

**NEW ISSUE  
BOOK-ENTRY ONLY**

**RATINGS: Moody's: MIG-1  
S&P: SP-1+  
(See "RATINGS" herein)**

*In the opinion of Note Counsel, assuming 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 and such interest will not 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.*

**\$56,000,000  
SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA  
REVENUE ANTICIPATION NOTES, SERIES 2010**

**Dated: Date of Delivery**

**Due: February 22, 2011**

The Revenue Anticipation Notes, Series 2010 (the "Notes") are being issued pursuant to Chapter 1011, Florida Statutes, and a resolution of The School Board of Palm Beach County, Florida (the "Board"), as the governing body of the School District of Palm Beach County, Florida (the "District"), duly adopted on February 10, 2010 (the "Resolution"), and other applicable provisions of law. The Notes are being issued for the purpose of renewing a portion of the loan financed under the District's Revenue Anticipation Notes, Series 2009 (the "Prior Notes") on March 10, 2010, and paying expenses incurred in issuing the Notes. See "APPENDIX E - AUTHORIZING RESOLUTION" herein.

The Notes and the interest thereon will be special obligations of the District, payable from and secured by a pledge of the budgeted Capital Improvement Tax Receipts (defined herein), interest earnings thereon, and other available capital outlay funds, if any, to be received and deposited by the District into the Capital Projects Fund during the 2010-2011 fiscal year (collectively, the "Pledged Revenues"). The Resolution also provides that the Notes may be retired from the proceeds of renewal notes, or from the proceeds of the sale of other obligations issued by or on behalf of the District for such purpose.

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 in the manner and to the extent provided in the Resolution. 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 provided in the Resolution.

The Notes will be issued in fully registered form in denominations of \$5,000 and integral multiples 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.

**Interest Rate**

1.50%

**Initial CUSIP No.**

696552 EL8

The Notes were purchased by J.P. Morgan Securities Inc. through a competitive bid process.

**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 to obtain information essential to the making of an informed investment decision.**

The Notes are offered when, as and if issued subject to the approval of their legality by Greenberg Traurig, P.A., Miami, Florida, Note Counsel. Greenberg Traurig, P.A., Miami, Florida, is also 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 March 9, 2010.

Dated: February 24, 2010.

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

**BOARD MEMBERS**

Monroe Benaim, M.D., Chairman  
Dr. Sandra Richmond, Vice Chair  
Frank A. Barbieri, Jr., Esq.  
Paulette Burdick  
William G. Graham  
Carrie Hill  
Debra L. Robinson, M.D.

**SUPERINTENDENT OF SCHOOLS**

Dr. Art Johnson

**CHIEF OPERATING OFFICER**

Joseph M. Moore

**CHIEF FINANCIAL OFFICER**

Michael J. Burke

**TREASURER**

Leanne Evans, CTP

**COUNSEL TO THE SCHOOL BOARD**

Office of Chief Counsel  
The School District of Palm Beach County, Florida

**FINANCIAL ADVISOR**

Public Financial Management, Inc.  
Orlando, Florida

**NOTE COUNSEL/DISCLOSURE COUNSEL**

Greenberg Traurig, P.A.  
Miami, 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.

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.

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**APPENDICES**

APPENDIX A:	INFORMATION REGARDING PALM BEACH COUNTY, FLORIDA
APPENDIX B:	BASIC FINANCIAL STATEMENTS OF THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA FOR FISCAL YEAR ENDED JUNE 30, 2009
APPENDIX C:	FORM OF NOTE COUNSEL OPINION
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**OFFICIAL STATEMENT**

**\$56,000,000**

**SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA  
REVENUE ANTICIPATION NOTES, SERIES 2010**

**INTRODUCTORY STATEMENT**

The purpose of this Official Statement, which includes the cover page, the Summary Statement, and the Appendices hereto, is to provide information concerning the School District of Palm Beach County, Florida (the "District"), and its \$56,000,000 principal amount of Revenue Anticipation Notes, Series 2010 (the "Notes"). 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. Neither this Official Statement nor any statement that may have been made verbally or in writing is to be construed as a contract with the holders of the Notes.

**PURPOSE OF THE NOTES**

The Notes are being issued pursuant to Section 1011.14, Florida Statutes, as amended (the "Act"), and other applicable provisions of law, and a resolution of The School Board of Palm Beach County, Florida (the "Board"), as the governing body of the District, adopted on February 10, 2010 (the "Resolution"). The Note proceeds will be used by the District to provide funds for the purpose of renewing a portion of the loan financed under the District's Revenue Anticipation Notes, Series 2009 (the "Prior Notes") on March 10, 2010, and paying expenses incurred in issuing the Notes. See "APPENDIX D – AUTHORIZING RESOLUTION".

**SECURITY FOR THE NOTES**

**Source of Payment**

The Notes and interest thereon will be special obligations of the District, payable solely from and secured by capital improvement tax receipts levied pursuant to Section 1011.71(2), Florida Statutes (the "Capital Improvement Tax"), interest earnings thereon received by the District, and other available capital outlay funds, if any, all for deposit into the Capital Projects Fund pursuant to the budget of the Board for its fiscal year July 2010 – June 2011 (the "2010-2011 Budget"), pursuant to the Act (collectively, the "Pledged Revenues"). Pursuant to the Resolution, the District has represented and warranted that the 2010-2011 Budget will be prepared in accordance with Florida law and the Capital Projects Fund section will contain sufficient appropriations consisting of taxes and other revenues accruing on a current basis to allow payment of principal of and interest on the Notes at their maturity. The Resolution further states that if Capital Improvement Tax receipts for the Capital Projects Fund anticipated in the 2010-2011 Budget are not received, any deficiency shall be charged against capital projects or other expenditures of the Board in order that payment of the Notes will be fully provided. The Resolution also provides that the Notes may be retired from the proceeds of renewal notes or other obligations issued by or on behalf of the District.

The Resolution provides that five business days prior to the maturity date of the Notes, sufficient moneys or investments will be deposited with the Board, acting by and through its Treasurer, in its capacity as Paying Agent, in a special fund to pay in full the principal of and interest on the Notes at maturity.

The Resolution provides that the District will not issue any additional obligation of a similar nature as the Notes which, when added to the outstanding principal amount of the Notes, the interest thereon to maturity, and the principal of and interest on any other outstanding obligations of the District issued under the Act would exceed one-fourth of the revenues of the District for the preceding fiscal year for the District school fund for operating expenses of the District.

