u>	<u>\$111.8</u>	<u>\$117.1</u>	<u>\$110.1</u>
<b>Total Expenditures &amp; Fund Balance</b>	<u>\$1,520.7</u>	<u>\$1,547.2</u>	<u>\$1,628.8</u>	<u>\$1,652.5</u>	<u>\$1,710.1</u>

<sup>(1)</sup> Totals may not add due to rounding.

<sup>(2)</sup> Estimated figures.

<sup>(3)</sup> Budgeted Figures

Source: The School District of Palm Beach County, Florida.

Section 1011.051, Florida Statutes, entitled "Guidelines for general funds" requires that if a school district's General Fund 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 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 a 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 2013-14, the District's General Fund balance not classified as restricted, committed or nonspendable was 3.06% of General Fund Revenues and in Fiscal Year 2014-15 was 3.26% of General Fund Revenues. For Fiscal Year 2015-16, the District's General Fund balance not classified as restricted, committed or nonspendable is budgeted to be 3.13% of General Fund Revenues.

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**The School Board of Palm Beach County  
General Fund Cash Flow  
Fiscal Year July 1, 2014 Through June 30, 2015**

	Jul-14	Aug-14	Sep-14	Oct-14	Through Nov 22	After Nov 22	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Total
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	
*Beginning C&I Balance	205,204	127,671	90,576	146,729	81,268	(5,219)	218,580	657,084	483,697	463,464	417,502	381,211	327,291	
<b>Receipts:</b>														
<b>Federal Revenues</b>														
Medicaid	9	4	3	14	19	-	1,644	38	25	2,693	23	21	3,081	7,574
ROTC	-	10	139	82	-	72	72	141	69	69	147	76	184	1,061
<b>State Revenues:</b>														
FL Ed. Finance Program	21,660	21,273	20,063	20,104	10,620	10,102	20,203	19,726	19,726	19,726	19,715	19,704	19,743	242,365
Instructional Material	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lottery	-	-	-	-	-	-	-	-	-	692	-	-	-	692
Sportation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
School Recognition Funds	-	-	-	-	-	-	-	-	-	10,585	-	-	-	10,585
Class Size Reduction	17,423	17,423	17,423	17,423	-	17,423	17,423	17,551	17,551	17,551	17,552	17,530	17,599	209,872
Other State Revenues	1,501	1,491	1,637	2,045	-	2,022	1,823	1,937	1,917	1,181	1,834	2,608	2,496	22,492
<b>Local Revenues:</b>														
Ad Valorem Tax	15,648	-	179	-	13,161	185,573	512,129	33,257	41,214	18,260	41,726	11,580	5,378	878,105
Interest	-	12	194	34	-	16	106	143	77	66	179	57	636	1,520
Other Local Revenues	5,432	2,454	19,971	5,817	2,400	2,453	4,386	4,660	4,300	5,876	6,291	10,526	(5,298)	69,268
Loss Recoveries	-	-	2	89	-	-	4	-	(5)	27	-	-	-	117
Transfers In	-	545	20,619	7,117	-	7,168	6,782	7,569	14,856	6,782	7,754	7,280	4,870	91,342
Land Sale Proceeds	-	-	-	-	-	4,896	-	-	-	-	-	-	-	4,896
2014 Note Proceeds	-	-	115,000	-	-	-	-	-	-	-	-	-	-	115,000
<b>Total Receipts</b>	<b>61,673</b>	<b>43,212</b>	<b>195,230</b>	<b>52,725</b>	<b>26,200</b>	<b>229,725</b>	<b>564,572</b>	<b>85,022</b>	<b>99,730</b>	<b>83,508</b>	<b>95,221</b>	<b>69,382</b>	<b>48,689</b>	<b>1,654,889</b>
<b>Disbursements:</b>														
Salaries	90,169	51,981	74,157	67,158	69,434	-	70,555	91,715	68,645	75,851	75,746	71,896	93,425	900,732
Benefits	19,096	5,798	23,396	22,236	22,814	-	22,753	24,749	26,450	25,776	23,645	21,857	43,656	282,226
Vendors	29,941	22,528	41,524	28,792	20,439	5,926	32,760	26,893	24,868	27,843	32,118	29,549	25,408	348,589
Transfers Out	-	-	-	-	-	-	-	52	-	-	3	-	20	75
2014 Note Payment	-	-	-	-	-	-	-	115,000	-	-	-	-	-	115,000
<b>Total Disbursements</b>	<b>139,206</b>	<b>80,307</b>	<b>139,077</b>	<b>118,186</b>	<b>112,687</b>	<b>5,926</b>	<b>126,068</b>	<b>258,409</b>	<b>119,963</b>	<b>129,470</b>	<b>131,512</b>	<b>123,302</b>	<b>162,509</b>	<b>1,646,622</b>
<b>Ending C&amp;I Balance</b>	<b>127,671</b>	<b>90,576</b>	<b>146,729</b>	<b>81,268</b>	<b>(5,219)</b>	<b>218,580</b>	<b>657,084</b>	<b>483,697</b>	<b>463,464</b>	<b>417,502</b>	<b>381,211</b>	<b>327,291</b>	<b>213,471</b>	
<b>LESS: Working Capital Reserve</b>	<b>81,226</b>	<b>81,226</b>	<b>81,226</b>	<b>81,226</b>	<b>81,226</b>	<b>81,226</b>	<b>81,226</b>	<b>81,226</b>	<b>81,226</b>	<b>81,226</b>	<b>81,226</b>	<b>81,226</b>	<b>81,226</b>	
<b>Total Balance</b>	<b>46,445</b>	<b>9,350</b>	<b>65,503</b>	<b>42</b>	<b>(86,445)</b>	<b>137,354</b>	<b>575,858</b>	<b>402,471</b>	<b>382,238</b>	<b>336,276</b>	<b>299,985</b>	<b>246,065</b>	<b>132,245</b>	

**The School Board of Palm Beach County**  
**General Fund Cash Flow Projections**  
**Fiscal Year July 1, 2015 Through June 30, 2016**  
(in thousands)

	Jul-15	Aug-15	Sep-15	Oct-15	Through Nov 22	After Nov 22	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Total
<b>*Beginning C&amp;I Balance</b>	\$213,471	\$146,486	\$85,318	(\$5,259)	\$46,788	\$15,335	\$206,879	\$650,335	\$497,783	\$487,478	\$424,940	\$393,307	\$329,722	
<b>Receipts:</b>														
<b>Federal Revenues</b>														
Medicaid	6	3	2	10	13	-	1,163	27	18	1,906	16	15	2,180	5,360
ROTC	-	8	106	62	-	55	55	107	52	52	112	58	140	807
<b>State Revenues:</b>														
FL Ed. Finance Program	19,565	19,565	19,565	19,565	9,781	9,781	19,565	19,565	19,565	19,565	19,565	19,565	19,562	234,774
Instructional Material	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lottery	-	-	-	-	-	-	-	-	698	-	-	-	-	698
Transportation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
School Recognition Funds	-	-	-	-	-	-	-	-	10,584	-	-	-	-	10,584
Class Size Reduction	17,798	17,798	17,798	17,798	-	17,798	17,798	17,798	17,798	17,798	17,798	17,798	17,798	213,576
Other State Revenues	1,795	1,795	1,795	1,795	897	897	1,795	1,795	1,795	1,795	1,795	1,795	1,791	21,535
<b>Local Revenues:</b>														
Ad Valorem Tax	16,999	-	194	-	75,562	140,328	556,338	36,128	44,772	19,836	45,328	12,580	5,841	953,906
Interest	79	79	79	79	40	39	80	80	79	79	79	79	79	950
Other Local Revenues	4,817	4,817	4,817	4,817	-	4,817	4,817	4,817	4,817	4,817	4,817	4,817	4,815	57,802
Loss Recoveries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of Capital Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers In	-	535	9,623	444	-	24,478	6,713	7,488	14,654	6,713	7,669	7,203	7,412	92,932
2015 Note Proceeds	-	-	-	115,000	-	-	-	-	-	-	-	-	-	115,000
<b>Total Receipts</b>	<b>\$61,059</b>	<b>\$44,599</b>	<b>\$53,979</b>	<b>\$159,570</b>	<b>\$86,293</b>	<b>\$198,193</b>	<b>\$608,324</b>	<b>\$87,805</b>	<b>\$114,832</b>	<b>\$72,561</b>	<b>\$97,179</b>	<b>\$63,910</b>	<b>\$59,618</b>	<b>\$1,707,924</b>
<b>Disbursements:</b>														
Salaries	74,405	74,405	74,405	51,876	70,862	-	105,225	69,130	69,468	76,799	68,954	71,394	108,677	915,600
Benefits	20,048	6,087	24,563	23,345	23,952	-	23,888	25,983	27,769	27,061	24,824	22,947	45,833	296,300
Vendors	33,591	25,275	45,588	32,303	22,932	6,649	35,755	30,173	27,900	31,239	35,035	33,153	28,397	387,990
Transfers Out	-	-	-	-	-	-	-	34	-	-	-	-	-	34
2015 Note Payment	-	-	-	-	-	-	-	115,037	-	-	-	-	-	115,037
<b>Total Disbursements</b>	<b>\$128,044</b>	<b>\$105,767</b>	<b>\$144,556</b>	<b>\$107,524</b>	<b>\$117,746</b>	<b>\$6,649</b>	<b>\$164,868</b>	<b>\$240,357</b>	<b>\$125,137</b>	<b>\$135,099</b>	<b>\$128,813</b>	<b>\$127,494</b>	<b>\$182,907</b>	<b>\$1,714,961</b>
Ending C&I Balance	146,486	85,318	(5,259)	46,788	15,335	206,879	650,335	497,783	487,478	424,940	393,307	329,722	206,434	
LESS: Working Capital Reserve	76,581	76,581	76,581	76,581	76,581	76,581	76,581	76,581	76,581	76,581	76,581	76,581	76,581	
<b>Total Balance</b>	<b>\$69,905</b>	<b>\$8,737</b>	<b>(\$81,840)</b>	<b>(\$29,793)</b>	<b>(\$61,246)</b>	<b>\$130,298</b>	<b>\$573,754</b>	<b>\$421,202</b>	<b>\$410,897</b>	<b>\$348,359</b>	<b>\$316,726</b>	<b>\$253,141</b>	<b>\$129,853</b>	

## **Basic Financial Statements**

The audited basic financial statements of the District for the Fiscal Year ended June 30, 2014 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, 2014" 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.

## **Accreditation**

All of the District's high schools are fully accredited by the State of Florida and by the Southern Association of Colleges and Schools.

## **Florida Retirement System**

The State has established the State of Florida Retirement System ("FRS") for state, county, municipal and school district employees. All employees hired after 1970, and those employed prior to 1970 who elected to be enrolled, are covered by the FRS. Accordingly, substantially all employees of the District are covered by the FRS. The Division of Retirement, Department of Administration of the State of Florida administers the FRS. Contribution rates are established by law for all participating governmental units. The District's liability for participation in the plan is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. For the Fiscal Years ended June 30, 2014 and June 30, 2015, the District contributed \$74,277,000 and \$103,175,000 (unaudited), respectively.

Employees hired prior to 1970 and not electing to enroll in the FRS may be covered by alternate contributory plans, principally the Teachers' Retirement System Plan E, administered by the FRS. State law requires the District to contribute 11.35% of the earnable compensation of members to these plans. For the Fiscal Years ended June 30, 2014 and June 30, 2015, the District contributed \$10,000 and \$10,000 (unaudited), respectively. See Note 12 to the District's audited financial statements for the Fiscal Year ended June 30, 2014 in "APPENDIX B – EXCERPTED INFORMATION FROM THE COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA FOR THE FISCAL YEAR ENDED JUNE 30, 2014" for additional information regarding the retirement plans.

During its 2011 regular session, the State Legislature adopted legislation that made significant changes to FRS with respect to employee contributions and employer contributions, among other items. 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. For Fiscal Year 2010-11, contribution rates ranged from 9.85% to 20.92% of annual covered payroll. Under the adopted legislation, employer contribution rates initially ranged from 4.91% to

14.10% of annual covered payroll and for Fiscal Year 2014-15 range from 6.95% to 19.06% of annual covered payroll. Additionally, the legislation eliminated the cost of living adjustment for all FRS employees for service earned on or after July 1, 2011, although the legislation does contemplate reinstatement of the adjustment in 2016 under certain conditions.

The other changes to the FRS contained in the legislation only apply to employees who are initially enrolled in FRS on or after July 1, 2011. For personnel entering FRS on or after July 1, 2011, the following changes apply: the average final compensation upon which retirement benefits are calculated will be based on the eight highest (formerly five highest) fiscal years of compensation prior to retirement, the Deferred Retirement Option Plan (DROP) is maintained but the interest accrual rate will be reduced from 6.5% to 1.3%, the normal retirement age is increased from 62 to 65 and the years of creditable service is increased from 30 to 33 and the vesting period is increased to eight years (formerly six).

### **Other Post-Employment Benefits**

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 requiring the use of a single "blended" or "common" rate for both active and retired employees. The offering of this health insurance coverage is required by Section 112.0801, Florida Statutes.

As with all governmental entities providing similar plans, the District implemented Governmental Accounting Standard's Board Statement No. 45 – Accounting and Financial Reporting by Employers for Postemployment Benefit Plans other than Pension Plans ("GASB 45") during the 2007-2008 Fiscal Year. The District had historically accounted for its OPEB contributions on a pay as you go basis. GASB 45 applies accounting methodology similar to that used for pension liabilities to OPEB and attempts to more fully reveal the costs of employment by requiring governmental units to include future OPEB costs in their financial statements. While GASB 45 requires recognition and disclosure of the unfunded OPEB liability, there is no requirement that the liability of such plan be funded. To comply with GASB 45, the District retained an actuary (the "Actuary") to review the District's OPEB liabilities and provide the District with a written valuation. The Actuary determined the District's actuarial accrued liability related to OPEB, which approximates the present value of all future expected postretirement life and medical premiums and administrative costs which are attributable to the past service of those retired and active employees, at \$135.6 million (unaudited) as of June 30, 2015. The Actuary also determined the District's annual required contribution ("ARC"), which is the portion of the total accrued actuarial liability allocated to the current Fiscal Year needed to pay both normal costs (current and future benefits earned) and to amortize the unfunded accrued liability (past benefits earned, but not previously provided for), to be \$12.0 million (unaudited) as of June 30, 2015. The calculation of the accrued actuarial liability and the ARC is, by definition and necessity, based upon a number of assumptions, including interest rate on investments, average retirement age, life expectancy, healthcare costs per employee and insurance premiums, many of which factors are subject to future economic and demographic variations. The Actuary also calculated the District's net, end-of-year OPEB obligation to be \$102.0 million (unaudited) as of June 30, 2015, which reflects the District's approximately \$5.6 million (unaudited) contribution towards its OPEB liability during Fiscal Year 2014-15. 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, 2014, which are attached hereto as Appendix B.

While the District does not know at this time what its ultimate OPEB liabilities will be in connection with GASB 45 compliance in the future or how much of the annual required contribution accrued liabilities it will need to budget in future years, it expects its OPEB liability to be significant, but manageable within its normal budgeting process.

## **AD VALOREM TAXATION**

### **General**

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**

The laws of the State provide for a uniform procedure to be followed by all counties, municipalities, school districts and special districts for the levy and collection of ad valorem taxes on real and personal property. Pursuant to such laws, the County's property appraiser (the "Property Appraiser") prepares an annual assessment roll for all taxing units within the County and levies such millage, subject to constitutional limitations, as determined by each taxing unit, and the Tax Collector collects the ad valorem property taxes for all taxing units within the County. Since the ad valorem property taxes of all taxing units within a County are billed together by the Tax Collector, each property owner is required to pay all such taxes without preference.

Real property used for the following purposes is generally exempt from ad valorem taxation: religious, educational, charitable, scientific, literary, and governmental. In addition, there are special exemptions for widows, hospitals, homesteads, working waterfronts, deployed military personnel and homes for the aged and disabled veterans. Agricultural land, non-commercial recreational land, inventory, and livestock are assessed at less than 100% of fair market value.

Real and personal property valuations are determined each year as of January 1 by the Property Appraiser's office. The Property Appraiser is required to physically inspect the real property every three (3) years. There is a limitation of the lesser of 3% or the increase in the consumer price index during the relevant year on the annual increase in assessed valuation of Homestead Property (defined below), except in the event of a sale of such property during such year, and except as to improvements to such property during that year. State law requires, with certain exceptions, that property be assessed at fair market value; provided, however, that \$25,000 of the assessed valuation of a homestead is exempt from all taxation for a residence occupied by the owner on a permanent basis where such owner has filed for and received a homestead exemption ("Homestead Property" or "Homestead") and, with respect to Homestead Property, an additional exemption of up to \$25,000 on the assessed valuation greater than

\$50,000 is exempt from taxation for all property tax levies other than school district levies. See "Property Tax Reform" below.

The Property Appraiser's office prepares the assessment roll and gives notice by mail to each taxpayer of the proposed property taxes and the assessed property value for the current year, and the dates, times and places at which budget hearings are scheduled to be held. The property owner then has the right to file an appeal with the value adjustment board, which considers petitions relating to assessments and exemptions. The value adjustment board may make adjustments to the assessment roll to reflect any reduction in the assessed value of property upon the completion of the appeals. The value adjustment board certifies the assessment roll upon completion of the hearing of appeals to it. Millage rates are then computed by the various taxing authorities and certified to the Property Appraiser, who applies the millage rates to the assessment roll. This procedure creates the tax roll, which is then certified and turned over to the Tax Collector.

Section 194.014, Florida Statutes, requires that taxpayers 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 properties that will have a petition pending on or after the delinquency date (normally April 1). The new statute further provides that a taxpayer's failure to make the required partial payment before the delinquency date (normally April 1) will result in the denial of the taxpayer's petition.

### **Property Tax Reform**

In 2007, the Florida Legislature enacted Chapter 2007-321, Laws of Florida (2007) (the "Rollback Law"). One component of the adopted legislation requires counties, cities and special districts to roll back their millage rates for the 2007-08 Fiscal Year to a level that, with certain adjustments and exceptions, will 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 will be determined after first reducing 2006-07 ad valorem tax revenues by zero to nine percent (0% to 9%). In addition, the legislation limits how much the aggregate amount of ad valorem tax revenues may increase in future Fiscal Years. **School districts are not required to comply with the particular provisions of the legislation relating to limitations on increases in future years.**

Effective January 1, 2008, additional changes to Florida's property tax laws created a new formula for calculating assessed value of Homestead Property. "Assessed value" is the official value upon which real properties may be taxed in Florida. Under the new formula, if an owner of a Homestead purchases a new Homestead Property for greater value, the assessed value of the new Homestead would equal the purchase price of the new Homestead minus the difference between the purchase price of the previous Homestead and the assessed value of the previous Homestead, or \$500,000, whichever is less. In addition, for Florida Homestead owners already receiving a property tax exemption of \$25,000 on the assessed value of their homes, the new law creates an additional \$25,000 exemption on the assessed value of Homestead Property greater



than \$50,000 for all property tax levies except school taxes. Also effective January 1, 2008, the first \$25,000 of tangible personal property is exempt from taxation.

Additionally, effective January 1, 2009, increases in annual assessments on certain non-Homestead Property were capped at 10% annually (for a 10-year period) for all property tax levies other than school district levies.

In the November 4, 2008 general election, the voters of the State approved amendments to the State Constitution providing the Florida Legislature with authority to enact exemptions or special assessment protections for certain types of property subject to ad valorem taxation including exemptions for conservation lands and residential wind damage resistance and renewable energy source improvements, and restrictions on the assessment of working waterfront properties. Thereafter, legislation was enacted which creates an exemption for land used exclusively for conservation purposes. Such exemption applies to property tax assessments made on or after January 1, 2011 (Fiscal Year 2011-12 for school districts).