### **Capital Projects Fund - Revenue Sources**

The District's revenues for its Capital Projects Fund are derived from local sources of funds and from State appropriations. The main local source of funds is the Capital Improvement Tax Receipts collected pursuant to the capital improvement tax authorized and levied pursuant to Section 1011.71(2), Florida Statutes (the "Capital Improvement Tax") for capital outlay and maintenance purposes (also known as the "Local Option Millage Levy"). The Capital Improvement Tax is an ad valorem tax levied by the District upon the taxable real and personal property located in the County. During its 2009 regular session, the Florida Legislature amended Section 1011.71, Florida Statutes, (the "2009 Legislation") to, among other things, reduce the maximum Local Option Millage Levy from 1.75 mills to 1.5 mills commencing in Fiscal Year 2009-10 for school districts. However, the District may levy up to .25 mills for capital outlay and maintenance of school facilities in lieu of operating discretionary millage. The District may also levy an additional .25 mills for critical operating or capital needs. See "AD VALOREM TAX MATTERS – Legislative Amendments Reducing the Capital Improvement Tax" herein for additional information related to the 2009 Legislation.

For fiscal year ending June 30, 2010, the District levied 1.848 mills for capital outlay purposes. The amount of the millage levied each year is at the discretion of each local school board, subject to the statutory limitation which is subject to annual increase or reduction by the Florida Legislature.

The District also receives revenues for the Capital Projects Fund from State appropriations. These State-derived funds and interest earnings thereon, however, are available only for certain State approved capital projects and are not available to pay the principal of and interest on the Notes.

### **Limited Obligations**

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 of 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, or from the proceeds of renewal notes or other obligations issued by or on behalf of the District for such purpose, to the extent and as provided in the Resolution. Neither the District, the Board, the County, the State, nor any political subdivision or agency thereof will be obligated to pay, except from the Pledged Revenues, any sums due to the Owners of the Notes from any source of taxation, and the full faith and credit of the District, the Board, the County, the State, or any political subdivision or agency thereof is not pledged for the payment of such sums due. 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.

NO HOLDER OF ANY 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, THE STATE OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF, OR TAXATION IN ANY FORM ON ANY REAL OR PERSONAL PROPERTY THEREIN, TO PAY SUCH NOTES OR INTEREST THEREON, EXCEPT FOR THE PLEDGED REVENUES.

### **Other Obligations**

On November 1, 1994, the Board entered into a Master Lease with the Palm Beach School Board Leasing Corp. (the "Master Lease") to provide for the financing through lease-purchase of certain education facilities, equipment and land ("Facilities"). Pursuant to separate schedules identifying Facilities which are lease-purchased, the Board has entered into 29 leases as of February 1, 2010 (the "Leases") under the Master Lease. As of February

1, 2010, the outstanding principal amount of Certificates of Participation related to such Leases equaled approximately \$1.89 billion. Rents payable under the Leases are payable from available revenues of the Board which are subject to annual appropriation. Available revenues include three-fourths of the Capital Improvement Tax levied by the Board and other amounts which are legally available for lease-purchase payments; however, the 2009 Legislation provided a waiver of the three-fourths limit on the use of Capital Improvement Tax proceeds for lease-purchase agreements entered into before June 30, 2009 for the fiscal year ending June 30, 2010.

The rent payments due under the Leases, subject to their annual appropriation by the Board, are current obligations of the Board which are not secured by any encumbered asset or fund such as a pledge of revenues from the levy of the Capital Improvement Tax. **The Resolution specifically provides that the lien securing payment of the Notes shall be prior to and superior to the above-mentioned Leases.** Rent payments under the Leases during the Board's fiscal year ended June 30, 2008 and June 30, 2009 totaled approximately \$145,206,647 and \$147,221,103, respectively and will equal approximately \$147,944,893 for the Board's fiscal year ending June 30, 2010. In the fiscal years ended June 30, 2008 and June 30, 2009, the value of 1.3125 mills (the maximum millage currently legally available to make payments under the Leases) net of discounts and fees was approximately \$212,254,454 and \$209,771,634, respectively. It should be noted, however, that all of the revenues generated from the Capital Improvement Tax are legally available for payment of the Notes. See "AD VALOREM TAX MATTERS - Legislative Amendments Reducing the Capital Improvement Tax" herein.

### **Defeasance**

If, at any time, the Board 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 be no longer in effect, and the Notes shall no longer be deemed to be outstanding and unpaid for the purposes of the Resolution. For purposes of the preceding sentence, deposit 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 in irrevocable trust with the State Board of Administration of Florida or with a bank or trust company, for the sole benefit of the Noteholders, 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.

## **DESCRIPTION OF THE NOTES**

### **General**

The Notes are authorized to be issued pursuant to Section 1011.14, Florida Statutes, as amended, and other applicable provisions of law, and the Resolution. The Notes will be dated the date of delivery 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, acting by and through its Treasurer, 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 DTC Participants and Indirect 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, New York, New York ("DTC") will act as securities depository for the Notes. The Notes will be issued as fully-registered certificates 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 in the aggregate principal amount of 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 Standard & Poor's highest rating: AAA. 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) and [www.dtc.org](http://www.dtc.org).

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 (the "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 made among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Beneficial Owners of the Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as defaults, and proposed amendments to the documents securing the Notes. For example, Beneficial Owners of the Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices be 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 the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal of, premium, if any, and interest on 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 payment 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 (nor its nominee), the District or the Paying Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of and interest on the Notes to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District and the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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 Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Notes 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, Notes will be printed and delivered.

The foregoing description of the procedures and recordkeeping with respect to beneficial ownership interests in the Notes, payment of interest and other payments on the Notes to Direct Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interests in the Notes and other note-related transactions by and between DTC, the Direct and Indirect Participants and Beneficial Owners is based solely on information furnished by DTC. Accordingly, the District will not make any representation concerning these matters and neither the Direct or Indirect Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the Direct or Indirect Participants, as the case may be. There can be no assurance that DTC or the Direct or Indirect Participants will abide by the procedures described herein or that such procedures will not be changed from time to time. In the event a successor securities depository is designated, it may establish different procedures.

**SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE NOTES, AS NOMINEE OF DTC, REFERENCES HEREIN 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.**

The District and the Registrar and Paying Agent have no responsibility or liability for any aspects of the records or notices relating to, or payments made on account of, book-entry interest ownership, or for maintaining, supervising or reviewing any records relating to that ownership.

The District cannot and does not give any assurances that DTC 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 and act in a manner described in this Official Statement.

## **Revisions of Book-Entry System; Replacement Notes**

In the event that DTC determines not to continue to act as securities depository for the Notes, the District may in its discretion attempt to establish a securities depository, book-entry relationship with another securities depository. If the District does not do so, or is unable to do so, and after the Registrar and Paying Agent has made provisions for notification of the Beneficial Owners by appropriate notice to DTC, the District and the Registrar and Paying Agent will authenticate and deliver replacement Notes in the denomination of \$5,000 and integral multiples thereof, or at the direction of, any persons requesting such issuance.