### **Millage Rates**

The Florida Constitution limits the non-voted millage rate that school boards may levy on an annual basis for operational funds to 10 mills (\$10 per \$1,000 of taxable real and personal property value). Section 1011.71, Florida Statutes, as amended, 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 appropriation of Florida Education Finance Program ("FEFP") funds for current operations must levy the millage certified by the Commissioner of the State of Florida Department of Education, the "required local effort," which is set each year by the State Legislature. In addition to the "required local effort," school districts are entitled to a non-voted current operating discretionary millage. See "Historical Millages" below for information regarding the District's property tax levies in recent Fiscal Years.

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 "Local Option Millage Levy" for capital outlay and maintenance purposes. In 2008, the Florida Legislature amended Section 1011.71, Florida Statutes, to provide that if the revenues generated from the reduced Local Option Millage Levy 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. In 2009, the Florida Legislature further amended Section 1011.71, Florida Statutes, to (i) reduce the maximum Local Option Millage Levy from 1.75 mills to 1.5 mills commencing in Fiscal Year 2009-10 for school districts and (ii) 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, authorize a school board to levy up to an additional .25 mills of Local Option Millage Levy in addition to the 1.5 mills, in lieu of levying an equivalent amount of the discretionary mills for operations. In 2012, the Florida Legislature further amended Section 1011.71, Florida Statutes to waive the 75% limitation on the

use of Local Option Millage Levy revenues for lease-purchase agreements originally entered into prior to June 30, 2009.

The millage limitation does not apply to taxes approved at referendum by qualified electors in the County for general obligation bonds.

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.

### **Procedures for Tax Collection and Distribution**

All real and tangible personal property taxes are due and payable on November 1 of each year, or as soon thereafter as the tax roll is certified and delivered to the Tax Collector. The Tax Collector mails a notice to each property owner on the tax roll for the taxes levied by the County, the Board, municipalities within the County and other taxing authorities. 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 in the month of March are without discount. All unpaid taxes on real and personal property become delinquent on April 1 of the year following the year in which taxes were levied.

In the event of a delinquency in the payment of taxes on real property, the Tax Collector is required to attempt to sell tax certificates on such property to the person who pays the delinquent taxes and interest and certain costs and charges relating thereto, and who accepts the lowest interest rate per annum to be borne by the certificates (not to exceed 18%). Delinquent taxes may be paid by a taxpayer prior to the date of sale of a tax certificate by the payment of such taxes, together with interest and all costs and charges relating thereto. Generally, tax certificates are sold by public bid. If there are no bidders, the certificate is issued to the county in which the property is located, and the county, in such event, does not pay any consideration for such tax certificate. Proceeds from the sale of tax certificates are required to be used to pay taxes, interest, costs and charges on the land described in the certificate.

County-held certificates may be purchased and any tax certificate may be prepaid, in whole or in part, by any person at any time before a tax deed is issued or the property is placed on the list of lands available for sale, at a price equal to the face amount of the certificate or portion thereof together with all interest, costs, charges and omitted taxes due. The proceeds of such a redemption are paid to the Tax Collector who transmits to the holder of the certificate such proceeds less service charges, and the certificate is canceled. Any holder, other than the county, of a tax certificate that has not been prepaid has seven years from the date of issuance of the tax certificate during which to act against the land that is the subject of the tax certificate.

After an initial period ending two years from April 1 of the year of issuance of a certificate, during which period actions against the land are held in abeyance to allow for sales

and redemptions of tax certificates and before the expiration of seven years from the date of issuance, the holder of a certificate may apply for a tax deed to the subject land. The applicant is required to pay to the Tax Collector at the time of application all amounts required to redeem or purchase all other outstanding tax certificates covering the land, plus interest, any omitted taxes or delinquent taxes and interest, and current taxes, if due. If the county holds a tax certificate on property valued at \$5,000 or more and has not succeeded in selling it, the county must apply for a tax deed two years after April 1 of the year of issuance. The County pays costs and fees to the Tax Collector but not any amount to redeem any other outstanding certificates covering the land. Such property is then also advertised for public sale to the highest bidder, subject to certain minimum bids. If there are no other bidders, the County may purchase the land for the minimum bid. In the case of unsold lands, after seven years the County will take title to such lands.

State law provides that tax liens are superior to all other liens, except prior United States Internal Revenue Service liens. The Tax Collector advertises once each week for four consecutive weeks and sells tax certificates to the lowest bidder, based on the interest rate bid, commencing on or before June 1 for unpaid tax bills. Tax certificates not sold at auction convert to County ownership.

The following table sets forth the percentage of taxable value to total assessed value for each of the past five years.

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

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Gross</u> <u>Assessed Value</u> <sup>(1)</sup>	<u>Total Taxable Value for</u> <u>Operating Millages</u>	<u>% Taxable to Total</u> <u>Assessed Value</u>
2016 <sup>(2)</sup>	\$217,522,463	\$165,191,584	75.94%
2015	192,745,423	150,103,002	77.88
2014	171,884,068	138,661,345	80.67
2013	163,255,148	133,036,113	81.49
2012	163,642,421	132,258,526	80.82

<sup>(1)</sup> Assessed value equals 100% of estimated value.

<sup>(2)</sup> Preliminary certified figures. Prior to adjustments on appeals from taxpayers.

Source: The School District of Palm Beach County, Florida Comprehensive Annual Financial Report for the Fiscal Year Ending June 30, 2014 for Fiscal Years ending June 30, 2012-2014. Fiscal Year 2015 and 2016 figures provided by Palm Beach County, Florida Property Appraiser.

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The following table contains current and historical millage rates (tax per \$1,000 of assessed value) for the Board for the last five Fiscal Years (see "AD VALOREM TAX MATTERS - Millage Rates" and "- Recent Legislative Initiatives and Constitutional Amendments Concerning Ad Valorem Taxes - *Reduction in Local Option Millage Levy*" above for a discussion of recent legislation reducing the maximum amount of the Local Option Millage Levy for school districts).

	Fiscal Year Ended June 30				
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Fund					
Required Local Effort <sup>(1)</sup>	5.682	5.280	5.088	5.096	5.014
Discretionary <sup>(2)</sup>	<u>0.938</u>	<u>0.952</u>	<u>0.977</u>	<u>0.998</u>	<u>0.998</u>
Subtotal	6.620	6.232	6.065	6.094	6.012
Debt Service	0.000	0.000	0.000	0.000	0.000
Capital Improvement <sup>(3)</sup>	<u>1.560</u>	<u>1.546</u>	<u>1.521</u>	<u>1.500</u>	<u>1.500</u>
Total Millage Levy	<u>8.180</u>	<u>7.778</u>	<u>7.586</u>	<u>7.594</u>	<u>7.512</u>

<sup>(1)</sup> Inclusive of Prior Period Funding Adjustment Millage, if any.

<sup>(2)</sup> Inclusive of 0.25 mill voter approved levy.

<sup>(3)</sup> Inclusive of discretionary capital outlay millage.

Source: The School District of Palm Beach County, Florida.

Pursuant to Article VII of the Constitution of the State of Florida, the Board may not levy ad valorem taxes, exclusive of voted taxes levied for the payment of debt service on bonds, in excess of 10 mills. The Board is levying 7.251 non-voted mills for Fiscal Year ending June 30, 2016.

In the November, 2010 general election, the voters of Palm Beach County approved a 0.25 mill operating property tax levy for a four-year period beginning with the 2011-12 Fiscal Year and continuing through the 2015-16 Fiscal Year. The primary purpose of the millage is to pay for teachers' salaries, as well as arts, music, physical education, career and academic programs.

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The following table sets forth the tax rates in dollars per \$1,000 of taxable valuation for the County for the fiscal years 2006 through 2015.

**County Wide Ad Valorem Millage Rates**

<u>Fiscal Year</u>	<u>District</u>	<u>County</u>	<u>Total Water District</u>	<u>Total County Wide</u>
2015	7.594	6.6164	.3842	14.5946
2014	7.586	6.9380	.3676	14.8916
2013	7.778	6.9380	.3676	15.0836
2012	8.180	6.9619	.3739	15.5158
2011	8.154	7.0163	.5346	15.7049
2010	7.983	6.5202	.5346	15.0378
2009	7.251	5.6879	.5346	13.4735
2008	7.356	5.5775	.5346	13.4681
2007	7.872	6.2059	.5970	14.6749
2006	8.106	6.6264	.5970	15.3294

Source: The School District of Palm Beach County, Florida Comprehensive Annual Financial Report for the Fiscal Year Ending June 30, 2014.

The following table sets forth the amounts billed and collected for ad valorem property taxes levied by the District for the Fiscal Years 2009 through 2015.

**The School District of Palm Beach County, Florida  
Property Tax Levies and Collections  
(In Thousands)**

<u>Fiscal Year Ended June 30</u>	<u>Property Taxes Levied</u>	<u>Current Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Current Tax Collected To Property Taxes Levied<sup>(1)</sup></u>
2015	\$913,264	\$878,413	\$879,235	96.18%
2014	839,635	806,691	810,669	96.08
2013	827,754	795,917	802,185	96.15
2012	874,150	840,529	847,399	96.15
2011	893,948	848,596	859,191	94.92
2010	908,715	838,198	847,980	92.78
2009	922,611	846,495	848,999	91.75

<sup>(1)</sup> 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: The School District of Palm Beach County, Florida Comprehensive Annual Financial Report for the Fiscal Year Ending June 30, 2014.

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The following table contains the list of the County's ten largest taxpayers for the Fiscal Year ended September 30, 2014 as compared to September 30, 2005.

**Palm Beach County, Florida  
Principal Property Tax Payers  
Current Year and Nine Years Ago  
September 30, 2014**

<u>Taxpayer</u>	<u>2014</u>			<u>2005</u>		
	<u>Total Tax</u>	<u>Rank</u>	<u>% of Total Taxes Levied</u>	<u>Total Tax</u>	<u>Rank</u>	<u>% of Total Taxes Levied</u>
Florida Power & Light	\$77,409,495	1	8.69%	\$22,908,247	1	3.22%
Town Center	7,506,035	2	0.84	4,619,210	4	0.65
BellSouth Telecommunications	5,858,674	3	0.66	10,803,905	2	1.52
U.S. Sugar Corporation	5,183,276	4	0.58	5,320,681	3	0.75
Comcast of Florida/Georgia LLC	4,954,703	5	0.56	-	-	-
Gardens Venture LLC	4,920,364	6	0.55	-	-	-
Breakers Palm Beach Inc.	4,737,357	7	0.53	4,067,384	6	0.57
Okeelanta Corporation	3,621,127	8	0.41	3,262,104	8	0.46
Panthers BRHC LTD	3,494,237	9	0.39	4,252,767	5	0.60
Hub Properties Trust (Arvida)	3,051,610	10	0.34	-	-	-
TJ Palm Beach Assoc LTD Ptnrs	-	-	-	3,021,904	9	0.42
Landry, Lawrence L.	-	-	-	3,398,820	7	0.48
West Palm Beach CRA Lessor	-	-	-	2,945,891	10	0.41
<b>Total</b>	<b>\$120,736,878</b>		<b>13.55%</b>	<b>\$64,600,913</b>		<b>9.08%</b>

Source: Palm Beach County, Florida Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2014.

**Recent Legislative Initiatives and Constitutional Amendments Concerning Ad Valorem Taxes**

Constitutional amendments related to ad valorem exemptions. In January, 2008, Florida voters approved amendments to the State Constitution exempting certain portions of a property's assessed value from taxation. The amendments were effective for the 2008 tax year (2008-09 Fiscal Year for local governments). The following is a brief summary of certain important provisions contained in the approved amendments:

1. Provides for an additional exemption for the assessed value of homestead property between \$50,000 and \$75,000, thus doubling the existing homestead exemption for property with an assessed value equal to or greater than \$75,000. This exemption does not apply to school district taxes.

2. Permits owners of homestead property to 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 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. The Save Our Homes amendment generally limits annual increases in ad valorem tax assessments for those properties with homestead exemptions to the lesser of three percent (3%) or the annual rate of inflation. This exemption applies to all taxes, including school district taxes.

3. Exempts from ad valorem taxation \$25,000 of the assessed value of property subject to tangible personal property tax. This exemption applies to all taxes, including school district taxes.

4. Limits increases in the assessed value of non-homestead property to 10% per year, subject to certain adjustments. The cap on increases would be in effect for a 10 year period, subject to extension by an affirmative vote of electors. This limitation does not apply to school district taxes.

From time to time over the last few years, the Save Our Homes assessment cap and portability provision described above have been subject to legal challenge. The plaintiffs in such cases have generally argued that the Save Our Homes assessment cap constitutes an unlawful residency requirement for tax benefits on substantially similar property, in violation of the State Constitution's Equal Protection provisions and the Privileges and Immunities Clause of the Fourteenth Amendment to the United States Constitution and that the portability provision simply extends the unconstitutionality of the tax shelters granted to long-term homeowners by Save Our Homes. The courts in each case have rejected such constitutional arguments and upheld the constitutionality of such provisions. However, there is no assurance that any future challenges to such provisions will not be successful. Any potential impact on the District or its finances as a result of such challenges cannot be ascertained at this time.

*Exemption for Deployed Military Personnel.* In the November 2010 General Election voters approved a constitutional amendment which provides an additional homestead exemption for deployed military personnel. The exemption equals the percentage of days during the prior calendar year that the military homeowner was deployed outside of the United States in support of military operations designated by the legislature. This constitutional amendment took effect on January 1, 2011.

*Reduction in Local Option Millage Levy.* In 2008, Section 1011.71, Florida Statutes, was amended to reduce the maximum millage rate that school districts could levy for capital outlay and maintenance purposes (referred to in this Official Statement as the Local Option Millage Levy) from 2.0 mills to 1.75 mills commencing in Fiscal Year 2008-09. In conjunction with such reduction, the State's Commissioner of Education increased the amount of the required local effort for each school district in the State, which resulted in a shift of the millage (and associated tax revenues) from capital outlay and maintenance purposes to operational purposes. However, if the revenues generated from the reduced Local Option Millage Levy 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.

Section 1011.71, Florida Statutes, was further amended in 2009, 2010 and 2011 to provide for the following: (i) a reduction of the maximum Local Option Millage Levy from 1.75 mills to 1.50 mills; (ii) a waiver of the three-fourths limit on use of proceeds from the Local Option Millage Levy for lease-purchase agreements entered into before June 30, 2009, for the 2009-10 Fiscal Year (however, see "*Legislation Waiving 75% Limitation on Use of Local Option Millage Levy*" below for information regarding an amendment to the provision); (iii) if the revenue from 1.50 mills is insufficient to make the payments due under a lease-purchase agreement entered into prior to June 30, 2009, or to meet other critical fixed capital outlay needs, authorization for school districts to levy up to 0.25 mills for capital improvement needs in lieu of an equivalent amount of the discretionary mills for operations as provided in the State General Appropriation Act; and (iv) authorization for school boards, by a super majority vote, to levy an optional 0.25 mills for critical capital outlay needs or for critical operating needs. The authorization to levy the millage described in clause (iv) hereof expired on June 30, 2011.

*Legislation Waiving 75% Limitation on use of Local Option Millage Levy.* Section 1011.71, Florida Statutes, was further amended in 2012 to indefinitely allow a waiver of the three-fourths limit on the use of proceeds from the Local Option Millage Levy for lease-purchase agreements originally entered into before June 30, 2009. Previously, such waiver was only authorized for the 2009-10 Fiscal Year (as described in clause (ii) of the preceding paragraph). Such provision became effective on July 1, 2012.

#### **Other Constitutional Amendments and Legislation Affecting Ad Valorem Taxation**

During the 2011 regular legislative session, the legislature passed Senate Joint Resolution 592 ("SJR 592"). SJR 592 allows totally or partially disabled veterans who were not Florida residents at the time of entering military service to qualify for the combat-related disabled veteran's ad valorem tax discount on homestead property. The amendment became effective on January 1, 2013.

During the 2012 regular legislative session, the legislature passed House Joint Resolution 93 ("HJR 93"). HJR 93 allows the State Legislature to provide ad valorem tax relief to the surviving spouse of a veteran who died from service-connected causes while on active duty as a member of the United States Armed Forces and to the surviving spouse of a first responder who died in the line of duty. 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. The amendment became effective on January 1, 2013.

Also during the 2012 regular legislative session, the legislature passed House Joint Resolution 169 ("HJR 169") allowing the State Legislature by general law to permit counties and municipalities, by ordinance, to grant an additional homestead tax exemption equal to the assessed value of homestead property to certain low income seniors. To be eligible for the additional homestead exemption the county or municipality must have granted the exemption by ordinance; the property must have a just value of less than \$250,000; the owner must have title to the property and maintained his or her permanent residence thereon for at least 25 years; the owner must be age 65 years or older; and the owner's annual household income must be less than \$27,300. The additional homestead tax exemption authorized by HJR 169 would not apply to school property taxes.



Each of the above described amendments was approved by the voters on November 6, 2012. At present, the impact of the amendments on the District's finances has been minimal. However, 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's finances.

During its 2013 Regular Session, the Florida Legislature passed Senate Bill 1830 ("SB 1830"), which was signed into law by the Governor and creates a number of changes affecting ad valorem taxation which became effective as of July 1, 2013. First, SB 1830 provides long-term lessees the ability to retain their homestead exemption and related assessment limitations and exemptions in certain instances and extends the time for property owners to appeal value adjustment board decisions on transfers of assessment limitations to conform with general court filing time frames. Second, SB 1830 inserts the term "algaculture" in the definition of "agricultural purpose" and inserts the term "aquacultural crops" in the provision specifying the valuation of certain annual agricultural crops, nonbearing fruit trees and nursery stock. Third, SB 1830 allows for an automatic renewal for assessment reductions related to certain additions to homestead properties used as living quarters for a parent or grandparent and aligns related appeal and penalty provisions to those for other homestead exemptions. Fourth, SB 1830 deletes a statutory requirement that the owner of Florida real property permanently reside upon such property in order to qualify for a homestead exemption. This change conforms the statute at issue with the Florida Constitution by allowing non-resident owners of property to claim a homestead exemption if a person legally or naturally dependent upon the owner permanently resides on such property. Fifth, SB 1830 clarifies a drafting error regarding the property tax exemptions counties and cities may provide for certain low income persons age 65 and older. Sixth, SB 1830 removes a residency requirement that a senior disabled veteran must have been a Florida resident at the time they entered the service to qualify for certain property tax exemptions. Seventh, SB 1830 repeals the ability for limited liability partnerships with a general partner that is a charitable 501(c)(3) organization to qualify for the affordable housing property tax exemption. Finally, SB 1830 exempts from property taxes property used exclusively for educational purposes when the entities that own the property and the educational facility are owned by the same natural persons.

Also during the Florida Legislature's 2013 Regular Session, the Florida Legislature passed House Bill 277 ("HB 277"), which was signed into law by the Governor. HB 277 provides that certain renewable energy devices are exempt from being considered when calculating the assessed value of residential property. HB 277 only applies to devices installed on or after January 1, 2013. HB 277 took effect on July 1, 2013.

Also during the Florida Legislature's 2013 Regular Session, the Florida Legislature passed House Bill 1193 ("HB 1193"), which was signed into law by the Governor. HB 1193 eliminated three ways in which the property appraiser had authority to reclassify agricultural land as non-agricultural land. Additionally, HB 1193 relieves the value adjustment board of the authority to review the property appraiser's classifications of land upon its own motion. HB 1193 applies retroactively to January 1, 2013.

At present, the impact of the amendments passed during the 2013 legislative session described above on the District's finances cannot be accurately ascertained.