## **Transfer of Book-Entry Interests in the Notes**

The rights of Beneficial Owners and the manner of transferring or pledging their interests are subject to applicable state law. Beneficial Owners may want to discuss the manner of transferring or pledging their book-entry interest in such Notes with their legal advisors.

## **APPLICATION OF NOTE PROCEEDS**

The proceeds from the sale of the Notes will be deposited into the School District of Palm Beach County, Florida, Revenue Anticipation Notes, Series 2010 Proceeds Fund (the "Proceeds Fund") created pursuant to the Resolution and used by the District to retire a portion of the outstanding principal balance of the Prior Notes at maturity on March 10, 2010, and to pay expenses incurred in issuing the Notes.

## **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 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 2009 population of 1,286,621. 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, Lake Worth, Delray Beach and Boca Raton.

As of June 30, 2009, the District included 183 schools and had approximately 168,456 full time equivalent students and over 20,000 full-time and part-time employees, including approximately 14,031 instructional personnel. Management of the schools is independent of the County and the various municipal governments in the County. The County 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>
Monroe Benaim, M.D., Chairman	November, 2012
Dr. Sandra Richmond, Vice Chair	November, 2010
Frank A. Barbieri, Jr., Esq., Member	November, 2012
Paulette Burdick, Member	November, 2012
William G. Graham, Member	November, 2010
Carrie Hill, Member	November, 2010
Debra L. Robinson, M.D., Member	November, 2010

### **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:

**Dr. Art Johnson**, Superintendent of Schools, accepted the responsibilities of Superintendent of Schools on March 28, 2001. Dr. Johnson, a lifelong educator, began his career as an elementary school teacher and later served as a principal at both the elementary and secondary levels. Dr. Johnson received his bachelor’s degree from the University of South Florida. He received his master’s degree and doctorate from Florida State University.

**Joseph Moore**, Chief Operating Officer, joined the School District in February of 2001. Mr. Moore brought over twenty years of financial management experience to the District. He served in progressively more responsible positions with the South Florida Water Management District including the position of CFO, prior to joining the District. He has a Public Administration degree from Florida Atlantic University.

**Michael Burke**, Chief Financial Officer, joined the District in April 1998. Mr. Burke brought eight years of experience with the Broward County Public Schools 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.

**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. In addition, Ms. Evans has qualified for the Certified Treasury Professional credential in Treasury Management.

## Total School 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 full-time school personnel as of June 30, 2009 was 20,610, the largest number of employees of any one employer in the County.

## Employee Relations

Approximately 60% 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 40% are represented by non-instructional collective bargaining agents.

As of June 30, 2009, the Board employed 20,610 full-time persons representing the following groups:

Instructional	14,031
School and District Administrators	736
Clerical, Police, Secretarial, Professional Staff	2,545
Bus, Custodial, Maintenance and Mechanics	<u>3,298</u>
Total	20,610

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

Teachers	June 30, 2010
Clerical	December 31, 2011
Police	December 31, 2011
Bus, Custodial, Maintenance and Mechanics	June 30, 2011

## 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, 2008 and June 30, 2009, the District contributed \$94,614,811 and \$94,977,156, 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, 2008 and June 30, 2009, the District contributed \$69,777 and \$60,560, respectively. See Note 10 in "APPENDIX B – BASIC FINANCIAL STATEMENTS OF THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA FOR THE FISCAL YEAR ENDED JUNE 30, 2009" for additional information regarding the retirement plans.

## 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 is required to comply with the Governmental Accounting Standard's Board Statement No. 45 - Accounting and Financial Reporting by Employers for Postemployment Benefit Plans other than Pension Plans ("GASB 45"). The District has 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. 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 \$216 million as of June 30, 2009. 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). The Actuary estimated the ARC to be \$22.3 million. 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 \$43.7 as of June 30, 2009, which reflects the District's approximately \$5.9 contribution toward its OPEB liability during Fiscal Year 2008-09. See Note 11 in "APPENDIX B - BASIC FINANCIAL STATEMENTS OF THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA FOR THE FISCAL YEAR ENDED JUNE 30, 2009" for additional information regarding the District's annual OPEB cost and net OPEB obligation.

While the District does not know at this time what its 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 manageable within its normal budgeting process.

### **Budget 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. Revenues derived from ad valorem property taxes are budgeted, as required by Florida law, on the application of millage levies to 95 percent of the non-exempt assessed value of property in the County.

The Superintendent is responsible for recommending the tentative budget to the Board. Florida law further requires the Board to advertise its intent to adopt the tentative budget, including a proposed tax millage, within 29 days after certification of taxable property by the Property Appraiser which is required by law to occur by July 1, unless extended.

The Board is required to hold a public hearing on the tentative budget and the proposed tax millage within five days, but not earlier than two days, after advertisement. At the hearing, the Board adopts a tentative budget and a resolution stating the millage rate to be levied, and sets the date for the public hearing on the final budget. Following the hearing on the tentative budget, all property owners are notified by the Property Appraiser, usually in mid-August, of the date, time and place of the hearing on the final budget; the proposed millage rate; and the millage rate which would have had to be levied to raise the same ad valorem property tax revenue as was raised in the preceding year.

A public hearing and adoption of the final budget and tax millage are required within 80 days, but not earlier than 65 days, after the taxable property certification by the Property Appraiser. This public hearing usually occurs early in September.

In no event may the millage rate adopted at the final budget hearing exceed the millage rate adopted at the tentative budget hearing unless each taxpayer within the District is sent notice by mail of the taxes under the tentative adopted millage rate and the taxes under the higher rate to be adopted at the final budget hearing. The final budget is submitted to the Department of Education of the State of Florida. After the final budget hearing, the Board

must certify the final millage rate to the County Tax Collector, the Property Appraiser and the State Department of Revenue. The final budget for the Fiscal Year ending June 30, 2010 was adopted at a public hearing held on September 9, 2009. Revisions may be made to the adopted budget in accordance with Florida law.

### **Capital Improvement Program**

The School Board requires the development of a continuous five-year Capital Improvement Program (the "CIP"). In each year, the CIP is reviewed and revised as necessary to reflect the District's long range capital construction program, additions to the capital construction program resulting from accelerated student enrollment growth and improvements and additions to non-school sites. An annual update of the CIP provides, upon approval by the School Board, a continuous five-year program. The most recent annual update of the CIP occurred in September 2009.

## **OPERATING REVENUES OF THE DISTRICT**

The District derives its operating income from a variety of federal, state and local sources. The major categories of these income sources for the General Fund are briefly described below.

### **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 were \$138,378,669 and \$68,253,585 for Fiscal Years 2007-08 and 2008-09, respectively, and is budgeted at \$60,053,318 (such amount does not include the \$60,872,023 of federal stimulus funds under the American Recovery & Reinvestment Act expected to be received by the District) for Fiscal Year 2009-10.

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. With decreasing sales tax revenues, the District's 2009 property taxes have reached the 90% statutory limit for basic FEFP funding. As more Florida counties hit the 90% limit, the State must contribute more to the FEFP, and with failing State revenues, it has resulted in funding reductions for Fiscal Year 2008-09 and Fiscal Year 2009-10. See "RISK FACTORS – State Revenues" herein.

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. For Fiscal Year 2009-10, the Discretionary Lottery revenue program was discontinued. The District received approximately \$10.352 million and \$10.170 million in Florida School Recognition Program revenues for fiscal years 2007-08 and 2008-09, respectively, and the District budgeted \$9.147 million in Florida School Recognition Program revenues for fiscal year 2009-10. The District received \$8,633,174 and \$4,400,251 in Discretionary Lottery revenues for fiscal years 2007-08 and 2008-09, respectively, and the District budgeted \$0 in Discretionary Lottery revenues for fiscal year 2009-10.

State Categorical Programs. These are special educational program lump-sum appropriations which supplement local school district revenues in order to enhance educational and support services. Among the categorical programs for which the largest appropriations are made are Instructional Materials, Transportation and Class Size Reduction. Allocations for these categorical appropriations are based on funding formulae and discretionary State Department of Education grants. The Class Size Reduction program was created in order to implement two amendments to the Florida Constitution approved by the voters of the State of Florida. See “DISTRICT REVENUES FOR CAPITAL PROJECTS - Constitutional Amendments Relating to Class Size Reduction and Pre-K Programs” below. The majority of funds available from these programs require actual appropriation by the Board for the purposes for which they were provided. Total State categorical aid was \$222,237,835 and \$228,137,730 for Fiscal Years 2007-08 and 2008-09, respectively, and is budgeted at \$191,738,768 for Fiscal Year 2009-10.

## **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”.

In addition to the “required local effort,” school districts are entitled to levy up to .748 mills as non-voted current operating “discretionary millage” and up to 1.5 mills for capital outlay and maintenance of school facilities. However, the District may levy up to .25 mills for capital outlay and maintenance of school facilities in lieu of operating discretionary millage.

In addition to the foregoing, the Board may, by a super majority vote, levy an additional .25 mills for critical capital outlay needs or for critical operating needs; provided that in order to continue such levy after Fiscal Year 2010-11, the levy must be approved by the voters of the District in the next general election. The District is levying an additional .25 mills for critical capital outlay needs for fiscal year 2009-10 pursuant to the authorization. See “AD VALOREM TAX MATTERS – Legislative Amendments Reducing the Capital Improvement Tax” herein.

For Fiscal Year ending June 30, 2010, the District is levying 0.650 mills for operating discretionary millage and 1.848 mills for capital outlay discretionary millage. See “AD VALOREM TAX MATTERS - Millage Rates”, “-Legislative Amendments Reducing the Capital Improvement Tax” and “-Historical Millages” herein.

Budgeted revenues from ad valorem taxes are based on applying millage levies to ninety-five percent (95%) of the non-exempt assessed valuation of real and personal property within the County. See “AD VALOREM TAX MATTERS” herein.

## **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 \$576,192 and \$918,709 in fiscal years 2007-08 and 2008-09, respectively, and are budgeted at \$795,000 for fiscal year 2009-10. Federal funds through the State totaled \$1,648,536 and \$5,488,075 in fiscal years 2007-08 and 2008-09, respectively, and are budgeted to be \$3,600,000 in fiscal year 2009-10.

For additional information concerning revenues available to the District for operating purposes, see “APPENDIX B - BASIC FINANCIAL STATEMENTS OF THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA FOR FISCAL YEAR ENDED JUNE 30, 2009”.

### **DISTRICT REVENUES FOR CAPITAL PROJECTS**

The District derives its revenues for capital projects from certain State and local sources. The major categories of these revenue sources are briefly described below.

#### **State Sources**

The primary source of State educational funding contributions for the District’s capital outlay requirements is the Florida Public Education Capital Outlay Program (PECO). The method of allocating funds to the various school districts within the State is provided by State law based upon a statutory formula, a component of which is the number of students in the various districts. The State Commissioner of Education administers PECO and allocates or reallocates funds as authorized by law. \$16,648,728 of PECO funds were allocated to the District in Fiscal Year 2006-07, \$16,783,106 in Fiscal Year 2007-08 and \$9,153,384 in Fiscal Year 2008-09. Funding in the amount of \$1,963,985 is budgeted for Fiscal Year 2009-10 based on State projections.

Under the Act, the District may be entitled to receive other State revenues pursuant to other programs if the District achieves certain standards relating to its capital outlay efforts. It is not possible at this time to determine or estimate the amount of such state revenues, if any, that the District may receive in the future.

CO&DS Funds. The District receives a portion of the revenues generated by the State from the sale and renewal of motor vehicle licenses. The distributed revenues are designated as capital outlay and debt service (CO&DS) funds. CO&DS funds can be used by the District to make Lease Payments, but only if the facilities being lease-purchased appear on the project priority list approved by the State Board of Education. The District received \$1,045,422 of CO&DS funds in Fiscal Year 2006-07, \$2,147,874 in Fiscal Year 2007-08, \$1,043,974 in Fiscal Year 2008-09 and is projected to receive \$1,871,640 of CO&DS funds in Fiscal Year 2009-10.

#### **State Indebtedness on Behalf of the District**

Capital Outlay Bonds. The State of Florida Board of Education Capital Outlay Bonds are serviced entirely by the State using a portion of the District’s share of revenue derived from automobile registrations. The annual sinking fund requirements are determined by the State Board of Administration and amounts necessary to retire bonds and pay interest are withheld from amounts due to the District. At June 30, 2009, amounts withheld and in the custody of the State totaled \$4,577,000.

#### **Local Capital Outlay Sources**

Capital Improvement Tax. Under Section 1011.71(2), Florida Statutes, school districts may levy up to 1.50 mills (previously 1.75 mills) for capital outlay and maintenance of school facilities (see “AD VALOREM TAX MATTERS – Legislative Amendments Reducing the Capital Improvement Tax”). This levy is known as the “Local Option Millage Levy” and is referred to herein as the Capital Improvement Tax. See “SECURITY FOR THE NOTES – Capital Projects Fund – Revenue Sources” herein for a more detailed description of the Capital Improvement Tax. See also “AD VALOREM TAX MATTERS - Legislative Amendments Reducing the Capital Improvement Tax”.

General Obligation Debt. In addition to the school board-set levies, qualified electors, by referendum, may vote an additional millage levy for District operation and capital outlay purposes, as prescribed by the Florida Constitution and applicable statutes. Qualified electors within the District may authorize issuance of general obligation bonds to be retired by a millage levy. The District currently has no general obligation debt outstanding.