Legislative Proposals Relating to Ad Valorem Taxation. During recent years, various other legislative proposals and constitutional amendments relating to ad valorem taxation 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, require school districts to share a portion of its Local Option Millage Levy revenues with charter schools in such school district or otherwise restrict the ability of local governments in the State to levy ad valorem taxes at recent, historical levels. There can be no assurance that similar or additional legislative or other proposals will not be introduced or enacted in the current legislative session or in the future that would, or might apply to, or have a material adverse effect upon, the District or its finances.

## **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.

## **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 excludability from gross income for federal income tax purposes of interest on the Notes.

In the opinion of Note Counsel, assuming the accuracy of certain representations and 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 will be excludable from gross income for federal income tax purposes. Furthermore, interest on the Notes will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest will be taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. Note Counsel is further of the opinion that the Notes and the interest thereon will not be 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 15 percent 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 opinions are based on existing law, which is subject to change. Such opinions are further based on factual representations made to Note Counsel as of the date thereof. 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 that, if enacted into law, could alter or amend one or more of the federal tax matters 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.

### **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 C – 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.

### **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**

Public Financial Management, Inc., 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 2015, (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 "THE SCHOOL DISTRICT AND SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA – Constitutional Amendments Related to Class Size Legislation and Pre-K Programs," "AD VALOREM TAXATION – Constitutional Amendments Affecting Ad Valorem Taxes," "Recent Legislative Initiatives and Constitutional Amendments Affecting Ad Valorem Taxes," and "Other Proposals Affecting Ad Valorem Taxation and District Finances" herein for information concerning certain amendments to the Florida Constitution and other proposed legislation that could materially adversely affect the School Board's financial situation.

## **UNDERWRITING**

The Notes are being purchased by RBC Capital Markets LLC (the "Underwriter") at an aggregate purchase price of \$115,341,550.00. The offer of the Underwriter to purchase the Notes provides for the purchase of all of the Notes if any are purchased. The Underwriter is reoffering the Notes to the public at a price of \$115,340,400.00, resulting in a loss to the Underwriter of \$1,150.00. 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 E – 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; (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; and (o) tender offers. 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.

Although the District is exempt from the continuing disclosure requirements of the Rule with respect to the Notes, the District, acting through the Board as its governing body, has entered into continuing disclosure undertakings in connection with other obligations under which it is an obligated person. The District is current in all of its electronic filings with the MSRB required by the Rule in connection with such other obligations. However, for the Fiscal Years ending June 30, 2009 and 2010, the District filed its Annual Reports with the previously approved nationally recognized municipal securities information repositories and did not timely file the reports electronically with the MSRB as required by certain amendments to the Rule that became effective on July 1, 2009. The District is current in its required filings of material event notices, although from June 26, 2008 until mid-2012, the District had ceased filing material event notices of rating changes related to downgrades of municipal bond insurers insuring certain of the District's outstanding obligations under certificates of participation. The District is current in its required filings of defeasance notices of refunded certificates of participation, although due to an inadvertent administrative oversight it had not done so in a timely fashion for two series of certificates that were refunded in November 2011. 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: Public Financial Management, Inc., 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 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/ Chuck Shaw  
Chairman, The School Board of Palm  
Beach County, Florida

By: /s/ Robert Avossa, 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 (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. 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 38 incorporated municipalities within the County encompassing a total of 324 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 2014 population of 1,397,710.

**Population**

In 2014, 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, 14.4% from 2001 to 2010 and 5.9% from 2010 to 2014.

**Population Growth  
2005 - 2014**

<u>Year</u>	<u>Palm Beach County</u>		<u>Florida</u>		<u>United States</u>	
	<u>Population</u>	<u>Change</u>	<u>Population</u>	<u>Change</u>	<u>Population</u>	<u>Change</u>
2005	1,278,380	2.1	17,842,038	2.5	295,516,599	0.9
2006	1,284,489	0.5	18,166,990	1.8	298,379,912	1.0
2007	1,286,586	0.2	18,367,842	1.1	301,231,207	1.0
2008	1,294,938	0.6	18,527,305	0.9	304,093,966	1.0
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	1,338,609	1.4	19,107,900	1.6	311,721,632	1.0
2012	1,358,613	1.5	19,355,257	1.3	314,112,078	0.8
2013	1,376,199	1.3	19,600,311	1.3	316,497,531	0.8
2014	1,397,710	1.6	19,893,297	1.5	318,857,056	0.7

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 of Florida and the United States.

### Per Capita Personal Income 2004-2013

Year	Palm Beach County		Florida		U.S.
	Dollars	% of Florida	% of U.S.	Dollars	% of U.S.
2004	\$48,671	142.9%	141.9%	\$34,053	99.3%
2005	51,831	143.0	144.4	36,258	101.0
2006	56,336	145.6	147.8	38,693	101.5
2007	59,139	148.5	148.6	39,819	100.0
2008	57,321	144.4	140.2	39,709	97.2
2009	50,938	136.4	129.4	37,350	94.8
2010	51,111	132.8	127.3	38,478	95.8
2011	54,616	135.8	129.0	40,215	95.0
2012	57,252	139.5	129.5	41,041	92.9
2013	57,985	139.7	129.5	41,497	92.7

Source: Florida Research and Economic Information Database Application.

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 2010-2013

Age Group	2010	2011*	2012*	2013*
0-19	300,186	299,413	299,583	300,072
20-44	386,375	386,834	388,486	390,309
45-64	348,418	350,814	354,271	357,877
65+	285,155	288,461	292,625	296,911

Source: Bureau of Economic and Business Research, University of Florida.

\* 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 non-farm employment by major industry.

### Palm Beach County, Florida Average Monthly Employment Covered by Unemployment Compensation 2012-2013

	<u>Average Monthly Employment</u>		<u>Percent of Total</u>	
	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>
	All Industries	446,427	464,536	100.00%
Agriculture	6,566	6,556	1.47	1.41
Mining	186	76	0.04	0.02
Utilities	1,414	1,510	0.32	0.32
Construction	23,598	25,717	5.29	5.54
Manufacturing	15,259	15,332	3.42	3.30
Wholesale Trade	18,714	19,096	4.19	4.11
Retail Trade	68,859	70,750	15.42	15.23
Transportation and Warehousing	7,305	7,750	1.64	1.67
Information	8,874	9,200	1.99	1.98
Finance	21,692	22,062	4.86	4.75
Real Estate	13,863	14,403	3.11	3.10
Professional Services	36,183	38,536	8.11	8.30
Management Companies	8,354	8,936	1.87	1.92
Administrative and Waste Services	39,630	42,699	8.88	9.19
Education	9,146	9,512	2.05	2.05
Health Care	72,408	74,734	16.22	16.09
Arts, Entertainment and Recreation	7,751	7,386	1.74	1.59
Accommodation and Food Services	56,854	58,737	12.74	12.64
Other Services	21,640	22,387	4.85	4.92

Source: University of Florida Bureau of Economic and Business Research, Florida Statistical Abstract 2014.

Note: Percentages may not equal due to rounding.

**Palm Beach County**  
**Annual Average Labor Force and Unemployment Estimates**  
**2005-2014**

<u>Year</u>	<u>Civilian Labor Force</u>	<u>Unemployment Rates</u>		
		<u>Palm Beach County</u>	<u>Florida</u>	<u>United States</u>
2005	604,861	4.3	3.7	5.1
2006	619,269	3.7	3.2	4.6
2007	626,062	4.4	4.0	4.6
2008	628,411	6.8	6.3	5.8
2009	615,500	10.7	10.4	9.3
2010	645,737	11.0	11.1	9.6
2011	652,630	10.1	10.0	8.9
2012	661,450	8.6	8.5	8.1
2013	674,062	7.3	7.3	7.4
2014	688,244	5.9	6.3	6.2

Source: Florida Research and Economic Information Database Application.

**Largest Employers**

The following table shows employment at the ten principal employers in the County in 2014.

	<u>No. of Employees</u>
Palm Beach County School Board.....	21,449
Palm Beach County Government.....	11,626
Tenet Healthcare Corp .....	6,100
NextEra Energy (Florida Power & Light) .....	3,804
G4S (Wackenhut Corp).....	3,000
Florida Atlantic University .....	2,980
Hospital Corporation of America.....	2,714
Veterans Health Administration .....	2,700
Bethesda Memorial Hospital.....	2,643
Boca Raton Regional Hospital.....	2,250

Source: Palm Beach County, Florida Comprehensive Annual Financial Report for Fiscal Year Ended September 30, 2014.



## **Tourism**

The County government is making a concentrated and continuing effort to increase the number of visitors to the area each year, which is expected to generate a 6% increase in revenues in fiscal year 2015. There are an estimated 73,900 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 2014, bed tax revenues increased by approximately 11% over the previous year.

## **Aerospace**

The County is a recognized national leader in the aviation and aerospace industry. The area employs more than 20,000 people through approximately 600 businesses associated with the industry. Those businesses include B/E Aerospace, a leading manufacturer of passenger-cabin interior products for commercial jet aircraft. Lockheed Martin also has a presence in the County as a global security and information technology giant. Sikorsky Aircraft Corporation, a world leader in the design, manufacture, and service of military and commercial helicopters, shares a campus with Pratt & Whitney in the northwestern area of the County. Both companies are units of United Technologies Corporation of Hartford, Connecticut. In May 2014, Sikorsky unveiled its most advanced helicopter, the CH-53K. Sikorsky has approximately 1,300 employees in the County.

## **Agriculture**

The County agricultural acreage has remained stable for the last six years. The County still leads the state of Florida, and all counties east of the Mississippi River, in agricultural proceeds. The County leads the nation in the production of sugarcane, bell peppers and fresh sweet corn. It leads the state in the production of rice, lettuce, radishes, Chinese vegetables, specialty leaf produce, and celery. The 456,001 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 \$162 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. Several crops are currently grown as potential sources for ethanol production. Equestrian acreage in western the County continues to expand, currently ranking it as the second largest equine county in the state, behind Marion County.

## **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 bio-technology businesses will form a hub to strengthen the County's position as a leader in this industry. Smaller bio-related companies have either expanded or moved to the County such as Ocean Ridge Biosciences LLC and Sancilio & Company, Inc.

## Construction

During fiscal year 2014, the total number of permits increased by 6% compared to fiscal year 2013. Building Permit revenues increased by 6% to \$15.9 million as compared to \$15 million in fiscal year 2013. In residential construction, there were 370 multi-family unit permit and 1,185 single-family unit permit starts, as compared to 585 multi-family unit permit starts and 1,131 single-family unit permit starts in fiscal year 2013. The total value for these residential permit starts was \$524.6 million in fiscal year 2014, as compared to \$544.7 million in fiscal year 2013. However, total value of all construction permitted increased from \$954 million in fiscal 2013 to \$1.08 billion in fiscal year 2014. Overall, permitting activity in both residential and commercial construction continues to increase.

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

**Building Permit Activity  
County of Palm Beach, Florida  
(Dollars in Thousands)  
2005 - 2014**

<u>Calendar Year</u>	<u>Single and Multi-Family</u>	<u>Residential Valuation</u>
2005	4,414	\$1,191,043
2006	7,806	1,068,926
2007	2,264	504,192
2008	1,196	340,385
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

Source: The School District of Palm Beach County, Florida Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2014.

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## 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)

<u>Fiscal Year</u>	<u>Commercial Banks</u>	<u>Federal Savings and Loan Associations</u>
2005	20,201,000	14,270,000
2006	21,335,000	15,858,000
2007	25,313,000	12,603,000
2008	26,760,000	9,501,000
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

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Source: Federal Deposit Insurance Corporation internet address [www2.fdic.gov/sod](http://www2.fdic.gov/sod).

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**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, 2014**

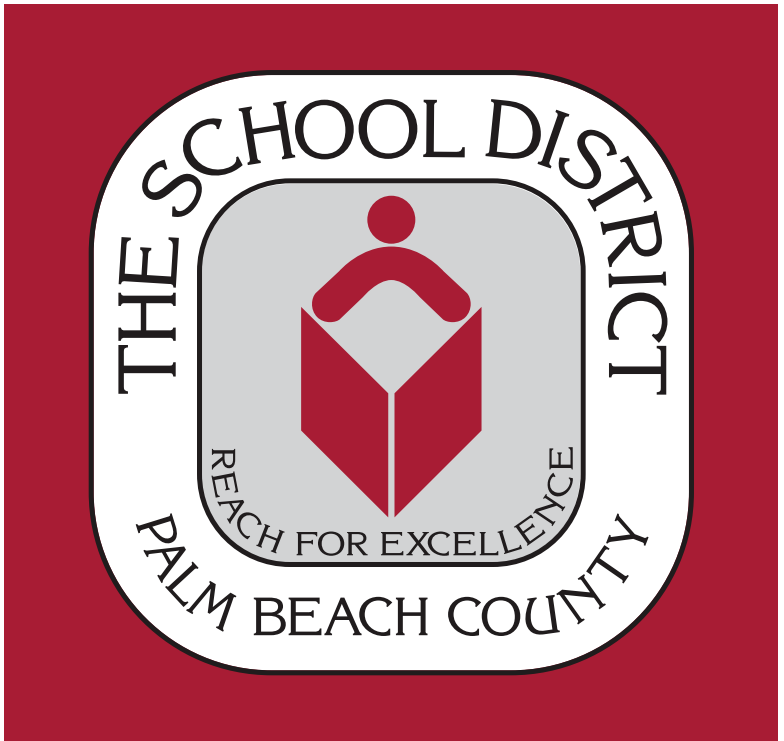
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# COMPREHENSIVE ANNUAL FINANCIAL REPORT



FOR FISCAL YEAR ENDED JUNE 30, 2014



2014



3300 FOREST HILL BOULEVARD  
WEST PALM BEACH, FLORIDA







## Independent Auditor's Report

Chairperson and Members of  
The School Board 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, 2014, 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, 2014, 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 conformity with accounting principles generally accepted in the United States of America.

### Emphasis of Matter

As discussed in Note N to the financial statements, the District adopted the recognition and disclosure requirements of Governmental Accounting Standards Board Statement No.65, Items Previously Reported as Assets and Liabilities, during fiscal year 2014. The respective net position balance of the governmental activities as of July 1, 2013 has been restated.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis and schedules of funding progress*, 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 nonmajor 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 nonmajor fund financial statements and schedules is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 nonmajor fund financial statements and schedules is 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 20, 2014 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



West Palm Beach, Florida  
November 20, 2014

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

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The School District of Palm Beach County, Florida's (the "District") discussion and analysis is designed to provide an objective and easy to read analysis of the District's financial activities for the fiscal year ended June 30, 2014, 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 decreased \$0.083 billion from \$1.995 billion to \$1.912 billion as expected. The District used the last of the funds accumulated in fiscal year 2011 from Education Jobs funds to minimize the impact of the anticipated loss of State funding in fiscal years 2012 through 2014. Funding per student has slowly increased since the low point in school year 2011-12, although it has still not recovered to school year 2007-08 levels. The decrease is also due an increase in the amount passed through to charter schools in Palm Beach County of \$32.6 million from \$80.0 million to \$112.6 million in fiscal year 2014. Enrollment at district schools declined approximately 1,650 students representing a loss of approximately \$11.6 million in revenue without a commensurate reduction in district expenditures.
- Implementation of Governmental Accounting Standards Board Statement No. 65, Items Previously Reported as Assets and Liabilities reduced beginning net position by \$8.1 million as explained further in Note 1 (N).
- Transfer of \$13.0 million from the health internal service fund to reimburse the general fund for cash infusion provided in fiscal years 2010 and 2012 to make the internal service fund solvent.
- The District's total long-term debt decreased by \$62.2 million or 3.2% primarily due to debt repayments of \$68.4 million, refunding/defeased transactions, and a decrease in negative fair value of hedging derivative instruments of \$27.5 million primarily due to the termination of 2001B/2011B Pay Fixed Interest Rate Swap (SWAP) offset by \$14.0 million bus and equipment loan to purchase 110 buses and other equipment (discussed in Notes 10 and 11).
- Total revenues and transfers increased by \$116.2 million or 6.7%, from \$1.728 billion to \$1.844 billion when compared to the prior year.
  - General revenue and transfers accounted for \$1.305 billion, or 70.8%, of all revenues and increased \$110.1 million or 9.2%. This increase is primarily attributed to additional funding from the Florida Education Finance Program (FEFP) revenue of \$79.4 million (comprised of an increase of the Base Student Allocation, new teacher salary allocation and net increase in enrollment including charter schools), a \$2.6 million increase in impact fees, an increase in property taxes of \$11.7 million due to an increase in property values even with a decrease in the millage rate from 7.778 in fiscal year 2013 to 7.586 in fiscal year 2014 as well as non-recurring revenue in the current year of \$13.0 million for an interfund transfer from the health internal service fund.

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

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

- Program specific revenue in the form of charges for services, grants and contributions accounted for \$538.7 million, or 29.2% of all revenues and increased \$6.1 million or 1.1%. The increase is primarily attributed to an increase in reimbursements for school lunch and breakfast programs.
- Total expenses increased \$108.8 million from \$1.819 billion to \$1.928 billion. The increase in expenditures is due primarily to an increase in salary and benefits as a result of negotiated employee raises of \$31.4 million, overall increase in benefits of \$34.5 million primarily due to an increase in salaries and in the FRS rate, and an increase in the amount passed through to charter schools of \$35.0 million.
- The District's governmental funds reported combined fund balances of \$387.8 million.
  - The General Fund (the primary operating fund), reflected on a current financial resources basis, ended the year with a fund balance of \$111.8 million. Of this amount, \$46.5 million is classified as unassigned that is available to cover unanticipated financial needs and includes the Board approved contingency, \$27.5 million is classified as assigned, \$28.2 million is classified as restricted and \$9.6 million is classified as nonspendable. During the current year, General Fund expenditures exceeded revenues (including other financing sources) by \$21.5 million.
  - Debt Service funds ended the year with a fund balance of \$110.7 million and is restricted to cover debt service payments. COPs Debt Service fund, a major fund, has a restricted fund balance of \$107.1 million, and the remaining debt service funds which are included with the non-major governmental funds have a restricted fund balance of \$3.6 million.
  - Capital Project funds ended the year with a fund balance of \$139.3 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 \$36.5 million, and the remaining capital funds which are included with the non-major governmental funds have \$67.4 million restricted fund balance and \$35.5 million assigned fund balance.
  - Special Revenue funds ended the year with a fund balance of \$25.9 million, of which \$23.0 million is restricted to child nutrition costs, \$2.7 million is nonspendable inventory, and \$0.2 million is committed to The Education Network Program which are included with the non-major governmental funds.

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

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**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.

<b>Figure 1 Major Features of Government-Wide and Fund Financial Statements</b>				
	<b>Government-wide Statements</b>	<b>Fund Financial Statements</b>		
		<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
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"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenue, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenue, expenses, and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
<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.

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

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

### **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 and liabilities – 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.

### **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.

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

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

- *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 on page 68.

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**Government –Wide**

The District’s net position was \$1.912 billion at June 30, 2014. The largest portion of the District’s net position, \$1.781 billion or 93.2%, reflect its investment in capital assets (i.e. land, buildings, furniture 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 (\$257.8 million) represents resources that are subject to external restrictions on how they may be used.