## General Fund Revenue Sources

The following table sets forth general fund revenue sources for the past five complete fiscal years.

### The School District of Palm Beach County, Florida General Fund Revenue Sources<sup>(1)</sup>

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Federal Funds</u> <sup>(2)</sup>	<u>State Funds</u>	<u>Local Funds</u>	<u>Total Revenue</u>
2009	\$6,407,000	\$327,883,000	\$949,599,000	\$1,283,889,000
2008	2,225,000	404,744,000	949,417,000	1,356,386,000
2007	4,595,000	353,121,000	941,534,000	1,299,250,000
2006	4,729,000	403,796,000	789,327,000	1,197,852,000
2005	3,997,000	410,760,000	705,112,000	1,119,869,000

<sup>(1)</sup> Rounded.

<sup>(2)</sup> Includes direct federal funds and federal funds received through the State.

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

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## General Fund Operations

The following tables summarize results of operations for the general fund and capital projects fund of the District for the fiscal years ended June 30, 2006 through June 30, 2009 and budgeted anticipated results of operations for fiscal year ending June 30, 2010.

### The School District of Palm Beach County, Florida Summary of General Fund Revenue and Expenditures (Amount in Millions)

	Results of Operations <sup>1</sup>				Budget
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010<sup>2</sup></u>
Beginning Fund Balance:					
Reserved	\$ 24.1	\$ 22.5	\$ 28.9	\$ 32.8	\$ 14.5
Undesignated	39.7	37.3	33.3	48.5	38.5
Contingency Reserve	29.6	39.4	39.4	39.4	39.4
Total	<u>\$ 93.6</u>	<u>\$ 99.2</u>	<u>\$ 101.6</u>	<u>\$ 120.7</u>	<u>\$ 92.4</u>
Revenues:					
Local Sources and Other Financing Sources:					
Ad Valorem Taxes	\$ 739.4	\$ 885.0	\$ 879.8	\$ 887.3	\$ 871.0
Interest Income and Other	12.7	16.6	14.7	5.9	4.7
Other Revenue	57.8	39.9	56.6	59.2	50.9
Transfers In	43.7	43.6	60.7	61.3	79.4
Total Local Sources and Other Financing Sources	<u>\$ 853.6</u>	<u>\$ 985.1</u>	<u>\$ 1,011.8</u>	<u>\$ 1,013.7</u>	<u>\$ 1,006.0</u>
State Sources:					
FL Educ. Finance Pro. & Lottery	\$215.8	\$117.0	\$136.7	\$78.7	\$66.4
Categorical Grants	155.2	206.1	248.5	231.7	191.7
Other	32.8	30.0	19.5	17.5	16.0
Total State sources	<u>\$ 403.8</u>	<u>\$ 353.1</u>	<u>\$ 404.7</u>	<u>\$ 327.9</u>	<u>\$ 274.1</u>
Federal Sources	<u>\$4.7</u>	<u>\$4.6</u>	<u>\$2.2</u>	<u>\$6.4</u>	<u>\$4.4</u>
Total Revenues	<u>\$ 1,262.1</u>	<u>\$ 1,342.8</u>	<u>\$ 1,418.7</u>	<u>\$ 1,348.0</u>	<u>\$ 1,284.5</u>
Adjustments to Fund Balance	----	----	---	---	---
Total Rev. & Fund Balance	<u>\$ 1,355.7</u>	<u>\$ 1,442.0</u>	<u>\$ 1,520.3</u>	<u>\$ 1,468.7</u>	<u>\$ 1,376.9</u>
Expenditures:					
Salaries	\$ 779.5	\$ 837.5	\$ 862.7	\$ 850.6	\$ 777.6
Employee Benefits	225.4	230.4	260.1	260.5	245.2
Purchased Services	115.4	123.4	117.8	119.8	127.7
Other Non-personnel	136.2	149.1	159.0	145.4	182.0
Transfer Out	0.0	0.0	0.0	0.0	0.0
Total Expenditures	<u>\$ 1,256.5</u>	<u>\$ 1,340.4</u>	<u>\$ 1,399.6</u>	<u>\$ 1,376.3</u>	<u>\$ 1,332.5</u>
Excess of Revenues Over (Under)					
Expenditures	\$5.6	\$2.4	\$19.1	(\$28.3)	(\$48.0)
Ending Fund Balance:					
Reserved for Encumbrances	\$ 8.7	\$ 6.2	\$ 3.6	\$ 2.0	\$ 1.5
Reserved for Inventory	11.8	10.4	10.9	6.0	5.0
Reserved for Board Contingency	39.4	39.4	39.4	39.4	44.4
Reserved for Sprint Settlement	0.0	0.0	5.0	4.8	4.8
Reserved for Group Health Insurance	0.0	10.1	10.1	0.0	0.0
Reserved for Carryover Programs	2.0	2.2	3.2	1.7	1.7
Undesignated	37.3	33.3	48.5	38.5	40.0
Total Fund Balance	<u>\$ 99.2</u>	<u>\$ 101.6</u>	<u>\$ 120.7</u>	<u>\$ 92.4</u>	<u>\$ 97.4</u>
Total Expenditures & Fund Balance	<u>\$ 1,355.7</u>	<u>\$ 1,442.0</u>	<u>\$ 1,520.3</u>	<u>\$ 1,468.7</u>	<u>\$ 1,429.9</u>

Source: <sup>1</sup> Results of operations derived from the Comprehensive Annual Financial Report of the School District of Palm Beach County, Florida for the 2006-2009 Fiscal Years.

<sup>2</sup> Executive Summary of the 2009-10 Budget.

**The School District of Palm Beach County, Florida**  
**Summary of Capital Projects Fund Revenue and Expenditures**  
**(Amount in Millions)**

	Results of Operations - Budgetary Basis <sup>(1)</sup>				Budget <sup>(2)</sup>
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>REVENUES:</b>					
<b>Local Sources:</b>					
Ad valorem taxes	251.4	309.8	328.4	279.7	262.4
Local Sales Tax	120.4	116.7	102.8	121.0	90.8
Interest income and other	55.7	60.0	55.5	112.2	5.3
<b>Total Local Sources</b>	<u>\$ 427.5</u>	<u>\$ 486.5</u>	<u>\$ 486.7</u>	<u>\$ 512.9</u>	<u>\$ 358.5</u>
<b>State Sources:</b>					
Capital outlay distributed to District - net	1.2	1.0	2.0	1.0	1.9
Public education capital outlay	13.9	-	33.7	9.2	2.0
Other	5.5	-	46.7	3.2	3.5
<b>Total State Sources</b>	<u>\$ 20.6</u>	<u>\$ 1.0</u>	<u>\$ 82.4</u>	<u>\$ 13.4</u>	<u>\$ 7.4</u>
GAAP Adjustments	17.1	19.3	-	-	-
<b>TOTAL REVENUES</b>	<u>\$ 465.2</u>	<u>\$ 506.8</u>	<u>\$ 569.1</u>	<u>\$ 526.3</u>	<u>\$ 365.9</u>
<b>EXPENDITURES:</b>					
<b>Facilities acquisition and construction:</b>					
Land	\$ 37.4	\$ 31.1	\$ 33.1	\$ 36.4	\$ 5.9
Buildings	591.0	638.4	517.4	718.4	447.5
Improvements	10.6	8.8	4.7	16.4	15.3
<b>Total facilities acquisition &amp; construction</b>	<u>\$ 639.0</u>	<u>\$ 678.3</u>	<u>\$ 555.2</u>	<u>\$ 771.2</u>	<u>\$ 468.7</u>
<b>Other capital outlay:</b>					
Furniture, fixtures and equipment	\$ 80.9	\$ 80.2	\$ 46.5	\$ 56.8	\$ 22.6
Debt Service	11.7	13.9	8.7	6.4	3.9
Less Encumbrances	(209.7)	(250.9)	(31.7)	(240.0)	0.0
<b>TOTAL EXPENDITURES</b>	<u>\$ 521.9</u>	<u>\$ 521.5</u>	<u>\$ 578.7</u>	<u>\$ 594.4</u>	<u>\$ 495.2</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(56.7)	(14.7)	(9.6)	(68.1)	(129.3)
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers out	(145.4)	(164.2)	(205.9)	(61.0)	(79.4)
Proceeds from sale of Capital Assets and other	2.1	1.6	0.3	0.0	0.0
Proceeds from leases	0.0	0.0	0.0	0.0	0.0
Proceeds from insurance loss recoveries	15.2	0.2	6.3	0.0	0.0
Proceeds from issuance of long-term debt	229.9	400.7	148.1	106.2	0.0
<b>Total Other Financing Sources (Uses)</b>	<u>\$ 101.8</u>	<u>\$ 238.3</u>	<u>\$ (51.2)</u>	<u>\$ 45.2</u>	<u>\$ (79.4)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	45.1	223.6	(60.8)	(22.9)	(208.7)
Beginning Fund Balances (GAAP)	341.8	386.9	610.5	549.7	526.8
<b>Ending Fund Balances (GAAP)</b>	<u>\$ 386.9</u>	<u>\$ 610.5</u>	<u>\$ 549.7</u>	<u>\$ 526.8</u>	<u>\$ 318.1</u>

<sup>(1)</sup> Results of operations derived from the Comprehensive Annual Financial Report of the School District of Palm Beach County, Florida for the 2006-2009 Fiscal Years.

<sup>(2)</sup> Executive Summary of the 2009-10 Budget.

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

In the November 5, 2002 general election, the voters of the State of Florida approved two amendments to the State Constitution that may affect the District's operations. Amendment 9 to the State Constitution requires that 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, collectively, are referred to herein as the "Class Size Legislation".

The Class Size Legislation establishes 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. These maximums must be implemented by the beginning of the 2010-11 school year. School districts that exceed these class size maximums were required to reduce the average number of students per class in each of these grade groupings by at least two students each year, beginning with the 2003-04 fiscal year. For fiscal years 2003-04 through 2005-06, compliance for each of the grade groupings was calculated to be the average at the district level. For fiscal years 2006-07 through 2009-10, compliance is determined at the average on a school-by-school basis. For fiscal year 2010-11 and thereafter, compliance will be determined on an individual classroom level.

The Class Size Legislation further creates 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 programs 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. Failure to reduce class sizes by at least two students each year until the constitutional maximum is met may result in transfer of class size reduction operating funds to fixed capital outlay appropriations, required implementation of year-round schools, double sessions, extended school year or rezoning, implementation of a state-mandated constitutional compliance plan or withholding of various State funds.

The District is currently in compliance with the requirements of the Class Size Legislation. During its 2009 session, the Florida legislature enacted, and the Governor signed into law, legislation delaying implementation of the mandated class size reductions for one year. Such legislation generally provides that compliance with the Class Size Legislation would be determined on a school-by-school basis through and including fiscal year 2009-10 (the original Class Size Legislation provided that compliance be determined on an individual classroom level for fiscal year 2009-10), and that final compliance on an individual classroom basis would be delayed until fiscal year 2010-11. In the event that the District receives sufficient State funds for such purpose, District anticipates it will be in compliance with the Class Size Legislation on an individual classroom level by fiscal year 2010-11. In the event a school district is not in compliance with such requirements, the legislation provides that the State shall reduce categorical funds due to such school district for operational purposes. While the Class Size Legislation suggests that the State Legislature, and not local school districts, is generally responsible for the cost of compliance, it is uncertain what effect implementation might have upon the District or the School Board. There can be no assurance that these funds will be sufficient to meet the capital and facility needs of the District required by the Class Size Legislation. Further, there can be no assurance that the District will have funds sufficient to meet the capital and facility needs of the District required by the Class Size Legislation or that compliance therewith will not adversely affect other capital needs and operating costs of the District.

Various legislative proposals seeking to amend the Class Size Legislation have been introduced in the State, such as proposals that increase the existing class size maximums and include a class size average requirement that is similar to the current class size maximum. It is impossible to predict whether similar or additional legislative or other proposals will be introduced or enacted and what impact, if any, such legislation would have on the District or its finances.

Amendment 8 to the State 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 pre-kindergarten (“Pre-K”) program delivered by a private Pre-K provider, a summer program delivered by a public school or 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 program provider.

The Pre-K Legislation provides State funding for the Pre-K programs. The District currently has approximately 3,886 students in its Pre-K Program. To date, there has not been any adverse impact to the District’s financial situation as a result of the institution of the Pre-K Program as the State funding levels have been sufficient. However, there can be no assurance that the Pre-K Legislation and compliance therewith will not adversely affect the District in the future. Further, there can be no assurance that the District will have funds sufficient to meet the capital and facility needs of the District required by the Pre-K Legislation or that compliance therewith will not adversely affect other capital needs and operating costs of the District

### **Basic Financial Statements**

The audited basic financial statements of the District for the fiscal year ended June 30, 2009, are included as “APPENDIX B – BASIC FINANCIAL STATEMENTS OF THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA FOR THE FISCAL YEAR ENDED JUNE 30, 2009” 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.

## **AD VALOREM TAX MATTERS**

### **General**

The following information is provided in view of the fact that a large portion of the District’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, 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.

## **Property Tax Reform**

### Ad Valorem Provisions.

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 will apply to property tax assessments made on or after January 1, 2011 (Fiscal Year 2011-12 for school districts).