**Table 1**

Summary of Net Position Governmental Activities (in thousands)				
	June 30, 2014	* Restated June 30, 2013	Increase (Decrease)	Percentage Change
Current and other assets*	\$ 663,761	\$ 719,253	\$ (55,492)	(7.7%)
Capital assets (net)	3,517,803	3,581,926	(64,123)	(1.8%)
Total assets	<u>4,181,564</u>	<u>4,301,179</u>	<u>(119,615)</u>	(2.8%)
Accumulated Decrease in Fair Value of Hedging Derivatives	67,487	94,964	(27,477)	(28.9%)
Net Carrying Amount of Debt Refunding*	57,986	36,768	21,218	57.7%
Total Deferred Outflows of Resources	<u>125,473</u>	<u>131,732</u>	<u>(6,259)</u>	(4.8%)
Current and other liabilities	295,443	288,061	7,382	2.6%
Long-term liabilities*	2,100,026	2,149,919	(49,893)	(2.3%)
Total liabilities	<u>2,395,469</u>	<u>2,437,980</u>	<u>(42,511)</u>	(1.7%)
Net position:				
Net investment in Capital Assets*	1,781,012	1,786,722	(5,710)	(0.3%)
Restricted	257,756	301,111	(43,355)	(14.4%)
Unrestricted (deficit)	<u>(127,200)</u>	<u>(92,902)</u>	<u>(34,298)</u>	(36.9%)
Total net position	<u>\$ 1,911,568</u>	<u>\$ 1,994,931</u>	<u>\$ (83,363)</u>	(4.2%)

\* Restated for GASB 65 - reduced Other Assets and Net Investment in Capital Assets for loan origination costs (\$8,076k)

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Capital assets (net) decreased \$64.1 million or 1.8% 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.

The analyses in Table 1, on the previous page, 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, 2014	* Restated June 30, 2013	Increase (Decrease)	Percentage Change
<b>Revenues:</b>				
Program revenue:				
Charges for services	\$ 47,989	\$ 46,241	\$ 1,748	3.8%
Operating grants and contributions	476,357	471,831	4,526	1.0%
Capital grants and contributions*	14,357	14,568	(211)	(1.4%)
General revenue:				
Property taxes	1,012,800	1,001,130	11,670	1.2%
Grants and contributions not restricted*	221,228	140,140	81,088	57.9%
Investment earnings	2,348	1,155	1,193	103.3%
Other general revenue	56,186	53,006	3,180	6.0%
Transfers	13,000	-	13,000	100.0%
Total revenues and transfers	<u>1,844,265</u>	<u>1,728,071</u>	<u>116,194</u>	<u>6.7%</u>
<b>Functions/Programs Expenses</b>				
Instruction	1,047,726	949,936	97,790	10.3%
Instructional support services	174,848	161,937	12,911	8.0%
Board	6,149	5,495	654	11.9%
General administration	9,231	9,887	(656)	(6.6%)
School administration	96,911	92,887	4,024	4.3%
Facilities acquisition and construction	26,343	29,525	(3,182)	(10.8%)
Fiscal services	5,881	5,726	155	2.7%
Food services	74,047	70,710	3,337	4.7%
Central services	15,715	13,550	2,165	16.0%
Student transportation services	47,036	46,955	81	0.2%
Operation and maintenance of plant	191,892	187,037	4,855	2.6%
Administrative technology services	6,114	7,260	(1,146)	(15.8%)
Community services	36,157	33,897	2,260	6.7%
Interest on long-term debt	80,122	84,780	(4,658)	(5.5%)
Unallocated depreciation/amortization*	109,456	119,262	(9,806)	(8.2%)
Total expenses	<u>1,927,628</u>	<u>1,818,844</u>	<u>108,784</u>	<u>6.0%</u>
<b>Change in net position</b>	<b>(83,363)</b>	<b>(90,773)</b>	<b>7,410</b>	<b>(8.2%)</b>
<b>Net Position - beginning</b>	<u>1,994,931</u>	<u>2,085,704</u>	<u>(90,773)</u>	<u>(4.4%)</u>
<b>Net Position - ending</b>	<u>\$ 1,911,568</u>	<u>\$ 1,994,931</u>	<u>\$ (83,363)</u>	<u>(4.2%)</u>

\* Restated - for GASB 65 with increase to unallocated amortization for write-off of loan origination costs (\$8,076k), and reclassified DELL donation of \$4,681k from grants and contributions not restricted to capital grants and contributions (to be consistent with current year presentation).



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

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The results of this year’s operations for the District as a whole are reported in the Statement of Activities. Table 2, on the previous page, takes the information from that statement and rearranges them slightly so the reader can see the total revenues for the current year compared to fiscal year 2013.

As reported in the Statement of Activities, the cost of all of the governmental activities this year was \$1.928 billion. Some costs were paid by those who benefited from the programs (\$48.0 million), or by other governments and organizations who subsidized certain programs with grants and contributions (\$490.7 million). The District paid for the remaining “public benefit” portion of the governmental activities with \$1.013 billion in property taxes, \$221.2 million in grants and contributions not restricted to specific programs, \$2.3 million in investment earnings, \$56.2 million in other general revenue, and \$13.0 million transfer from the health internal service fund.

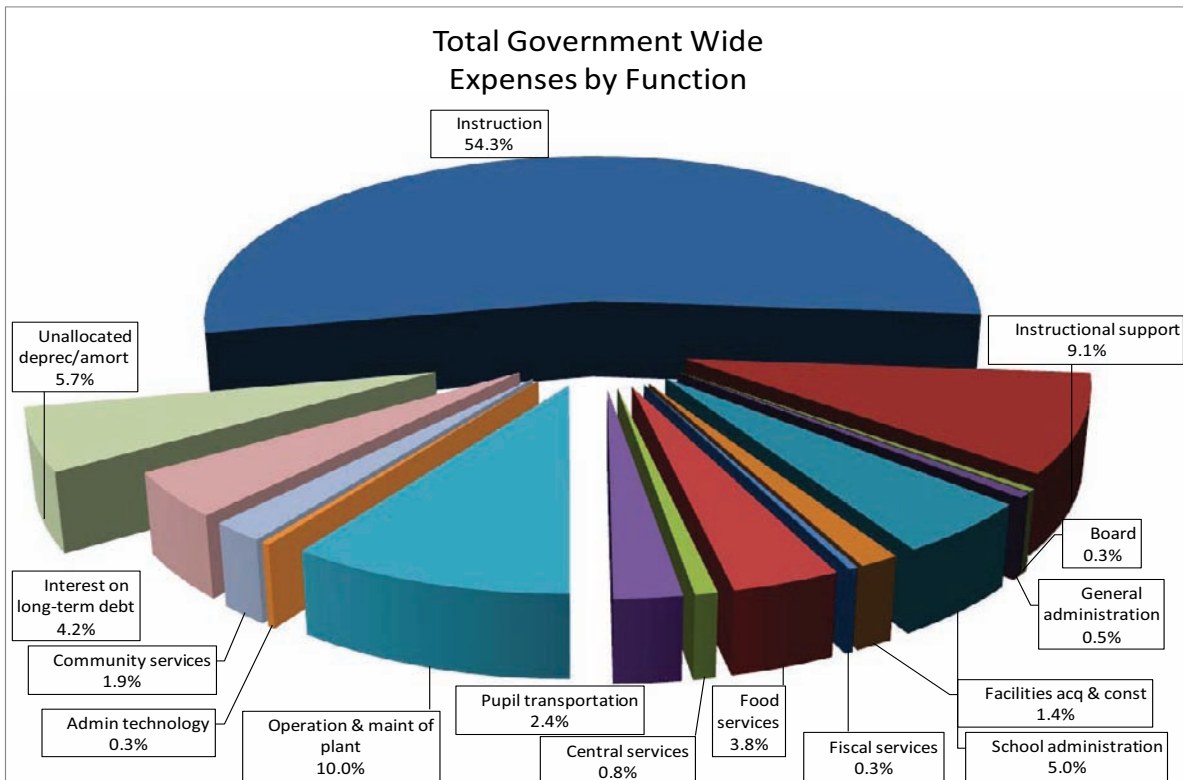
Operating grants and contributions increased \$4.5 million or 1.0%, which is primarily attributed to an increase in School Food Service reimbursements of \$4.3 million as a result of the expansion of the free breakfast program and overall increased participation.

Property taxes increased \$11.7 million or 1.2%, which is primarily attributed to a 4.2% increase in property values partially offset by a decrease in property tax levy from 7.778 to 7.586.

Grants and contributions not restricted increased \$81.1 million or 57.9%, which is primarily related to an increase of \$79.4 million in FEFP revenue. FEFP revenue increased mainly due to increase in Base Student Allocation, new funding provided for teacher raises and net increased enrollment in Palm Beach County, including charter schools.

Investment earnings increased \$1.2 million and 103.4% primarily attributed investment revenue and interest received from the Palm Beach County Tax Collector.

The pie chart below represents total expenditures classified by function.



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

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

#### **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

##### **Governmental Funds**

As of June 30, 2014 the District's governmental funds reported a combined fund balance of \$387.8 million, which is a decrease of \$98.4 million or 20.2% under 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 \$111.8 million which is a decrease of \$21.5 million or 16.1%. The decrease is mainly related to the decline in district enrollment without a commensurate decrease in expenditures. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$46.5 million.

The COPS Debt Service Fund, another major fund, reported an ending fund balance of \$107.1 million which is a decrease of \$2.4 million or 2.2% when compared with prior year. The decrease is related to debt service payments the District will need to make in early fiscal year 2015.

The Capital Improvement Fund, another major fund, reported an ending fund balance of \$36.5 million a decrease of \$8.3 million or 18.4% due to the timing of revenue and capital outlay spending.

Other Non-Major Governmental Funds, which represent a summarization of all the other governmental funds, ended the year with total fund balance of \$132.3 million, a decrease of \$66.3 million or 33.4%. This decrease is primarily due to capital spending and transfers out exceeding revenue received in the current year.

##### **Proprietary Funds**

The District's internal service funds reported a combined net position of \$40.4 million. The Health Internal Service Fund ended the year with a net position of \$73.0 million, which is an increase of \$10.7 million or 17% over last year due to premiums exceeding claims and other expenses. The District created the Worker's Compensation, General and Auto Liabilities Claim Fund on July 1, 2013. This Fund has a negative net position of \$32.6 million due to recording the actuarially determined long term claims liabilities since proprietary funds use accrual basis accounting. The District has a plan to fund this negative position over a 15 year period.

##### **General Fund Budgetary Highlights**

During the year, appropriations increased \$34.1 million from original budget to final budget. The increase in appropriations is primarily attributed to unanticipated revenue and other financing sources comprised of the following: transfer from health internal service fund of \$13.0 million, increase in FEFP of \$7.8 million, increase in afterschool fee based programs of \$5.0 million, loss recoveries of \$5.1 million and additional miscellaneous revenue of \$3.2 million.

The General Fund actual expenditures were less than the budgeted appropriations by approximately \$64.0 million. This was due to enhanced cost containment measures put in place, such as a hiring freeze on non-instructional positions and increased scrutiny of overtime and purchases, as well as unspent funds in programs such as aftercare, workforce development and state categorical programs.

#### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

##### **Capital Assets**

As shown in Table 3, on the next page, at June 30, 2014, the District had \$3.518 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,

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

deletions and depreciation) of \$64.1 million from last year. The decrease is primarily due to depreciation expense of \$108.9 million exceeding capital spending of \$46.0 million. Capital spending in the current year reflects the completion of modernization project for Galaxy Elementary and Gove Elementary as well as ongoing modernization of North Palm Beach Elementary, Gladeview Elementary and Rosenwald Elementary. Additionally, the District has completed an upgrade to the radio repeaters tower (total project cost of \$0.9 million) and the completion of several covered walkways.

The District's successful building program is winding down, as the proceeds of the referendum sales tax that ended in December 2010 and capital millage proceeds decline. Between fiscal year 2001 and fiscal year 2014, forty-one (41) new schools were built and fifty-six (56) others were replaced or totally renovated. Modernization of North Palm Beach Elementary was completed in August 2014, and Gladeview Elementary and Rosenwald Elementary modernization projects are expected to be completed before August 2015. The District continues its effort to provide state-of-the-art facilities for all of its students. Future school renovations and replacements will be scheduled based upon the availability of funding. See Note 7 of the Notes to the Financial Statements for more information on capital assets.

**Table 3**

Capital Assets at Year End Governmental Activities (in thousands)			
	June 30, 2014	June 30, 2013	Increase (Decrease)
Land	341,459	\$ 341,459	\$ -
Construction in progress	33,737	60,224	(26,487)
Improvements other than buildings	56,800	55,630	1,170
Buildings and fixed equipment	4,111,969	4,058,975	52,994
Furniture, fixtures and equipment	136,045	136,980	(935)
Motor vehicles	98,713	97,253	1,460
AV materials and computer software	56,752	58,273	(1,521)
Less: accumulated depreciation	(1,317,672)	(1,226,868)	(90,804)
Total capital assets, net	<u>\$ 3,517,803</u>	<u>\$ 3,581,926</u>	<u>\$ (64,123)</u>

**Long-term Debt**

As shown in Table 4, on page 12, at the end of this year, the District had \$1.879 billion in debt outstanding which is comparable to \$1.941 billion last year. The \$62.2 million decrease in outstanding debt is due to debt repayments of \$68.4 million, termination of 2001B/2011B Interest Rate SWAP causing a \$27.5 million decrease in negative fair value of hedging derivative instruments which was reclassified to deferred outflows of resources - net carrying amount of debt refunding, and the impact of refunding transactions and regular amortization. See Notes 10 and 11 of the Notes to the Financial Statements for more information on long-term liabilities and derivatives.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**Table 4**

Long-term Debt Outstanding at Year End Governmental Activities (in thousands)			
	June 30, 2014	June 30, 2013	Increase (Decrease)
Notes / Loans Payable	\$ 14,002	\$ -	\$ 14,002
Capital outlay bond issues	21,885	26,370	(4,485)
Certificates of participation	1,711,223	1,771,333	(60,110)
Borrowing-Swap Upfront Payment	3,092	8,017	(4,925)
Derivative Instruments - Hedging	67,487	94,964	(27,477)
Plus: issuance premiums	60,798	40,020	20,778
Total	<u>\$ 1,878,487</u>	<u>\$ 1,940,704</u>	<u>\$ (62,217)</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, 2014, the statutory limit for the District was approximately \$13.831 billion, providing additional debt capacity of approximately \$13.8 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 mils, the Debt Policy was amended to allow debt service to be up to 1 mil but should be within 50% of the capital millage levy within five years. Based on the reduction of the capital millage levy and declining property values, the District's capacity to issue new COPS debt has been dramatically reduced.

Other long-term obligations include liability for compensated absences, estimated claims liability, and post employment benefits.

**FACTORS BEARING ON THE DISTRICT'S FUTURE**

The proposed operating and capital budgets for fiscal year 2015 are currently balanced. As was the case at the start of fiscal year 2014, the FEFP second calculation already contains a prorated adjustment to funds available due to a higher than projected increase in taxable value statewide and the related increase to discretionary millage compression allocation. For the District, the adjustment is only \$289,156; however, a similar small pro-ratio to funds available at the beginning of fiscal year 2014 grew to an adjustment of \$3.5 million by the end of the fiscal year. The reconciliation of projected to actual, recalibrated FTE and the resulting adjustment to revenue will not be known until the fiscal year 2014 final calculation is released in October. In anticipation of a potential negative prior year revenue adjustment, the District has imposed a waiver process for hiring and travel, to reduce expenditures.

The District's .25 mill property tax levy for operations approved by the voters for four years in 2010 is on the November 2014 ballot to extend the millage for another four years, from fiscal year 2016 through fiscal year 2019. For fiscal year 2015, the .25 mills will generate \$36.0 million in revenue. The revenue is designated for art, music and physical education instruction, choice programs and career academies. If the continuation of this levy is not approved by voters, the District will be forced to make significant program reductions in fiscal year 2016.

The recent high growth rate of charter schools, and loss of enrollment to them, has impacted resources available for District schools. The District is responding by increasing its marketing efforts and choice

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

options to reduce the outflow of students to charters and the loss of associated revenue. On the appropriation side, efforts are underway to revamp the allocation of resources to schools to be more responsive to fluctuations in enrollment.

With the Legislature once again failing to restore capital millage rates to 2.0 mills, the District is faced with choices to maintain adequate levels of maintenance, to provide technology for classrooms and replace an aging bus fleet. The choices include securing alternate revenue sources, reducing expenditures, and/or moving expenditures to general fund. Moving expenditures to general fund will also require either additional revenue or an equal reduction of expenditures as the general fund does not have excess resources to absorb the additional costs. In an effort to bolster the lobby effort to improve funding for capital maintenance costs, the District is working through the Florida School Finance Officers Finance Council, an advisory group to the Florida Department of Education, to bring consensus concerns to the Governor and state legislators. Perhaps by working together, the critical additional funding needed may be secured.

District staff is committed to maintaining financial stability and will continue to meet financial challenges as they arise.

**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 Operating 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:

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

# BASIC FINANCIAL STATEMENTS



**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2014**  
**(amounts expressed in thousands)**

	<b>Primary Government Governmental Activities</b>
<b>ASSETS</b>	
Cash, cash equivalents and investments	\$ 577,864
Derivative instrument investments	93
Taxes receivable	19,572
Accounts, deposits and interest receivable	1,585
Due from other agencies	42,302
Inventories	12,303
Restricted assets (cash with fiscal agent)	3,484
Other assets	6,558
Capital assets:	
Land	341,459
Construction in progress	33,737
Improvements other than buildings	56,800
Buildings and improvements	4,111,969
Furniture, fixtures and equipment	136,045
Motor vehicles	98,713
Audio/video materials and software	56,752
Less accumulated depreciation	<u>(1,317,672)</u>
Total capital assets, net of depreciation	<u>3,517,803</u>
<b>TOTAL ASSETS</b>	<b><u>4,181,564</u></b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Accumulated Decreases in Fair Value of Hedging Derivatives	67,487
Net Carrying Amount of Debt Refunding	<u>57,986</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCE</b>	<b><u>125,473</u></b>
<b>LIABILITIES</b>	
Accounts and contracts payable	33,926
Accrued payroll and payroll deductions	108,816
Retainage payable on contracts	1,884
Deposits payable	154
Interest payable	37,311
Unearned revenue	834
Noncurrent liabilities:	
Portion due or payable within one year:	
Loans/note payable	4,170
Bonds payable	4,220
Liability for compensated absences	15,680
Certificates of participation payable	66,535
Borrowing-swap upfront payment	216
Estimated claims	21,697
Portion due or payable after one year:	
Loans/note payable	9,832
Bonds payable	19,736
Liability for compensated absences	170,902
Certificates of participation payable	1,703,415
Borrowing-swap upfront payment	2,876
Derivative instrument - Hedging	67,487
Estimated claims	30,139
Other post-employment benefits obligation	<u>95,639</u>
<b>TOTAL LIABILITIES</b>	<b><u>2,395,469</u></b>
<b>NET POSITION</b>	
Net Investment in capital assets	1,781,012
Restricted for:	
Categorical carryover programs	1,915
Debt service	73,359
Capital projects	126,823
School food service	25,734
Other purposes (See Footnote 14)	29,925
Unrestricted (deficit)	<u>(127,200)</u>
<b>TOTAL NET POSITION</b>	<b><u>\$ 1,911,568</u></b>

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, 2014**  
**(amounts expressed in thousands)**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary government:</b>				
Governmental activities:				
Instruction	\$ 1,047,726	\$ 2,684	\$ 305,826	\$ 5,189
Instructional support services	174,848	-	63,572	-
Board	6,149	-	-	-
General administration	9,231	-	2,940	-
School administration	96,911	-	6,237	-
Facilities acquisition and construction	26,343	-	-	3,549
Fiscal services	5,881	-	41	-
Food services	74,047	14,429	62,818	-
Central services	15,715	-	1,221	-
Pupil transportation services	47,036	931	24,713	-
Operation of plant	124,757	-	4,509	-
Maintenance of plant	67,135	-	60	-
Administrative technology services	6,114	-	67	-
Community services	36,157	29,945	4,353	-
Interest on long-term debt	80,122	-	-	5,619
Unallocated depreciation expense	108,894	-	-	-
Amortization expense	562	-	-	-
<b>Total primary government governmental activities</b>	<u>1,927,628</u>	<u>47,989</u>	<u>476,357</u>	<u>14,357</u>

General revenues:

Taxes:

Property taxes, levied for general purposes

Property taxes, levied for capital projects

Grants and entitlements not restricted to specific programs

Investment earnings

Other

Transfers

Total general revenues and transfers

Change in net position

Net Position—beginning - restated for GASB 65 (see footnote1 (N))

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**  

---

\$	(734,027)
	(111,276)
	(6,149)
	(6,291)
	(90,674)
	(22,794)
	(5,840)
	3,200
	(14,494)
	(21,392)
	(120,248)
	(67,075)
	(6,047)
	(1,859)
	(74,503)
	(108,894)
	(562)
	<hr/> (1,388,925) <hr/>

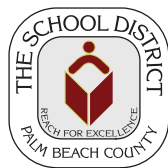
	809,909
	202,891
	221,228
	2,348
	56,186
	13,000
	<hr/> 1,305,562 <hr/>
	(83,363)
	1,994,931
\$	<hr/> 1,911,568 <hr/>

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2014**  
**(amounts expressed in thousands)**

	<u>GENERAL FUND</u>	<u>COPS DEBT SERVICE</u>
<b>ASSETS</b>		
Cash, cash equivalents and investments	\$ 205,204	\$ 107,428
Taxes receivable	15,648	-
Accounts and interest receivable	1,578	7
Due from other agencies	9,865	-
Due from other funds	5,000	-
Inventories	9,619	-
Other assets	-	-
<b>TOTAL ASSETS</b>	<u>246,914</u>	<u>107,435</u>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>LIABILITIES</b>		
Accounts and contracts payable	18,194	300
Accrued payroll and payroll deductions	108,886	-
Due to other funds	-	-
Retainage payable on contracts	-	-
Deposits payable	154	-
Unearned revenue	422	-
<b>TOTAL LIABILITIES</b>	<u>127,656</u>	<u>300</u>
<b>DEFERRED INFLOWS</b>		
Unavailable Revenue	7,445	-
<b>TOTAL DEFERRED INFLOWS</b>	<u>7,445</u>	<u>-</u>
<b>FUND BALANCES</b>		
Nonspendable	9,619	-
Restricted	28,170	107,135
Committed	-	-
Assigned	27,524	-
Unassigned	46,500	-
<b>TOTAL FUND BALANCES</b>	<u>111,813</u>	<u>107,135</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 246,914</u>	<u>\$ 107,435</u>

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

<b>CAPITAL IMPROVEMENT</b>	<b>OTHER NON-MAJOR GOVERNMENTAL FUNDS</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
\$ 35,351	\$ 140,353	\$ 488,336
3,924	-	19,572
-	-	1,585
-	31,274	41,139
-	-	5,000
-	2,684	12,303
-	216	216
<u>39,275</u>	<u>174,527</u>	<u>568,151</u>
2,665	11,253	32,412
-	7,957	116,843
-	5,000	5,000
111	1,773	1,884
-	-	154
-	842	1,264
<u>2,776</u>	<u>26,825</u>	<u>157,557</u>
-	15,398	22,843
-	15,398	22,843
-	2,684	12,303
36,499	93,944	265,748
-	186	186
-	35,490	63,014
-	-	46,500
<u>36,499</u>	<u>132,304</u>	<u>387,751</u>
<u>\$ 39,275</u>	<u>\$ 174,527</u>	<u>\$ 568,151</u>



**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2014  
(amounts expressed in thousands)**

**Total Fund Balances - Governmental Funds** \$ 387,751

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	4,835,475	
Accumulated depreciation	(1,317,672)	
Total capital assets, net of depreciation		3,517,803

Bond insurance amounts related to debt issuance are reported as expenditures in the governmental funds when first incurred, however, they are included as deferred charges in the governmental activities in the statement of net position. 2,162

Deferred outflow of resources are reported at the fair values of corresponding hedging derivative instruments in the statement of net position. 67,487

Deferred outflow of resources are reported at net carrying amount for refunding transactions in the statement of net position. 57,986

Derivative instruments - investment assets reported on the statement of net position. 93

Expenditures for insurance 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. 4,180

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	94,175	
Liabilities	53,743	
Net position		40,432

Revenues that are unavailable or unearned in the governmental funds but are recognized as revenue in the governmental-wide financial statements. 23,273

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	14,002	
Bonds payable	23,956	
Certificates of participation payable	1,769,950	
Borrowing-swap upfront payment	3,092	
Hedging derivative instruments	67,487	
Compensated absences	178,268	
Other post employment benefits	95,533	
Accrued interest on long-term debt	37,311	(2,189,599)

**Total Net Position - Governmental Activities** \$ 1,911,568

**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, 2014**  
**(amounts expressed in thousands)**

	<b>GENERAL FUND</b>	<b>COPS DEBT SERVICE</b>
<b>REVENUES:</b>		
Local sources:		
Ad valorem taxes	\$ 809,909	\$ -
Interest income and other	1,473	108
School age child care fees	29,945	-
Food service sales	288	-
Local grants and other	31,540	-
Total local sources	<u>873,155</u>	<u>108</u>
State sources:		
Florida education finance program	266,681	-
Capital outlay and debt service	104	-
Food service	-	-
Class size reduction	207,018	-
State grants and entitlements	33,368	-
Total state sources	<u>507,171</u>	<u>-</u>
Federal sources:		
Federal grants and entitlements	8,477	-
National school lunch act	-	-
Total federal sources	<u>8,477</u>	<u>-</u>
<b>TOTAL REVENUES</b>	<u>1,388,803</u>	<u>108</u>
<b>EXPENDITURES:</b>		
<b>Current:</b>		
Instruction	988,338	-
Instructional support services	118,043	-
Board	5,994	-
General administration	6,198	-
School administration	96,383	-
Facilities acquisition and construction	570	-
Fiscal services	5,775	-
Food services	57	-
Central services	14,300	-
Pupil transportation services	46,600	-
Operation of plant	124,507	-
Maintenance of plant	67,402	-
Administrative technology services	6,238	-
Community services	35,474	-
<b>Total Current Expenditures</b>	<u>1,515,879</u>	<u>-</u>

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

<b>CAPITAL IMPROVEMENT</b>	<b>OTHER NON-MAJOR GOVERNMENTAL FUNDS</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
\$ 202,891	\$ -	\$ 1,012,800
533	291	2,405
-	-	29,945
-	14,141	14,429
2,091	4,833	38,464
<u>205,515</u>	<u>19,265</u>	<u>1,098,043</u>
-	-	266,681
-	6,835	6,939
-	1,000	1,000
-	-	207,018
-	5,984	39,352
<u>-</u>	<u>13,819</u>	<u>520,990</u>
-	120,828	129,305
-	61,818	61,818
-	182,646	191,123
<u>205,515</u>	<u>215,730</u>	<u>1,810,156</u>
-	59,143	1,047,481
-	56,955	174,998
-	50	6,044
-	2,940	9,138
-	28	96,411
18,260	8,351	27,181
-	42	5,817
-	73,887	73,944
-	1,108	15,408
-	376	46,976
-	432	124,939
-	-	67,402
-	-	6,238
-	705	36,179
<u>18,260</u>	<u>204,017</u>	<u>1,738,156</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, 2014  
(amounts expressed in thousands)**

	<u>GENERAL FUND</u>	<u>COPS DEBT SERVICE</u>
<b>Capital outlay</b>	1,129	-
<b>Debt service:</b>		
Retirement of principal	-	63,865
Interest	49	111,542
Fiscal charges	-	1,404
<b>TOTAL EXPENDITURES</b>	<u>1,517,057</u>	<u>176,811</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(128,254)</u>	<u>(176,703)</u>
<b>OTHER FINANCING SOURCES (USES):</b>		
Transfers in	101,681	145,438
Transfers out	(45)	-
Loans Incurred	-	-
Issuance of long-term and refunded debt	-	281,570
Net premium (discount) from issuance of long-term and refunded debt	-	25,748
Payments to refunded debt escrow agent	-	(278,468)
Proceeds of loss recoveries	5,057	-
Sale of capital assets and other	100	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>106,793</u>	<u>174,288</u>
<b>NET CHANGE IN FUND BALANCES</b>	(21,461)	(2,415)
<b>FUND BALANCES, JULY 1, 2013</b>	<u>133,274</u>	<u>109,550</u>
<b>FUND BALANCES, JUNE 30, 2014</b>	<u>\$ 111,813</u>	<u>\$ 107,135</u>

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



<b>CAPITAL IMPROVEMENT</b>	<b>OTHER NON-MAJOR GOVERNMENTAL FUNDS</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
4,116	39,857	45,102
-	4,485	68,350
-	4,898	116,489
-	106	1,510
<u>22,376</u>	<u>253,363</u>	<u>1,969,607</u>
<u>183,139</u>	<u>(37,633)</u>	<u>(159,451)</u>
-	2,924	250,043
(191,389)	(45,609)	(237,043)
-	14,002	14,002
-	-	281,570
-	-	25,748
-	-	(278,468)
-	-	5,057
-	3	103
<u>(191,389)</u>	<u>(28,680)</u>	<u>61,012</u>
(8,250)	(66,313)	(98,439)
<u>44,749</u>	<u>198,617</u>	<u>486,190</u>
<u>\$ 36,499</u>	<u>\$ 132,304</u>	<u>\$ 387,751</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, 2014**  
**(amounts expressed in thousands)**

**Total net change in fund balances - governmental funds** \$ (98,439)

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 (\$108,894) in excess of capitalized capital outlay (\$46,026) in the current period. (62,868)

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	(562)	
Debt Refunding Amortization	(7,858)	
Deferred Outflow related to Refunding (Swap Termination Fee)	28,422	
Premium/Discount Amortization	4,970	
Premium on Current Year Issuance	<u>(25,748)</u>	(776)

Investment loss related to derivative instruments reported in the statement of activities that are not reported as revenue in the governmental funds (214)

Revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. 23,273

Revenues reported in the governmental funds that were reported as revenue in the statement in activities in the prior year under full accrual. (6,226)

Note / Loan proceeds provided current financial resources to governmental funds, but increase long-term liabilities in the statement of net position. (14,002)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 68,350

COPs refunding proceeds provided current financial resources to governmental funds. COPs refunding payments are expenditures in the governmental funds. The amount by which the refunding proceeds (\$281,570) exceeded refunding payment (\$278,468) in the current period. (3,102)

The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net position. (1,255)

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	83	
Compensated absences	(5,271)	
Long-term claims payable - IBNR included in Internal Service Fund adjustment - actual net increase in IBNR is \$4,131 (offset against Internal Service Fund adjustment)	35,005	
Other post employment benefits	(8,284)	
Borrowing-SWAP	4,925	
Accrued interest on long-term debt	<u>7,418</u>	33,876

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 loss of the internal service fund is reported with governmental activities. (21,980)

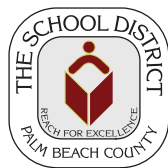
**Change in net position of governmental activities** \$ (83,363)

**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**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
**(amounts expressed in thousands)**

	<b>Budgeted Amounts</b>		<b>Actual (Budgetary Basis)</b>	<b>Variances -</b>	
				<b>Original to Final</b>	<b>Final to Actual</b>
	<b>Original</b>	<b>Final</b>			
<b>REVENUES:</b>					
Local sources	\$ 865,601	\$ 873,155	\$ 873,155	\$ 7,554	\$ -
State sources	499,333	507,171	507,171	7,838	-
Federal sources	6,897	8,477	8,477	1,580	-
<b>TOTAL REVENUES</b>	<u>1,371,831</u>	<u>1,388,803</u>	<u>1,388,803</u>	<u>16,972</u>	<u>-</u>
<b>EXPENDITURES:</b>					
Instruction	1,008,610	1,029,697	989,993	(21,087)	39,704
Instructional support services	117,551	121,779	118,104	(4,228)	3,675
Board	7,368	7,772	6,172	(404)	1,600
General administration	6,824	6,691	6,238	133	453
School administration	94,771	96,726	96,383	(1,955)	343
Facilities acquisition and construction	623	914	570	(291)	344
Fiscal services	6,037	6,009	5,775	28	234
Food Services	9	63	57	(54)	6
Central services	13,964	15,674	14,492	(1,710)	1,182
Pupil transportation services	46,976	47,477	46,675	(501)	802
Operation of plant	126,638	127,538	124,635	(900)	2,903
Maintenance of plant	74,810	71,888	67,402	2,922	4,486
Administrative Technology Services	6,593	6,818	6,238	(225)	580
Community services	37,395	43,202	35,569	(5,807)	7,633
Debt service	122	122	49	-	73
<b>TOTAL EXPENDITURES</b>	<u>1,548,291</u>	<u>1,582,370</u>	<u>1,518,352</u>	<u>(34,079)</u>	<u>64,018</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	<u>(176,460)</u>	<u>(193,567)</u>	<u>(129,549)</u>	<u>(17,107)</u>	<u>64,018</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	89,686	101,681	101,681	11,995	-
Transfers out	-	(45)	(45)	(45)	-
Sale of capital assets	-	100	100	100	-
Proceeds from loss recoveries	-	5,057	5,057	5,057	-
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>89,686</u>	<u>106,793</u>	<u>106,793</u>	<u>17,107</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (86,774)</u>	<u>\$ (86,774)</u>	<u>(22,756)</u>	<u>\$ -</u>	<u>\$ 64,018</u>
<b>FUND BALANCE, JULY 1, 2013 (GAAP BASIS)</b>			<u>133,274</u>		
<b>FUND BALANCE, JUNE 30, 2014 (BUDGETARY BASIS)</b>			110,518		
<b>Adjustment To Conform With GAAP:</b>					
Elimination of encumbrances			<u>1,295</u>		
<b>FUND BALANCE, JUNE 30, 2014 (GAAP BASIS)</b>			<u>\$ 111,813</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, 2014**  
**(amounts expressed in thousands)**

	<b>Governmental Activities Internal Service Fund</b>
<b>ASSETS</b>	
Current Assets:	
Cash, cash equivalents and investments	\$ 89,528
Due from other agencies	1,163
Total Current Assets	<u>90,691</u>
Noncurrent Assets:	
Restricted cash	3,484
Total Noncurrent Assets	<u>3,484</u>
Total assets	<u><u>\$ 94,175</u></u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 1,514
Accrued payroll and payroll deductions	65
Portion due or payable within one year:	
Estimated unpaid claims	21,697
Total Current Liabilities	<u>23,276</u>
Noncurrent liabilities:	
Portion due or payable after one year:	
Liability for compensated absences	222
Estimated unpaid claims	30,139
Other post-employment benefits obligation	106
Total Noncurrent Liabilities	<u>30,467</u>
Total liabilities	<u><u>53,743</u></u>
<b>NET POSITION</b>	
Unrestricted	<u><u>\$ 40,432</u></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 FUND NET POSITION**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
**(amounts expressed in thousands)**

	<b>Governmental Activities</b>
	<b>Internal Service Fund</b>
<b>OPERATING REVENUES:</b>	
Premium revenue	\$ 205,635
Other operating revenue	10,075
<b>TOTAL OPERATING REVENUES</b>	<u>215,710</u>
<b>OPERATING EXPENSES:</b>	
Salaries	1,198
Benefits	380
Purchased services	356
Claims and other expenses	222,913
<b>TOTAL OPERATING EXPENSES</b>	<u>224,847</u>
<b>OPERATING INCOME (LOSS)</b>	(9,137)
<b>NONOPERATING REVENUES:</b>	
Interest and other income	157
<b>TOTAL NONOPERATING REVENUES</b>	<u>157</u>
<b>INCOME (LOSS) BEFORE OPERATING TRANSFERS</b>	(8,980)
Transfers Out to General Fund	<u>(13,000)</u>
<b>CHANGE IN NET POSITION</b>	(21,980)
<b>NET POSITION - Beginning of year</b>	<u>62,412</u>
<b>NET POSITION - End of year</b>	<u><u>\$ 40,432</u></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, 2014**  
**(amounts expressed in thousands)**

	<b>Governmental Activities</b>
	<b>Internal Service Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash receipts from customers and interfund services provided	\$ 205,635
Cash payments to suppliers for goods and services	(183,274)
Cash payments for salaries and benefits	(1,383)
Other receipts	10,642
Net cash provided by operating activities	<u>31,620</u>
<b>CASH FLOWS FROM NONCAPITAL ACTIVITIES:</b>	
Transfers to other funds	(13,000)
Net cash used by noncapital activities	<u>(13,000)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest and other income	157
Net cash provided by investing activities	<u>157</u>
Net increase in cash and cash equivalents	18,777
Cash and cash equivalents, beginning of year*	<u>74,235</u>
Cash and cash equivalents, end of year*	<u><u>\$ 93,012</u></u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Operating Loss	<u>\$ (9,137)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Changes in assets and liabilities:	
Decrease in due from other agencies	567
Increase in accounts payable	859
Increase in payroll and payroll deductions	35
Increase in liability for compensated absences	102
Increase in estimated unpaid claims	39,136
Increase in other post-employment benefits obligation	58
Total adjustments	<u>40,757</u>
Net cash provided by operating activities	<u><u>\$ 31,620</u></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, 2014**  
**(amounts expressed in thousands)**

	<u>PRIVATE- PURPOSE TRUST FUND</u>	<u>AGENCY FUND</u>
	<u>FLORIDA FUTURE EDUCATORS OF AMERICA</u>	<u>SCHOOL INTERNAL FUNDS</u>
<b>ASSETS</b>		
Cash, cash equivalents and investments	\$ 387	\$ 16,663
Accounts receivable	-	1,071
Interest receivable	-	-
	<u>          </u>	<u>          </u>
<b>TOTAL ASSETS</b>	<u><u>\$ 387</u></u>	<u><u>\$ 17,734</u></u>
<b>LIABILITIES</b>		
Accounts payable	-	\$ 502
Due to student organizations	-	17,232
	<u>          </u>	<u>          </u>
<b>TOTAL LIABILITIES</b>	<u>          </u>	<u><u>\$ 17,734</u></u>
<b>NET POSITION</b>		
Held in trust for scholarships	<u>387</u>	
<b>TOTAL NET POSITION</b>	<u><u>\$ 387</u></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, 2014  
(amounts expressed in thousands)**

	<b>PRIVATE- PURPOSE TRUST FUND</b>
	<b>FLORIDA FUTURE EDUCATORS OF AMERICA</b>
<b>ADDITIONS</b>	
Donations	\$ 40
Interest	1
<b>TOTAL ADDITIONS</b>	<u>41</u>
<b>DEDUCTIONS</b>	
Scholarship disbursements	<u>78</u>
<b>TOTAL DEDUCTIONS</b>	<u>78</u>
<b>CHANGE IN NET POSITION</b>	(37)
<b>NET POSITION - Beginning of year</b>	<u>424</u>
<b>NET POSITION - End of year</b>	<u><u>\$ 387</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, 2014**

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

**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 most interfund receivables and payables and transfers between funds as well as the transaction 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 reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

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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 on the face of 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. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred. 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.

***COPS Debt Service Fund***

The COPS Debt Service Fund accounts for the repayment of the District's certificates of participation.

***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.

**PROPRIETARY FUNDS**

Proprietary Funds are used to account for ongoing organizations and activities, which are operated and financed in a manner similar to those found in the private sector. The measurement focus is upon the determination of net income. The only Proprietary Funds that the District has are Internal Service Funds. Proprietary funds distinguish 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

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

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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***

Internal Service Fund is used to account for the financing of goods and services provided by one department to another on a cost reimbursement basis. The District has two Internal Service Funds, one for group health and one for worker's compensation, general and auto liability claims. As of July 1, 2013, the latter fund was created in order to separately report claims instead of consolidating the activity within the General Fund. The negative net position of this new fund will be funded over a 15 year period.