### Legal Challenges to Ad Valorem Provisions.

A lawsuit challenging the constitutionality of at least part of the amendments was filed prior to the referendum approval by the voters. In Bruner v. Hartsfield, filed in the Circuit Court in and for Leon County, Florida in November 2007, new Florida homestead owners (having paid ad valorem taxes for the past four years) filed a class action lawsuit challenging the constitutionality of the Save Our Homes assessment cap and the portability provision. The lawsuit charges that Save Our Homes 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. The lawsuit argues that the portability provision simply extends the unconstitutionality of the tax shelters granted to long-term homeowners by Save Our Homes. The lawsuit requests a declaration of the unconstitutionality of both provisions and injunctive action preventing continued application of those provisions. On October 29, 2008, the Circuit Court dismissed the plaintiff's complaint with prejudice. The plaintiffs have appealed the decision to the First District Court of Appeals. At the present time, it is impossible to predict the plaintiffs' chances of success in an appeal or the impact to the Districts finances if an appeal is successful.

On October 18, 2007, the same Court, in Lanning v. Pilcher, a case filed by out-of-state residents challenging the constitutionality of the Save Our Homes assessment cap, rejected the plaintiffs arguments that the Save Our Homes assessment cap violates either the Commerce Clause or the Privileges and Immunities Clause of the U.S. Constitution or the Equal Protection Clause of either the U.S. or Florida Constitutions and dismissed the plaintiffs' allegations with prejudice. The Lanning Court noted that its decision was limited to the plaintiffs' complaints regarding the Save Our Homes assessment cap. The plaintiffs appealed the case to the First District Court of Appeals. On August 26, 2009, the First District Court of Appeals affirmed the lower Court decision. The plaintiffs have appealed the case to the Florida Supreme Court. A lawsuit brought by out-of-state residents (DeLuccio v. Havill) challenging the constitutionality of the Save Our Homes assessment cap and the portability provision was filed with the same Court on May 2, 2008 naming the School Boards of Lake, Manatee, Miami-Dade and Lee, among other defendants. The allegations and relief requested by the plaintiffs in each of these cases are very similar, except that the portability provision was not challenged in Lanning v. Pilcher since the case was filed prior to the approval of the amendments implementing portability. On November 4, 2008, the Circuit Court in DeLuccio dismissed the plaintiffs' complaint with prejudice. The plaintiffs have appealed the decision to the First District Court of Appeals, which, as noted above, rejected similar arguments in Lanning v. Pilcher with similarly situated plaintiffs. However, since the portability provision was not challenged in Lanning, there is no assurance that the First District Court of Appeals will reach a similar conclusion. At the present time, it is impossible to predict the likelihood of the plaintiffs' success on appeal in any of these lawsuits or, if successful, the impact of these lawsuits on the School Board's finances.

### Proposals Affecting Ad Valorem Taxation.

During recent years, various other legislative proposals and constitutional amendments relating to ad valorem taxation have been introduced in the State. Many of these proposals sought to provide for new or increased exemptions to ad valorem taxation, limit the amount of revenues that local governments could generate from ad valorem taxation or otherwise restrict the ability of local governments in the State to levy ad valorem taxes at recent, historical levels. Additionally, there have been certain proposals seeking to reduce the "required local effort" millage for school districts and to replace such millage with other revenue source(s) or to require that certain percentages of school district funding be spent on particular activities. There can be no assurance that similar or additional legislative or other proposals will not be introduced or enacted in the future that would, or might apply to, or have a material adverse effect upon, the District or its finances.

### **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 as 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 and for Fiscal Year 2009-10.

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 for capital outlay and maintenance purposes (such levy being referred to in this Official Statement as the Capital Improvement Tax or the Local Option Millage Levy). See “Legislative Amendments Reducing the Capital Improvement Tax” below for a description of recent legislation reducing the maximum millage rate that school districts may levy for capital outlay and maintenance purposes.

The millage limitations are applicable to taxes levied for operational purposes as well as to taxes levied for capital outlay and maintenance purposes, such as the Capital Improvement Tax pledged to secure repayment of the Notes. 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 95 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 redeemed, 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 redeemed 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.

### Legislative Amendments Reducing the Capital Improvement Tax

In its 2009 session, the Florida Legislature amended Section 1011.71, Florida Statutes, to (i) reduce the maximum millage rate that school districts may levy for capital outlay and maintenance purposes (referred to in this Official Statement as the Capital Improvement Tax or the Local Option Millage Levy) from 1.75 mills to 1.50 mills commencing in Fiscal Year 2009-10 for school districts, (ii) waive 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, (iii) 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 as provided in the State General Appropriation Act, and (iv) authorize school boards, by a super majority vote, to levy an additional .25 mills for critical capital outlay needs or for critical operating needs. If levied for operations, districts in which .25 mills generate less than the state average are to be provided the difference in state funds allocated through the FEFP. In order to continue the levy described in clause (iv), it must be approved by the voters of the district in the next general election. In conjunction with the reduction of the Local Option Millage Levy described in clause (i) hereof, it is expected that the State's Commissioner of Education would increase the amount of the discretionary millage levy for each school district in the State, which would result in a shift of the millage (and associated tax revenues) from capital outlay and maintenance purposes to operational purposes. As further discussed in "SECURITY FOR THE NOTES", the Capital Improvement Tax constitutes the primary source of funds to pay the Notes, as well as the lease payments due in connection with the Leases. The reduction in the maximum Capital Improvement Tax will therefore directly reduce the amount of funds available to make payments in respect of the Notes. Moreover, the reduction of the maximum permitted Local Option Millage Levy will directly reduce the amount of funds available to make lease payments due in connection with the Leases unless action is taken pursuant to clauses (iii) or (iv) to levy an additional 0.25 mills for capital purposes and, consequently, may adversely affect the District's ability to finance additional educational facilities under the Master Lease in the future.

### Historical Ad Valorem Tax Collections

The following table sets forth the amounts billed and collected for ad valorem property taxes levied by the District for the fiscal years 2005 through 2009:

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

Fiscal Year <u>Ended June 30</u>	Property <u>Taxes Levied</u>	Current Tax <u>Collections</u>	Total Tax <u>Collections</u>	Percent of Current Tax Collected To Property <u>Taxes Levied</u>
2009	\$922,611	\$846,495	\$848,999	91.76%
2008	912,729	835,511	836,012	91.54
2007	921,630	853,088	853,632	92.56
2006	768,215	721,060	721,979	93.86
2005	686,554	648,455	649,530	94.45

Source: The School District of Palm Beach County, Florida Comprehensive Annual Financial Report for the Fiscal Year Ending June 30, 2009.