**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 account for 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 recorded in the financial records and reported on 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 available and measurable. "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 taxes are received, except at year end when revenue is recognized for taxes received by the District within sixty (60) days subsequent to fiscal year end. Expenditures are recognized in the accounting period in which the liability is incurred. However, exceptions include the amount of unmatured principal and interest on general long-term debt, compensated absences, OPEB, claims and judgments and certain prepaid items which are recognized when due/paid.

In applying the susceptible to accrual concept to revenues from Federal and State sources, the legal 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

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

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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 deferred revenue.

***Accrual***

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

***Revenue Recognition***

***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. 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 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*** – On an accrual basis, 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.

***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 dated September 11, 2013 the date of the final amendment approved by the Board. 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.

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

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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, 2014 for funds under budgetary control have been re-appropriated for the fiscal year 2015 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 presented on the financial statements. Investments are stated at fair value, based on quoted market prices or recognized pricing sources. Investments consist of direct obligations of the United States Treasury, U.S. Government Agency Securities, U.S. Government sponsored agencies, money market funds 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. 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. 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, cash equivalents are considered to be the money market funds and all highly liquid investments with a maturity of three months or less when purchased.

**F. Inventories**

Inventories are valued at cost, which approximates market, 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.

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**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).

**H. Capital Assets**

Capital assets represent the cumulative amount of capital assets owned by the District. Purchased assets are recorded as expenditures in the fund financial statements and are capitalized at cost on the government-wide statement of net position. Gifts or contributions are recorded at fair 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) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The District only has two items that qualify for reporting in this category. The first item is accumulated decrease in fair value of hedging derivatives (See Note 11). The second item is the net carrying amount of debt refunding reported in the government-wide statement of net position. A deferred charge on 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.

Deferred outflows of resources activity for the fiscal year ended June 30, 2014 is as follows (in thousands):

	<b>Government Wide</b>			
	Ending Balance			Ending Balance
	<u>June 30, 2013</u>	<u>Increase</u>	<u>Decrease</u>	<u>June 30, 2014</u>
<b>Deferred Outflows of Resources</b>				
Accumulated Decrease in Fair Value of Hedging Derivatives	\$ 94,964	\$ -	\$ 27,477	\$ 67,487
Deferred charge on refunding*	36,768	29,076	7,858	57,986
<b>Total Outflows of Resources</b>	<b>\$ 131,732</b>	<b>\$ 29,076</b>	<b>\$ 35,335</b>	<b>\$ 125,473</b>

\*Reclassified from Bonds and Leases Payable. Current year increase includes SWAP termination payment.

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

In addition to liabilities, the statement of net position and 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 Unavailable Revenue 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.

Deferred inflows of resources total \$22.8 million and consist of the following balances (in thousands):

	<b>Fund Level</b>		
	General Fund	Non-Major Governmental Funds	Total
<b>Deferred Inflows of Resources</b>			
Federal and State Sources			
Medicaid	\$ 3,200	\$ -	\$ 3,200
Fuel Tax	105	-	105
Local Sources			
Erate	4,140	-	4,140
Impact Fees	-	15,398	15,398
<b>Total Inflows of Resources</b>	<u>\$ 7,445</u>	<u>\$ 15,398</u>	<u>\$ 22,843</u>

**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 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 enters into interest rate swap agreements to modify interest rates on outstanding debt. The fair value of these instruments is reflected on the government wide financial statements (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. As of July 1, 2013, Workers Compensation, General and Auto Claims are reported as an Internal Service Fund. The negative net position will be funded over a fifteen year period.

**L. Compensated Absences**

Compensated absences are payments 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



**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

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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. An expenditure is recognized in the governmental 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 10).

**M. 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 and liabilities and disclosures of contingent assets and liabilities 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.

**N. Impact of Recently Issued Accounting Principles**

Recently Issued and Adopted Accounting Pronouncements

In March 2012, the GASB issued Statement 65, Items Previously Reported as Assets and Liabilities. GASB 65 establishes accounting and financial reporting standards that reclassify as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This Statement specifically addresses the calculation of a deferred outflow or inflow for the refunding of debt, requires that debt issuance costs be expensed in the period in which that debt was issued, and requires that revenue recorded in the governmental funds that is not available be classified as Unavailable Revenue (a deferred inflow). This Statement is effective for periods beginning after December 15, 2012 and requires that the cumulative effect of applying this Statement should be reported as a restatement of beginning net position. The effects of the accounting change on net position as previously reported for fiscal year 2013 and prior years is a reduction of \$8.1 million and is adjusted as of June 30, 2013 as follows (amounts in thousands):

	Governmental Activities
Net Position, previously reported	\$ 2,003,007
Adjustment to write-off debt issuance cost	8,076
Net Position, restated	\$ 1,994,931

Recently Issued Accounting Pronouncements

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement 27*. GASB 68 improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2014. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements. It will mostly likely have a material effect, but that amount is not readily determinable.

In April 2013, the GASB issued Statement 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. GASB requires a government that has issued an obligation guaranteed in a nonexchange

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

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transaction to report the obligation until legally released as an obligor. This Statement is effective for fiscal years beginning after June 15, 2013. The adoption of GASB 70 does not have any impact on the District's financial statements.

In November 2013, the GASB issued Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. This Statement is effective for fiscal years beginning after June 15, 2014. 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 7.586 mills and the total assessed value on which the 2013-14 levy was based was \$138.7 billion. Gross taxes levied were approximately \$1.0 billion. Total revenue, net of discounts, was approximately \$1.0 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 2014, the maintenance transfer amounted to approximately \$75.3 million. Additionally, approximately \$8.2 million was transferred for property insurance; approximately \$5.2 million was transferred for charter school capital outlay bringing the total transfer from capital to approximately \$88.7 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

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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, 2014, the carrying amount of the District's cash deposits was approximately \$155.7 million and the bank balance was approximately \$162.5 million. The carrying amount of the Agency Fund - School Internal Funds cash deposits was approximately \$16.7 million.

The District receives interest on all collected 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 Markets, Florida Education Investment Trust Fund (FEITF) and Florida State Board of Administration (SBA).

**Investments**

The District's investment policy permits investments in the SBA Local Government Surplus Funds Trust 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. 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 which a security may have.

As of June 30, 2014, the District had the following unrestricted cash and investments and maturities (amounts in thousands):

<b>PORTFOLIO / INVESTMENTS</b>	<b>CARRYING VALUE</b>	<b>EFFECTIVE DURATION</b>
<b>Cash Deposits</b>	\$ 155,671	N/A
<b>Money Market Funds</b>	110,269	N/A
<b>Florida Education Investment Trust Fund (FEITF)</b>	134,974	N/A
<b>Florida State Board of Administration (SBA)</b>	37	0.09
<b>Commercial Paper</b>	7,890	0.33
<b>Core Fund Investments</b>		
US Treasury - Notes	56,151	2.07
Federal Agency - Bond/Notes	102,786	1.66
Corporate Notes	7,731	2.18
Municipal Bonds	2,355	0.25
<b>TOTAL</b>	<b>\$ 577,864</b>	

**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 May, 2015 and March, 2017. As of June 30, 2014, the District held approximately \$4.2 million in market value of callable securities issued by Federal Instrumentalities which permit the issuer to redeem the securities prior to their original maturity date.

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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 VALUE (in thousands)	PERCENTAGE OF INVESTMENT BALANCE	RATING S&P / MOODY'S
<b>Cash Deposits</b>	\$ 155,671	26.94%	
<b>Money Market Funds</b>			
Dreyfus Treasury and Agency	53,183	9.20%	AAAm/Aaa-mf
Federated Government Obligation	25,697	4.45%	AAAm/Aaa-mf
Fidelity Institutional Government Fund	17,239	2.98%	AAAm/Aaa-mf
Goldman Sachs Government Fund	100	0.02%	AAAm/Aaa-mf
Morgan Stanley US Government	101	0.02%	AAAm/Aaa-mf
TD Asset Management US Government Fund	13,949	2.41%	AAA
<b>Florida Education Investment Trust Fund (FEITF)</b>	134,974	23.36%	AAAm
<b>Florida State Board of Administration (SBA)</b>	37	0.01%	AAAm
<b>Commercial Paper</b>			
Bank of Tokyo Mitsubishi Ltd	2,048	0.35%	A-1/P-1
BNP Paribas Finance Inc.	4,147	0.72%	A-1/P-1
Fortis	1,695	0.29%	A-1
<b>Investments in Fixed Income Securities</b>			
US Treasury - Notes/Bill	56,151	9.72%	AA+/Aaa
Toyota Motor Corporation	896	0.16%	AA-/Aa3
Berkshire Hathaway	1,130	0.20%	AA/Aa2
Coca-Cola	450	0.08%	AA/Aa3
Exon	1,079	0.19%	AAA/Aaa
Wal-Mart	572	0.10%	AA/Aa2
Apple	574	0.10%	AA+/Aa1
IBM	2,497	0.43%	AA-/Aa3
Chevron	533	0.09%	AA/Aa1
Federally Backed Securities (Fannie Mae & Freddie Mac) - Short Term	90,078	15.59%	A-1+/P-1
Federally Backed Securities (Fannie Mae, Farmer Mac & Freddie Mac) - Long Term	12,708	2.20%	AA+/Aaa
Municipal Bonds	2,355	0.41%	AA/Aa3
<b>TOTAL</b>	<b>\$ 577,864</b>	<b>100.00%</b>	

As of June 30, 2014, 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.

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**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 "Aa" by Moody's and a minimum long term debt rating of "AA" 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, 2014, the District held \$7.7 million of corporate notes of which had an S&P rating between AA- and AAA. All investments in the Federally Backed Securities (Fannie Mae, Freddie Mac (also known as Federal Home Loan Mortgage Corporation) and Farmer Mac) had a rating between AA+ and Aaa for securities held for more than one year and a rating between A-1+ and P-1 for securities held less than a one year. All other rated investments were rated between AA and AAA by S&P. As of June 30, 2014, the Local Government Investment Pool was rated AAAM by S&P. As of June 30, 2014, Fund B was not rated by a nationally recognized statistical rating agency.

**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, 2014, the District's investment portfolio was held with a third-party custodian.

**4. INVESTMENT DERIVATIVE INSTRUMENTS**

The District received an upfront premium payment of \$3,010,000 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 is exercisable anytime until August 2018. Once the barrier option expires the District will be left with a fixed-payer swap that matures August 2029. Therefore, for accounting and financial reporting purposes, the barrier option derivative instrument is considered an investment derivative instrument. At June 30, 2014, the fair value of the barrier option is approximately \$93,000 in asset position (See Note 11).

**5. DUE FROM OTHER AGENCIES**

At June 30, 2014, the District had a total of approximately \$42.3 million in Due From Other Agencies which consisted of the following balances (amounts in thousands) (See page 46):

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	Due From Other Agencies:				
	General Fund	Non-major Governmental		Internal Service Fund	Total
		Funds	Funds		
<b>Federal and State Sources</b>					
Medicaid*	\$ 3,200	\$ -	\$ -	\$ 3,200	
Grant and Entitlements	-	15,676	-	15,676	
FEMA	422	7	-	429	
Fuel Tax*	173	-	-	173	
<b>Local Sources</b>					
Erate*	4,774	-	-	4,774	
Family Central	928	-	-	928	
Impact Fees*	-	15,398	-	15,398	
Pharmacy Rebates	-	-	1,163	1,163	
Other	368	193	-	561	
<b>Total Due From Other Agencies</b>	<b>\$ 9,865</b>	<b>\$ 31,274</b>	<b>\$ 1,163</b>	<b>\$ 42,302</b>	

\* All or partially recorded as Deferred Unavailable at the fund level.

**6. INTERFUND ACTIVITIES**

Due to/from other funds consisted of the following balances at June 30, 2014 (amounts in thousands):

	Interfund Receivables	Interfund Payables
General Fund	\$ 5,000	\$ -
Other Non-Major Governmental Funds	-	5,000
<b>Total Interfund</b>	<b>\$ 5,000</b>	<b>\$ 5,000</b>

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.

Interfund transfers for the year ended June 30, 2014 were as follows (amounts in thousands):

	Transfer to:			
	General Fund	Other Non- Major		Total
		COPS Debt Service	Governmental	
Transfer from:				
Capital Improvement	\$ 57,072	\$ 131,438	\$ 2,879	\$ 191,389
General Fund	-	-	45	45
Other Non-Major Governmental Funds	31,609	14,000	-	45,609
Internal Service Funds	13,000	-	-	13,000
<b>Total</b>	<b>\$ 101,681</b>	<b>\$ 145,438</b>	<b>\$ 2,924</b>	<b>\$ 250,043</b>

The majority of interfund transfers were for recurring annual operating and debt service expenditures. The \$13.0 million transfer from the internal service fund to the general fund is to reimburse the General fund for cash infusion provided in fiscal years 2010 and 2012.

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**7. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2014 is as follows (amounts in thousands):

	Ending Balance June 30, 2013	Additions and Transfer In	Retirements and Transfers Out	Ending Balance June 30, 2014
<b><u>Non-Depreciable Assets:</u></b>				
Land	\$ 341,459	\$ -	\$ -	\$ 341,459
Construction in Progress	60,224	36,350	62,837	33,737
<b>Total Non-Depreciable Assets</b>	<b>401,683</b>	<b>36,350</b>	<b>62,837</b>	<b>375,196</b>
<b><u>Depreciable Assets:</u></b>				
Improvements Other Than Buildings	55,630	1,333	163	56,800
Buildings and Improvements	4,058,975	61,829	8,835	4,111,969
Furniture, Fixtures & Equipment	136,980	7,045	7,980	136,045
Motor Vehicles	97,253	1,498	38	98,713
Audio/Video Materials & Software	58,273	808	2,329	56,752
<b>Total Depreciable Assets</b>	<b>4,407,111</b>	<b>72,513</b>	<b>19,345</b>	<b>4,460,279</b>
<b><u>Less Depreciation For:</u></b>				
Improvements Other Than Buildings	(20,318)	(3,760)	(76)	(24,002)
Buildings and Improvements	(979,104)	(86,458)	(7,913)	(1,057,649)
Furniture, Fixtures & Equipment	(102,501)	(10,367)	(7,805)	(105,063)
Motor Vehicles	(73,846)	(6,053)	(38)	(79,861)
Audio/Video Materials & Software	(51,099)	(2,256)	(2,258)	(51,097)
<b>Total Accumulated Depreciation</b>	<b>(1,226,868)</b>	<b>(108,894)</b>	<b>(18,090)</b>	<b>(1,317,672)</b>
<b>Capital Assets, Net</b>	<b>\$ 3,581,926</b>	<b>\$ (31)</b>	<b>\$ 64,092</b>	<b>\$ 3,517,803</b>

Depreciation expense for the year ended June 30, 2014 of approximately \$108.9 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.

**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. The District is self-insured for portions of its general and automobile liability insurance, workers compensation and health 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 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, 2014 using a discounted rate factor of 4.0%. The liability consists of claims reported and payable, as well as an estimate for claims incurred but not reported. At June 30, 2014, the liability for insurance claims consisted of approximately \$13.0 million, \$8.2 million and \$30.6 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):

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	Fiscal Year Ended June 30, 2013	Fiscal Year Ended June 30, 2014
Beginning Balance	\$ 52,678	\$ 47,705
Additions:		
Current year and changes in estimates	165,629	178,550
Reductions:		
Claim payments	(170,602)	(174,419)
Ending Balance	\$ 47,705	\$ 51,836

There have been no other significant reductions in insurance coverage. A total of \$40.4 million is designated to cover claims incurred during the off contract period (summer break) and for future catastrophic long term claims.

**9. SHORT-TERM DEBT**

**Tax Anticipation Notes**

On September 26, 2013 the District issued Tax Anticipation Notes ("TANS"), Series 2013 for \$115.0 million. Note proceeds were used to pay fiscal year 2014 District operating expenditures prior to the receipt of ad valorem taxes. The notes were repaid in January 2014.

Short-term debt activity for the year ended June 30, 2014 was as follows (amounts in thousands):

	Beginning Balance July 1, 2013	Issued	Redeemed	Ending Balance June 30, 2014
Tax anticipation notes	\$ -	\$ 115,000	\$ (115,000)	\$ -
Total short-term debt	\$ -	\$ 115,000	\$ (115,000)	\$ -



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**10. LONG-TERM LIABILITIES**

A summary of changes in long-term liabilities for the year ended June 30, 2014, is as follows (amounts in thousands):

	Beginning Balance June 30, 2013	Additions	Reductions	Ending Balance June 30, 2014	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Bonds, Notes and Leases Payable:					
Notes/Loans Payable	\$ -	\$ 14,002	\$ -	\$ 14,002	\$ 4,170
Capital Outlay Bond Issue	26,370	-	(4,485)	21,885	4,220
Certificates of Participation	1,771,333	281,570	(341,680)	1,711,223	66,535
Borrowing-Swap Upfront Payment	8,017	-	(4,925)	3,092	216
Derivative Instruments-Hedging	94,964	-	(27,477)	67,487	-
	<u>1,900,684</u>	<u>295,572</u>	<u>(378,567)</u>	<u>1,817,689</u>	<u>75,141</u>
Plus Issuance Premium	40,020	25,748	(4,970)	60,798	-
<b>Total Bonds, Notes and Leases Payable</b>	<u>1,940,704</u>	<u>321,320</u>	<u>(383,537)</u>	<u>1,878,487</u>	<u>75,141</u>
Other Liabilities:					
Compensated Absences	180,833	21,241	(15,492)	186,582	15,680
Claims and Judgments:					
Insurance Claims	47,705	178,550	(174,419)	51,836	21,697
Post Employment Benefits	87,297	13,311	(4,969)	95,639	-
<b>Total Other Liabilities</b>	<u>315,835</u>	<u>213,102</u>	<u>(194,880)</u>	<u>334,057</u>	<u>37,377</u>
<b>Total Governmental Activities</b>					
<b>Long-Term Liabilities</b>	<u>\$ 2,256,539</u>	<u>\$ 534,422</u>	<u>\$ (578,417)</u>	<u>\$ 2,212,544</u>	<u>\$ 112,518</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.

Due to the implementation of GASB 65 in fiscal year 2014, deferred charge on refunding is shown as deferred outflow and is no longer included with long term liabilities.

**Bus and Equipment Loan**

On February 20, 2014, The District entered into a loan agreement with TD Equipment Finance for financing the acquisition of 110 buses and other equipment for \$14.0 million. Under the terms of the loan agreement, the District's annual payment includes interest at 1.235% and is payable over five years.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total Principal and Interest</u>
FY15	\$ 4,170	\$ 146	\$ 4,316
FY16	2,767	113	2,880
FY17	2,802	79	2,881
FY18	2,836	44	2,880
FY19	1,427	9	1,436
	<u>\$ 14,002</u>	<u>\$ 391</u>	<u>\$ 14,393</u>

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**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 3.00 % to 5.00 %. Interest is payable semiannually on January 1 and July 1. The bonds are redeemable at par.

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

Capital Outlay Bond Issues	Date of Issue	Amount Issued	Remaining Interest Rates (Percent)	Final Maturity Date	Debt		
					Debt Outstanding June 30, 2013	Matured/ Refunded FY 13-14	Debt Outstanding June 30, 2014
COBI 2005-A	5/1/2005	\$ 21,200	5.00%	1/1/2017	\$ 8,460	\$ 2,460	\$ 6,000
COBI 2005-B	7/1/2005	2,675	5.00%	1/1/2020	1,690	260	1,430
COBI 2009-A	9/10/2009	1,655	5.00%	1/1/2019	1,070	155	915
COBI 2010-A	10/14/2010	9,700	3.50% to 5.00%	1/1/2030	8,425	425	8,000
COBI 2010-A	10/14/2010	1,790	4.00% to 5.00%	1/1/2022	1,675	125	1,550
COBI 2011-A	12/7/2011	5,820	3.00% to 5.00%	1/1/2023	5,050	1,060	3,990
		<u>\$ 42,840</u>			<u>\$ 26,370</u>	<u>\$ 4,485</u>	<u>\$ 21,885</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
2015	\$ 4,220	\$ 1,020	\$ 5,240
2016	4,185	809	4,994
2017	1,970	600	2,570
2018	1,525	501	2,026
2019	1,375	425	1,800
2020-2024	5,310	1,240	6,550
2025-2029	2,725	438	3,163
2030-2034	575	23	598
Total	<u>\$ 21,885</u>	<u>\$ 5,056</u>	<u>\$ 26,941</u>

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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, 2014, the statutory limit for the District was approximately \$13.8 billion, providing additional debt capacity of approximately \$13.8 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 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 in an escrow, which when coupled with interest earnings will be sufficient to pay off the principal at maturity.

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)

Certificates	Date of Issue	Amount Issued	Remaining Interest Rates (Percent)	Final Maturity Date	Debt		Debt Refunded/		Debt		Ground Lease Term
					Outstanding June 30, 2013	Debt Issued FY 13-14	Debt Matured FY 13-14	Defeased June 30, 2014	Outstanding June 30, 2014		
Series 2002A (1)	2/1/2002	\$ 115,250	-	8/1/2013	\$ 7,710	\$ -	\$ 7,710	\$ -	\$ -	8/1/2018	
Series 2002B (2)	3/20/2002	115,350	-	8/1/2027	115,350	-	-	115,350	-	8/1/2027	
QZAB Series 2002	6/11/2002	950	-	6/11/2016	950	-	-	-	950	6/11/2016	
Series 2002E (3)	9/1/2002	93,350	4.00% to 5.38%	8/1/2016	37,495	-	11,070	-	26,425	6/30/2016	
Series 2003A (4)	6/26/2003	60,865	3.13% to 5.00%	8/1/2015	10,715	-	3,465	-	7,250	8/1/2021	
Series 2003B (5)	6/26/2003	124,295	Variable Est. 3.91% **	8/1/2029	124,295	-	-	-	124,295	8/1/2029	
Series 2004A (15)	5/4/2004	103,575	3.75% to 5.00%	8/1/2015	10,015	-	3,185	-	6,830	8/1/2029	
QZAB Series 2004	4/30/2004	2,923	-	4/30/2020	2,923	-	-	-	2,923	4/29/2020	
Series 2005A (6)	3/22/2005	124,630	3.70% to 5.00%	8/1/2022	123,295	-	215	-	123,080	8/1/2028	
QZAB Series 2005	12/15/2005	2,150	-	12/15/2020	2,150	-	-	-	2,150	12/15/2020	
Series 2006A	5/25/2006	222,015	4.10% to 5.00%	8/1/2031	187,355	-	6,330	-	181,025	8/1/2031	
Series 2007A	2/28/2007	268,545	4.00% to 5.50%	8/1/2031	217,020	-	11,660	-	205,360	8/1/2031	
Series 2007C (7)	3/22/2007	192,310	4.00% to 5.00%	8/1/2027	189,575	-	4,990	-	184,585	7/31/2027	
Series 2007D (8)	5/3/2007	30,485	5.00%	8/1/2015	14,295	-	4,535	-	9,760	6/30/2015	
Series 2007E	10/31/2007	147,390	3.80% to 5.00%	8/1/2032	139,070	-	4,395	-	134,675	8/1/2032	
QSCB Series 2010A	11/15/2010	67,665	5.40% ***	8/1/2025	67,665	-	-	-	67,665	8/1/2032	
Series 2011B (9)	6/29/2011	166,270	1.90%	8/1/2015	165,245	-	1,100	162,465	1,680	8/1/2025	
Series 2011A (10)	7/13/2011	112,425	4.00% to 5.00%	8/1/2032	112,425	-	-	-	112,425	8/1/2032	
Series 2011C (11)	11/15/2011	15,355	1.74%	8/1/2018	15,155	-	290	-	14,865	8/1/2018	
Series 2011D (12)	11/15/2011	25,065	2.64%	8/1/2021	24,845	-	320	-	24,525	8/1/2021	
Series 2012A (13)	5/15/2012	20,085	5.00%	8/1/2028	20,085	-	-	-	20,085	8/1/2028	
Series 2012B (14)	6/29/2012	116,555	5.46%	8/1/2028	116,555	-	4,600	-	111,955	8/1/2028	
Series 2012C (15)	8/9/2012	67,145	4.00% to 5.00%	8/1/2029	67,145	-	-	-	67,145	8/1/2029	
Series 2014A (16)	1/31/2014	115,560	Variable Est. 4.68% *	8/1/2027	-	115,560	-	-	115,560	8/1/2027	
Series 2014B (17)	6/27/2014	166,010	3.00% to 5.00%	8/1/2025	-	166,010	-	-	166,010	8/1/2025	
					<u>\$ 2,476,218</u>	<u>\$ 1,771,333</u>	<u>\$ 281,570</u>	<u>\$ 63,865</u>	<u>\$ 277,815</u>	<u>\$ 1,711,223</u>	

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\* 2014A - Variable rate paid to certificate holders SIFMA +46 BPS. Resets weekly, 0.1510% at 6/30/2014

\*\* 2003B - Variable rate paid to certificate holders SIFMA + 65 basis points. Resets weekly, 0.71% at 6/30/2014

\*\*\* 2010A QSCB - Average coupon rate before IRS subsidy is 5.4%. Net interest rate with IRS subsidy is .5837%

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- (1) Refunded and partially defeased by Series 2005A and Series 2011C Certificates of Participation.
- (2) Refunded and defeased by Series 2014A Certificates of Participation.
- (3) Issued to advance refund and defease a portion of the Series 1995A and Series 1996A Certificates of Participation.
- (4) Refunded and partially defeased by Series 2011D Certificates of Participation.
- (5) On March 20, 2008, the District converted and remarketed the Series 2003B (with no change to principal).
- (6) Issued to advance refund and defease a portion the Series 2001A, Series 2002A, Series 2002C and Series 2002D Certificates of Participation. \*\*
- (7) Issued to advance refund and defease a portion of the Series 2001A and Series 2002C Certificates of Participation. \*\*
- (8) Issued to advance refund and defease a portion of Series 1997A Certificates of Participation (which previously refunded Series 1994A Certificates of Participation). \*\*
- (9) Issued to advance refund and defease a portion of Series 2001B Certificates of Participation (which previously refunded Series 2000A Certificates of Participation). \*\*
- (10) Issued to advance refund and defease Series 2007B Certificates of Participation. \*\*
- (11) Issued to advance refund and defease a portion of Series 2002A Certificates of Participation. \*\*
- (12) Issued to advance refund and defease a portion of Series 2003A Certificates of Participation. \*\*
- (13) Issued to advance refund and defease a portion of Series 2002D Certificates of Participation. \*\*
- (14) Issued to advance refund and defease remaining Series 2002D Certificates of Participation. \*\*
- (15) Issued to advance refund and defease a portion of Series 2004A Certificates of Participation. \*\*
- (16) Issued to advance refund and defease remaining Series 2002B Certificates of Participation. \*\*
- (17) Issued to advance refund and defease a portion of Series 2011B Certificates of Participation (which previously refunded Series 2000A Certificates 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. Payment of the outstanding Certificates of Participation is insured through AMBAC Indemnity Corporation. During the year ended June 30, 2014, approximately \$9.5 million 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, 2014, 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 2002E	Series 2003A	Series 2003B	Series 2004A	Series 2005A	Series 2006A	Series 2007A	Series 2007C	Series 2007D
2015	\$ 11,665	\$ 3,570	\$ -	\$ 3,335	\$ 220	\$ 6,585	\$ 12,205	\$ 5,325	\$ 4,760
2016	12,295	3,680	-	3,495	17,980	6,850	12,825	920	5,000
2017	2,465	-	-	-	20,960	7,185	13,455	1,075	-
2018	-	-	-	-	21,885	7,490	13,990	605	-
2019	-	-	-	-	18,630	7,835	14,605	800	-
2020-2024	-	-	13,590	-	43,405	45,305	-	49,895	-
2025-2029	-	-	30,235	-	-	57,740	64,875	125,965	-
2030-2034	-	-	80,470	-	-	42,035	73,405	-	-
Total	\$ 26,425	\$ 7,250	\$ 124,295	\$ 6,830	\$ 123,080	\$ 181,025	\$ 205,360	\$ 184,585	\$ 9,760

Year ended June 30	Bank Loan								
	Series 2007E	Series 2011A	Series 2011B	Series 2011C	Series 2011D	Series 2012A	Series 2012B	Series 2012C	Series 2014A
2015	\$ 4,585	\$ -	\$ 835	\$ 8,325	\$ 330	\$ -	\$ 4,645	\$ -	\$ -
2016	4,795	-	845	370	340	-	85	-	105
2017	5,015	-	-	4,585	4,205	-	105	3,500	105
2018	5,215	-	-	230	4,325	-	5,130	3,680	-
2019	5,435	-	-	1,355	4,435	-	5,380	3,825	3,045
2020-2024	30,965	31,415	-	-	10,890	1,795	16,535	21,935	56,885
2025-2029	39,420	13,105	-	-	-	18,290	80,075	27,790	55,420
2030-2034	39,245	67,905	-	-	-	-	-	6,415	-
Total	\$ 134,675	\$ 112,425	\$ 1,680	\$ 14,865	\$ 24,525	\$ 20,085	\$ 111,955	\$ 67,145	\$ 115,560

Year ended June 30	Series 2014B	Series 2002 QZAB	Series 2004 QZAB	Series 2005 QZAB	Series 2010A QSCB	Total Lease Payment	Total Interest	Total Lease Payment & Interest
2015	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 66,385	\$ 76,975	\$ 143,360
2016	940	-	-	-	-	70,525	76,978	147,503
2017	11,345	950	-	-	-	74,950	73,745	148,695
2018	14,335	-	-	-	-	76,885	70,483	147,368
2019	14,945	-	-	-	-	80,290	66,841	147,131
2020-2024	84,935	-	2,923	2,150	-	412,623	322,205	734,828
2025-2029	39,510	-	-	-	67,665	620,090	109,808	729,898
2030-2034	-	-	-	-	-	309,475	23,541	333,016
Total	\$ 166,010	\$ 950	\$ 2,923	\$ 2,150	\$ 67,665	\$ 1,711,223	\$ 820,576	\$ 2,531,799

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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 mils, the Debt Policy was amended to allow debt service to be up to 1 mil but should be within 50% of the capital millage levy within five years. Based on the reduction of the capital millage levy and lagging property values, the District's capacity to issue new COPS debt has been dramatically reduced.

**Defeased Debt**

On January 31, 2014, the District issued certificates of participation (Series 2014A) in the amount of \$115.6 million at par with net interest cost of 4.68% to refund certificates of participation Series 2002B with variable interest rate of .74%, which met the requirements of an in-substance current debt defeasance. The District made a principal payment of \$115.4 million which is recorded in the fund level financial statements as a payment to escrow agent. The main purpose of the refunding was to remove the current bond insurer and the other terms remained relatively unchanged. The District paid cost of issuance of \$200 thousand. 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 June 27, 2014, the District issued certificates of participation (Series 2014B) in the amount of \$166.0 million (plus a premium of \$25.7 million) with net interest cost of 2.71% to refund certificates of participation Series 2011B with interest rate 5.28%, which met the requirements of an in-substance current debt defeasance. The District provided an additional \$3.7 million in funds that had been set aside to pay \$2.8 million for SWAP interest and \$0.8 million for 2011B debt service. A portion of the net proceeds in the amount of \$163.1 million (after payment of \$1.0 million in underwriting and other issuance costs, and \$31.3 million in SWAP termination fees, which includes \$2.8 million of accrued interest) were used to make a principal payment of \$162.4 million and a call premium payment of \$0.7 million, both are recorded in the fund level financial statements as a payment to escrow agent. As a result of the refunding, the District will decrease its total debt service requirement by \$0.2 million, which results in an economic savings (the difference between the present value of the debt service payments on the old and new debt) of \$0.2 million, or .096% of the principal amount being refunded. 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.

In prior years, the District defeased certain certificates of participation by creating separate irrevocable trust funds. New debt has been issued and the proceeds 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, 2014, the total amount of defeased debt outstanding but removed from the District's financial statements amounted to \$71.3 million.

**Certificates of Participation:**

<u>Series</u>	<u>Maturities</u>	<u>Thousands Outstanding</u>	<u>Call Date</u>	<u>Defeased by COPS Series</u>
2004A	8/2012 - 8/2024	\$ 71,280	8/1/2014	2012C
<b>Total Defeased COPS</b>		<b>\$ 71,280</b>		

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**Forward Delivery Agreement (FDA) also known as Forward Direct Purchase Bank Loan**

The District entered into a forward delivery agreement (FDA) in February 2014 to refund the series 2005A. The refunding does not legally take place until May 2015 with the issuance of the series 2015A. The District has the option to terminate the transaction which would require a termination or breakage fee. The bank can only terminate if there is a change in federal law that indicates that the District debt is no longer tax exempt, the state of Florida halts the Certificate of Participation program or the District receives a rating downgrade below BBB.

The instrument does not qualify as an investment derivative instrument since the transaction was not entered into primarily for the purpose of obtaining income or profit and it does not meet the criteria of a hedging derivative instrument. There is no net settlement based on prevailing interest rate, there are no optimal redemption terms and the securities will likely be issued regardless of underlying market conditions because of the termination/breakage fee.

**Qualified School Construction Bonds**

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 Bond 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 \$48.5 million will be recorded as revenue in the year earned. Therefore, the amount the District will pay net of the federal subsidy is \$2.8 million. In the current year, the District recorded \$3.2 million subsidy as revenue and \$3.6 million as interest expense resulting in a net impact of \$0.4 million.

Subsequent to the sale of the 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 \$6.0 million to be used to repay the principal in 2025.

**Hedging Derivative Instrument Payments and Hedged Debt**

As of June 30, 2014, aggregate debt service requirements of the District's debt (fixed-rate and variable-rate) and net receipts/payments on associated hedging derivative instruments are as follows. These amounts assume that current interest rates on variable-rate bonds and the current reference rates of hedging derivative instruments will remain the same for their term. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on the hedging derivative instruments will vary.



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Refer to Note 11 for information on derivative instruments (amounts in thousands):

<b>Fiscal Year</b>	<b>Hedging Derivative Instruments,</b>			
<b>Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Net</b>	<b>Total</b>
2015	\$ 4,645	\$ 2,937	\$ 14,256	\$ 21,838
2016	190	2,937	14,252	17,379
2017	210	2,936	14,247	17,393
2018	5,130	2,893	14,016	22,039
2019	8,425	2,835	13,712	24,972
2020-2024	87,010	12,343	60,598	159,951
2025-2029	165,730	6,497	34,385	206,612
2030-2034	80,470	-	1,557	82,027
	<u>\$ 351,810</u>	<u>\$ 33,378</u>	<u>\$ 167,023</u>	<u>\$ 552,211</u>

**Borrowings of Hybrid Derivative Instruments**

The District sold two swaptions with the 2002D and 2001B certificates with a notional amount of \$116,555,000 and \$162,980,000, respectively. Upon entering into the swaptions, the District received up-front payments of \$4,240,000 and \$6,250,000, respectively, from the counterparty. The up-front payments were composed of the swaptions' intrinsic value and time value. Accordingly, the swaptions are hybrid instruments consisting of a borrowing and an embedded derivative instrument. The embedded derivative instrument – the option – was recorded at a value equal to the time value of the option only and the remaining value of the swaption was allocated to the companion instrument (borrowing). The intrinsic value of the borrowing was calculated using the net present value method and is recorded at historical cost. During the option period, interest accreted at the market rate at inception of the borrowing of 4.40% and 4.20%, respectively totaling \$882,451 and \$1,166,422. The 2001B swaption and 2002D swaption were executed August 1, 2011 and August 1, 2012, respectively.

The 2001B/2011B Pay fixed Interest Rate Swap (Swap) was terminated June 27, 2014. As a result of the termination, the unamortized balance of the borrowing/upfront payment of \$4,216,645 was recorded as a reduction of interest expense in June 2014.

The original borrowing of the 2012B/2002D continues to be amortized over the remaining term. Aggregate debt service requirements of the District's borrowing amounts assume that current interest rates on variable-rate bonds is equal to the at the market rates at inception of the derivative instruments and will remain the same for their term. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on the derivative instruments will vary. Refer to Note 11 for information on derivative instruments.

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Debt service requirements for the 2012B/2002D borrowing at June 30, 2014, are as follows (amounts in thousands):

<b>Fiscal Year</b>	<b>Total</b>		
<b>Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal and Interest</b>
2015	\$ 216	\$ 127	\$ 343
2016	218	118	336
2017	228	108	336
2018	229	98	327
2019	223	89	312
2020-2024	1,142	295	1,437
2025-2029	836	70	906
	<b>\$ 3,092</b>	<b>\$ 905</b>	<b>\$ 3,997</b>

**11. DERIVATIVE INSTRUMENTS**

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2014, classified by type, and the changes in fair value of such derivative instruments are as follows (amounts in thousands):

		<b>Changes in Fair Value</b>		<b>Fair Value at June 30, 2014</b>		
		<b>Classification</b>	<b>Amount</b>	<b>Classification</b>	<b>Amount</b>	<b>Notional</b>
<u>Governmental Activities Hedging Derivatives:</u>						
2002B/2014A Pay-fixed Interest Rate Swap	Deferred outflow of resources		\$ 945	Liability	\$(24,884)	\$115,350
2003B Pay-fixed Interest Rate Swap	Deferred outflow of resources		(1,015)	Liability	(20,551)	124,295
Termed-2001B/2011B Pay fixed Interest Rate Swap	Deferred outflow of resources		27,296	Liability	-	-
2002D/2012B Pay-fixed Interest Rate Swap	Deferred outflow of resources		251	Liability	(22,052)	111,955
Total Hedging Derivative Instruments			<u>\$27,477</u>		<u>\$(67,487)</u>	
<u>Investment Derivatives:</u>						
2011B-11 Basis point spread - Term	Investment earnings		\$ (268)	Asset	\$ -	\$ -
2003B-Barrier Option at 7%	Investment earnings		54	Asset	93	100,000
Total Investment Derivative Instruments			<u>\$ (214)</u>		<u>\$ 93</u>	

The barrier option is considered an investment derivative instrument. Refer to Note 4. Investment Derivative Instruments for information on investment derivative instruments. All other derivative instruments are considered hedging derivative instruments.

The fair values take into consideration the prevailing interest rate environment and the specific terms and conditions of each swap. All fair values were estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment on the swaps.

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Fair values of options may be based on an option pricing model, such as the Black-Scholes-Merton model. That model considers probabilities, volatilities, time, settlement prices, and other variables.

**Objective and Terms of Derivative Instruments**

The table below displays the objective and terms of the District's derivative instruments outstanding at June 30, 2014, along with the credit rating of the associated counterparty (amounts in thousands):

	<b>Objective</b>	<b>Notional</b>	<b>Effective Date</b>	<b>Maturity Date</b>	<b>Amount of Cash Received</b>	<b>Terms</b>	<b>Counterparty</b>	<b>Counterparty Credit Rating</b>
<u>Governmental Activities Hedging Derivatives:</u>								
2002B/2014A - Interest Rate Swap	Hedge changes in cash flows on the 2014A Certificates	\$ 115,350	3/20/2002	8/1/2027	N/A	Pay 4.22%; receive 67% of USD LIBOR or SIFMA +46 bps Swap Index	Citigroup Financials Products Inc.	Baa2,A,-A
2003B -Interest Rate Swap	Hedge changes in cash flows on the 2003B Certificates	124,295	6/26/2003	8/1/2029	N/A	Pay 3.91%; receive SIFMA +65 bps Swap Index	UBS AG, Stamford Branch	A2,A,A
2002D/2012B - Interest Rate Swap	Hedge changes in cash flows on the 2012B Certificates	111,955	8/1/2012	8/1/2028	\$ 4,240	Pay 4.71%; receive SIFMA Swap Index	Citigroup Financials Products Inc.	Baa2,A,-A
<u>Investment Derivatives:</u>								
2003B -Barrier option at 7%	Hedge against future increase in interest rates	100,000	6/26/2003	8/1/2018	3,010	See Note 1	UBS AG, Stamford Branch	A2,A,A

Note 1 Counterparty has right to terminate the 2003B Interest Rate Swap if the 180 day average of the BMA index exceeds 7.0% in the future

**Risks**

**Credit Risk**

The District is exposed to credit risk on hedging derivative instruments that are in asset positions. To minimize its exposure to loss related to credit risk, it is the District's policy to require counterparty collateral posting provisions on all swap agreements. These terms require full collateralization of the fair value of derivative instruments in asset positions (net of the effect of applicable netting arrangements) should the counterparty's credit rating fall below AA as issued by Standard & Poor's or Aa as issued by Moody's Investors Service. Collateral posted is to be in the form of U.S. Treasury securities held by a third-party custodian. The District has never failed to access collateral when required.

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

The District has investment derivative instruments in asset position of \$93 thousand and no hedging derivative instruments in asset positions at June 30, 2014.

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***Interest rate risk***

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

***Basis risk***

The District is exposed to basis risk on its pay-fixed 2002B/2014A and pay-fixed 2012B interest rate swap hedging derivative instrument because the variable-rate payments received by the District on these hedging derivative instruments are based on a rate or index other than interest rates the District pays on its hedged variable-rate debt, which is remarketed every 7 days. As of June 30, 2014, the weighted-average interest rate on the District's hedged variable-rate debt is 0.77%, while the fiscal year 2014 average of the SIFMA swap index rate is 0.08% and 67% of LIBOR is 0.11% and 70% of LIBOR is 0.12%.

***Termination risk***

The District or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract including if either parties credit rating falls below designated levels. In addition, the District is exposed to termination risk on its 2003B interest rate swap with barrier option because the counterparty has the option to terminate the swap if the 180 day average of the BMA index exceeds 7.0% at any time beginning on the commencement date. If at the time of termination, a hedging derivative instrument is in a liability position, the District would be liable to the counterparty for a payment equal to the liability, subject to netting arrangements.

In connection with the issuance of the Certificates of Participation, Series 2014B, the District also terminated all the outstanding derivative instruments associated with the 2001B/2011B Pay fixed Interest Rate Swap (Swap) for a payment of \$31.2 million comprised of \$28.4 million with respect to the termination of the transaction (recorded as deferred outflow of resources on refunding) and \$2.8 million of accrued interest on June 27, 2014.

In connection with the issuance of the Certificates of Participation, Series 2014A the District called and refunded Certificates of Participation, Series 2002B. Since the primary purpose and subsequent result was to replace or remove the current bond insurer and the other terms remain relatively unchanged it was determined that a terminating event has not occurred and will continue to report 2002B/2014A Interest Rate Swap as a hedging derivative instrument.

**12. RETIREMENT PLANS**

Plan Description: The District contributes to the Florida Retirement System (FRS), a cost-sharing multiple-employer pension plan administered by the State of Florida Division of Retirement. FRS was created in 1970 by consolidating several employee retirement systems, including the Teachers Retirement System. All eligible employees, as defined by the State, who were hired after 1970 and those employed prior to 1970 who elect to be enrolled, are covered by FRS. Employees hired prior to 1970 and not electing to enroll in the FRS may be covered by various contributory plans, principally the Teachers' Retirement System Plan E. FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Florida Legislature established FRS under Chapter 121, Florida Statutes, and has sole authority to amend benefit provisions. Each year FRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Florida Department of Management Services, Division of Retirement, P.O. Box 9000, Tallahassee, Florida 32315-9000.

A Deferred Retirement Option Program (DROP), subject to provisions of Section 121.091, Florida Statutes, is offered to employees of the District. DROP permits employees, eligible for normal retirement under the Plan, to defer receipt of monthly benefits payment while continuing employment with a FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate.

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

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During the period of DROP participation, deferred monthly benefits are held in FRS Trust Fund and accrue interest.

Defined Contribution Plan: Pursuant to Section 121.45.01, Florida Statutes, the Florida Legislature created a defined contribution program called the Public Employee Optional Retirement Program (PEORP). This program is administered by FRS as an option to the defined benefit plan, and is self-directed by the employee. The employees have the responsibility of selecting how their funds are invested within the approved set of investment choices and may take their funds when they leave FRS. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Special Risk Class, etc.).

Funding Policy: The Florida Legislature Senate Bill 2100, making substantive changes to FRS effective July 1, 2011. The bill requires all FRS Investment Plan and Pension Plan members (except those in DROP) to make 3% employee contributions on a pretax basis. The District is required to make contributions in accordance with rates established by the Florida Legislature. During the fiscal year, the rates ranged from 6.95% to 19.06% of annual covered payroll. The Teachers Retirement System is contributory and the rates for those employees still participating in this program is 11.44% and 6.25% for the employer and the employee, respectively. The District's and employee's contributions for both plans are equal to the required contributions for each year as follows (amounts in thousands):

	June 30, 2012	June 30, 2013	June 30, 2014
Florida Retirement System			
Employer	\$ 44,838	\$ 50,191	\$ 74,277
Employee	24,533	25,688	26,749
Teachers' Retirement System			
Plan E: Employer	\$ 9	\$ 10	\$ 10
Employee	5	5	5

Employer rates include the post-employment health insurance supplement of 1.20% and 0.03% for administrative costs of the Public Employee Optional Retirement Program.

The District's liability to the defined benefit plan and the defined contribution plan is limited to the payment of the required contribution at the rates and frequencies established by law on the future payrolls of the District.

**13. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS**

The District follows the guidance contained in Governmental Accounting Standards Board Statement No. 45, *Accounting and Reporting by Employers for Post Employment Benefits Other than Pensions* (GASB 45); for certain post employment health care benefits provided by the District for the fiscal year ended June 30, 2014.

***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.

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

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**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 2014, 1,152 retirees received health care benefits. The District provided required contributions of approximately \$5.0 million toward the annual OPEB cost. Retiree contributions totaled approximately \$8.3 million.

**Annual OPEB Cost and Net OPEB Obligation**

The District's annual Other Post Employment Benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the retiree health plan (amounts in thousands):

Annual Required Contribution	\$ 13,383
Interest on Net OPEB Obligation	3,492
Adjustment to Annual Required Contribution	<u>(3,564)</u>
Annual OPEB Cost (Expense)	13,311
Contribution Towards OPEB Cost	<u>(4,969)</u>
Increase in Net OPEB Obligation	8,342
Net OPEB Obligation - Beginning of Year	<u>87,297</u>
Net OPEB Obligation - End of Year	<u><u>\$ 95,639</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2014, was as follows (amounts in thousands):

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2014	\$ 13,311	37%	\$ 95,639
June 30, 2013	12,678	32%	87,297
June 30, 2012	13,735	43%	78,701

**Funded Status and Funding Progress**

As of June 30, 2014, the actuarial accrued liability for benefits was \$138.5 million, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$971.6 million, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 14.2%.

The projection of future benefit payments for an ongoing plan involves 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, mortality, and the healthcare cost trend. 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 multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

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***Methods and Assumptions***

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The Projected Unit Cost method (PUC) with benefits attributed from date of hire to expected retirement age was used in the actuarial valuation as of July 1, 2012. The unfunded actuarial accrued liability is amortized over the maximum acceptable period of thirty years on an open basis. It is calculated assuming a level dollar percentage. The remaining amortization period at June 30, 2012 is thirty years (open method).

The following assumptions were made:

*Retirement Age* – Annual retirement probabilities have been determined based on the Florida Retirement System Actuarial Valuation as of July 1, 2011.

*Covered Spouses* – Assumed number of eligible spouses is based on the current census information.

*Per Capita Health Claim Cost* – Per capita health claim costs are developed from a combination of historical claim experience and manual claim costs developed using a representative database. The per capita cost at age 60 is \$9,744 and at age 70 is \$5,611.

*Age Based Morbidity* – The assumed per capita health claim costs are adjusted to reflect expected increases related to age. The increase in per capita health claim costs related to age range from 3.19% to 5.06 % under age 65 and from 0.05% to 3.00% over age 65.

*Mortality* – Life expectancies were based on mortality tables from the National Center for Health Statistics. The RP-2000 Table projected to 2015 using Scale AA and applied on a gender specific basis.

*Healthcare Cost Trend Rate*— The expected rate of increase in healthcare insurance premiums was based on District historical experience, our market-place knowledge and macro-economic theory. A rate of 9.5% for under age 65 and 8.5% over age 65 initially, reduced 0.5% each year until reaching the ultimate trend rate of 5.0%.

*Retiree Contributions* – Retiree contributions are assumed to increase with healthcare cost trend.

*Non-Claim Expenses* – Non-claim expenses are based on the current amounts charged per retired employee.

*Termination* – The rate of withdrawal for reasons other than death and retirement has been developed from the Florida Retirement System Actuarial Valuation as of July 1, 2011. The annual termination probability is dependent on an employee's age, gender, and years of service.

*Plan Participation Percentage* – It is assumed that 35% of all future retirees and their dependents who are eligible for benefits participate in the post employment benefit plan in fiscal year 2014 and 30% participate thereafter.

*Census Data* – The census data was provided as of June 2014.

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

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*Salary Increase Assumption* – 2.5% per annum.

*Discount Rate* – 4% per annum

*Inflation Rate* – 3%

**14. NET POSITION AND FUND BALANCE REPORTING**

**Net Position**

The government-wide statement of net position reports all financial and capital resources of the District, as well as assets and liabilities. The difference between assets and liabilities are report as net position. Net position is displayed in three components:

- Net investment in capital assets: Capital assets, net of accumulated depreciation and reduces by the outstanding balance of debt that is attributable to the acquisition, constructions, or improvement in three components.
- Restricted net position: Net position where constraints on their use are: (1) externally imposed by creditors, grantors, contributors, laws, or regulation of other governments, or (2) imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position (deficit): All other assets and liabilities not part of the above categories. This amount represents the accumulated results of all past years' operations. The deficit in the net position of governmental activities is due to long-term liabilities, including compensated absences.

Net position is categorized as follows:

- a) Net Investment in Capital Assets – is intended to reflect the portion of net position which are associated with capital assets, less outstanding capital assets related debt, net of unspent bond and loan proceeds.
- b) Restricted Net Position – have third party (statutory, bond covenant or granting agency) limitations on their use, or enabling legislation.
- c) Unrestricted Net Position – have no third party limitations on their use. While District management may have categorized and segmented portions for various purposed, the School Board has the unrestricted authority to revisit or alter theses managerial decisions.

**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, constitutional provisions or enabling legislation and the minimum cash balance required to be maintained for self-insurance programs. 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



**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

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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

Restricted or unrestricted amounts are considered spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. 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 \$46.5 million or 3.06% of general fund total expenditures.

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<b>Major Funds</b>				
	<b>General Fund</b>	<b>COPS Debt Service</b>	<b>Capital Improvement</b>	<b>Non-Major Governmental</b>	<b>Total Governmental</b>
<b>FUND BALANCES:</b>					
<b><u>Nonspendable:</u></b>					
<b><u>Inventory:</u></b>					
Textbooks	\$ 8,278	\$ -	\$ -	\$ -	\$ 8,278
Child Nutrition	-	-	-	2,684	2,684
Warehouse	781	-	-	-	781
Transportation	546	-	-	-	546
Other	14	-	-	-	14
<b>Total Nonspendable</b>	<b>9,619</b>	<b>-</b>	<b>-</b>	<b>2,684</b>	<b>12,303</b>
<b><u>Restricted for:</u></b>					
Categorical carryover programs	1,915	-	-	-	1,915
IB, AP, AICE & Industry cert prog*	7,825	-	-	-	7,825
School Improvement*	1,352	-	-	-	1,352
Workforce development*	17,078	-	-	-	17,078
Child nutrition	-	-	-	23,050	23,050
Debt service	-	107,135	-	3,535	110,670
Capital projects	-	-	36,499	67,359	103,858
<b>Total Restricted</b>	<b>28,170</b>	<b>107,135</b>	<b>36,499</b>	<b>93,944</b>	<b>265,748</b>
<b><u>Committed to:</u></b>					
The Education Network program	-	-	-	186	186
<b>Total Committed</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>186</b>	<b>186</b>
<b><u>Assigned to:</u></b>					
<b>School Operations</b>					
Instruction	526	-	-	-	526
Textbooks	875	-	-	-	875
Instructional support services	61	-	-	-	61
Board	178	-	-	-	178
General & School admin	40	-	-	-	40
Central services	192	-	-	-	192
Pupil transportation services	75	-	-	-	75
Operation of plant	129	-	-	-	129
<b>Community services:</b>					
After care/summer camp	6,168	-	-	-	6,168
Pre-K/VPK Fee Based Activities	78	-	-	-	78
Community Schools	660	-	-	-	660
Other	96	-	-	-	96
Capital projects	220	-	-	35,490	35,710
Misc local grants/donations	1,895	-	-	-	1,895
Next year budget appropriations	16,331	-	-	-	16,331
<b>Total Assigned</b>	<b>27,524</b>	<b>-</b>	<b>-</b>	<b>35,490</b>	<b>63,014</b>
<b>Unassigned</b>	<b>46,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>46,500</b>
<b>Total fund balance</b>	<b>\$ 111,813</b>	<b>\$ 107,135</b>	<b>\$ 36,499</b>	<b>\$ 132,304</b>	<b>\$ 387,751</b>

\* Net Position Restricted for the Other Purposes total \$29,925 which includes items noted above of \$26,441 plus cash with fiscal agent of \$3,484.

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

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**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 additional 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 the final settlements of these matters will not result in a material adverse effect on the financial position of the District.

As part of its capital outlay program, the District has entered into various construction contracts. The District's construction commitments of \$ 48.2 million and other encumbrances of \$3.0 million as of June 30, 2014 are shown below (amounts in thousands):

	Construction		
	<u>Encumbrances</u>	<u>Commitments</u>	<u>Total</u>
General Fund	\$ 1,295	\$ -	\$ 1,295
Capital Improvement	-	4,841	4,841
Non-Major Governmental	1,688	43,311	44,999
<b>Total Commitments</b>	<b>\$ 2,983</b>	<b>\$ 48,152</b>	<b>\$ 51,135</b>

The District entered into a voluntary non-exchange transaction with Dell Marketing L.P. On October 30, 2012 Dell Marketing, L.P. (Dell) agreed to provide \$7.0 million in hardware to the District contingent upon Dell receiving a \$12.0 million purchase order from the District by November 1, 2012 for computers and associated peripheral items. The District has received \$6.8 million of the donated hardware as of June 30, 2014 (\$2.1 million in the current year and \$4.7 million in the prior year) and recorded the value of the items received as revenue and expenditure in governmental activities.

**16. SUBSEQUENT EVENTS**

On July 29, 2014, the District issued \$33.3 million in Certificates of Participation, Series 2014C to refund the Series 2007A Certificates owned by CitiBank, N.A. CitiBank, N.A paid the District \$2.2 million to extend the call date five years and cover the costs associated with the issuance. Refinancing the Series 2007A will generate \$1.6 million cash flow savings for 2015 through 2031. The series 2014C Certificates possess an underlying credit rating of Aa3 and AA Moody's and Fitch, respectively.

On September 10, 2014 the District issued Tax Anticipation Notes ("TANS") Series 2014. The \$115.0 million issue a coupon rate of 1.25% with an effective yield of 0.08%. The notes are dated September 25, 2014.

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION -  
SCHEDULE OF FUNDING PROGRESS  
OTHER POST EMPLOYMENT BENEFITS PLAN  
JUNE 30, 2014**

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<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (in thousands) (b)</b>	<b>Unfunded AAL (UAAL) (in thousands) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (in thousands) (c)</b>	<b>UAAL as a percentage of Covered Payroll ((b-a)/c)</b>
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%



**Independent Auditor's Report  
on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial  
Statements Performed in Accordance With  
Government Auditing Standards**

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

We have audited, in accordance with the 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, the 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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 20, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "McGladrey LLP". The signature is written in a cursive, flowing style.

West Palm Beach, Florida  
November 20, 2014

**APPENDIX C**

**FORM OF NOTE COUNSEL OPINION**

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## FORM OF LEGAL OPINION

*On the date of issuance of the Tax Anticipation Notes, Series 2015, Greenberg Traurig, P.A., Note Counsel, proposes to issue its approving opinion in substantially the following form:*

October 5, 2015

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 2015

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 2015 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 July 15, 2015 (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, 2016 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 commencing July 1, 2015 and ending June 30, 2016, 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 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 and corporations; however, such interest will be taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. 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 D**

**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 2015 (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 budget approved by the school board preliminary to the tentative 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 preliminary budget of the District for the fiscal year of the District commencing July 1, 2015 and ending June 30, 2016 (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 budget 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 2015" (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 operating budget 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 operating budget 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 after 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 Chairman or Superintendent, execution and delivery of the Notes by the Chairman or Vice Chairman 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 Chairman 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 Operating 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 22, 2015, the exact date to be determined in the discretion of the Chief Operating Officer or the Treasurer of the District without further authorization from the Board. The Chief Operating 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 Operating 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 Chairman, the Superintendent, the Chief Operating 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. and/or Standard & Poor's Ratings Services.

The Superintendent, the Chief Operating 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 Operating 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 Chairman, the Superintendent, the Chief Operating Officer and the Treasurer is hereby authorized to approve such insertions, changes and modifications, and each of the Chairman, the Vice Chairman, the Superintendent, the Chief Operating 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 Chairman 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 Operating 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 Operating Officer or the Treasurer. The execution and delivery of the Official Statement by the Chairman or Vice Chairman 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 Chairman 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 Chairman, 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 a preliminary budget and will adopt a tentative budget and an operating 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 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 portion of the Pledged Revenues from sources constituting 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, 2015.

**Section 15. District Budget.** The District, in preparing, approving and adopting its 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 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 Chairman of the Board, the Superintendent, the Chief Operating 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 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 Standard & Poor's Ratings Services and 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 Chairman, the Superintendent, the Chief Operating 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.

**Section 29. Effective Date.** This Resolution shall take effect immediately upon its passage.

Adopted this 15<sup>th</sup> day of July, 2015.

[SEAL]

/s/ Chuck Shaw  
Chuck Shaw, Chairman  
The School Board of Palm Beach County,  
Florida

Attest:

/s/ Robert M. Avossa  
Robert M. Avossa, 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 E**

**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 2015 (the “Notes”). The Notes are being issued pursuant to a Resolution adopted on July 15, 2015 (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, or any successor Dissemination Agent designated in writing by the Board and which has filed with the Board a written acceptance of such designation.

“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.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, under subsections (a) (1), (3), (4), (5), (6), (9), (11), (12) and (15), 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) and (14) 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 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.

Date: October 5, 2015

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

By: \_\_\_\_\_  
Chuck Shaw, Chairman  
The School Board of Palm Beach County, Florida

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