## Historical Millages

The following table contains current and historical millage rates (tax per \$1,000 of assessed value) for the Board for Fiscal Year 2009-10 and for the last four fiscal years (see “AD VALOREM TAX MATTERS - Millage Rates” and “- Legislative Amendments Reducing the Capital Improvement Tax” above for a discussion of recent legislation reducing the maximum amount of the Local Option Millage Levy for school districts).

### The School District of Palm Beach County, Florida Tax Millage Rates

	Fiscal Year Ended June 30				
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Fund					
Required Local Effort	5.230	5.089	4.743	4.898	5.485
Discretionary	<u>0.654</u>	<u>0.623</u>	<u>0.613</u>	<u>0.603</u>	<u>0.650</u>
Subtotal	5.884	5.712	5.356	5.501	6.135
Debt Service	0.222	0.160	0.000	0.000	0.000
Capital Improvement	<u>2.000</u>	<u>2.000</u>	<u>2.000</u>	<u>1.750</u>	<u>1.848</u>
Total Millage Levy	<u>8.106</u>	<u>7.872</u>	<u>7.356</u>	<u>7.251</u>	<u>7.983</u>

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 has levied 7.983 nonvoted mills for fiscal year ending June 30, 2010.

## Assessed Valuation

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)

Fiscal Year Ended June 30	Gross Assessed Value <sup>(1)</sup>	Total Taxable Value for Operating Millages	% Taxable to Total Assessed Value
2009 <sup>(2)</sup>	\$222,676,827	\$167,717,027	75.32%
2008	236,349,113	170,412,459	72.10
2007	232,872,481	161,349,820	69.29
2006	180,740,112	130,559,912	72.24
2005	149,439,019	111,489,843	74.61

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

<sup>(2)</sup> 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, 2009.

The following table contains the list of the County's ten largest taxpayers for the fiscal year ended June 30, 2009.

**Palm Beach County, Florida  
Principal Property Taxpayers  
(in Thousands)  
June 30, 2009 (Unaudited)**

<u>Taxpayer</u>	<u>Taxes Levied</u>	<u>% to Aggregate Taxes Levied</u>
Florida Power & Light Company	\$26,881,000	0.82%
BellSouth Telecommunications	8,719,000	0.26
Town Center	8,619,000	0.26
U.S. Sugar Corporation	5,479,000	0.17
Breakers Hotel - Palm Beach	4,817,000	0.15
Panthers BRHC LTD	4,474,000	0.14
Lawrence L. Landry	4,339,000	0.13
TJ Palm Beach Assoc LTD Ptnrs	3,618,000	0.11
James H. Batmasian	3,589,000	0.11
Okeelanta Corporation	<u>3,424,000</u>	<u>--</u>
Total	<u>\$73,959,000</u>	<u>2.14%</u>

Source: The School District of Palm Beach County, Florida Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2009.

#### 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 Chief 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. 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 and such interest will not 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.

#### **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 Chief 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 this 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.

### **RATINGS**

Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies ("S&P") have assigned their municipal bond ratings to the Notes as set forth on the cover page hereof. An explanation of the significance of the rating may be obtained only from Moody's or S&P. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by Moody's or S&P, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Notes. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agencies. 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. An explanation of the rating given by S&P may be obtained from S&P at: Standard & Poor's Rating Services, 55 Water Street, New York, New York 10041. Generally, a rating agency bases their rating on the information and materials furnished to it and on investigations, studies and assumptions of their own.

### **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 special 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 special 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 Capital Improvement Tax) 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 2010, (2) the percentage of collection of ad valorem taxes for the fiscal year ending June 30, 2011, (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 fiscal year ending June 30, 2011, and (4) the absence of the need for extraordinary, unforeseen expenditures during the fiscal year ending June 30, 2011. 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.

## **UNDERWRITING**

The Notes are being purchased by J.P. Morgan Securities Inc. (the "Underwriter") at an aggregate purchase price of \$56,649,040.00 (which represents the \$56,000,000 principal amount of the Notes plus a note premium of \$649,040). The offer of the Underwriter to purchase the Notes provides for the purchase of all of the Notes if any are purchased. The Underwriter re-offered the Notes at a price of 101.188% of the principal amount thereof, resulting in compensation to the Underwriter in the amount of \$16,240. After the initial offering, the Underwriter may change the offering price from time to time.

## **CONTINUING DISCLOSURE**

On the date of issuance of the Notes, the District will execute a Material Event 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 undertake to provide in a timely manner 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, if material: (a) principal and interest payment delinquencies; (b) non-payment related defaults; (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; (h) Note calls; (i) defeasances; (j) release, substitution or sale of property securing the repayment of the Notes; or (k) rating changes. Such obligation of the District will remain in effect, subject to the following sentence, so long as the Notes are outstanding in accordance with their terms. The intent of the District's undertaking in the Material Events Notice Certificate is to provide notice of material events described in the Rule and, accordingly, the District reserves the right to modify its obligations under the Material Events Notice Certificate so long as any such modification is made in a manner consistent with the Rule. Furthermore to the extent that the Rule no longer requires the issuers of municipal securities to provide all or any portion of the notice the District has agreed to provide pursuant to the Material Events Notice Certificate, the obligation of the District to provide such information also shall cease immediately.

The District has not failed to comply with any prior undertaking made with respect to the Rule.

The Treasurer shall be the contact person on behalf of the District from whom the foregoing notices may be obtained. The name, address and telephone number of the contact person is 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.

## **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 authority of 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 therein for the purpose for which this Official Statement is to be used or which is necessary in order to make the statements therein, in the light of the circumstances in which they were made, not misleading.

SCHOOL DISTRICT OF PALM BEACH COUNTY,  
FLORIDA

By: /s/ Monroe Benaim, M.D.  
Chairman, The School Board of Palm Beach  
County, Florida

By: /s/ Dr. Art Johnson  
Superintendent of Schools

**APPENDIX A**

**INFORMATION REGARDING PALM BEACH COUNTY, FLORIDA**

## APPENDIX A

### INFORMATION CONCERNING PALM BEACH COUNTY, FLORIDA

#### General Information

Palm Beach County (the “County”) was founded in 1909 and encompasses an area of 2,023 square miles. It is located on the lower east 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 74.9 F degrees and an average rainfall of 61.7 inches. These 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, eleven of which have a population in excess of 25,000. West Palm Beach is the County seat and is the largest city in the County. The County had a 2009 population of 1,286,621.

#### Population

In 2009, Palm Beach County was the third largest county in the State in terms of population. Its population increased 65.3% during the 1970 - 1980 decade, 49.7% during the 1980 - 1990 decade, 31.0% during the 1990 - 2000 decade and 13.7% during the period from 2000 to 2009.

#### Population Growth 2000-2009

<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>
2000	1,131,191	2.9	15,982,824	2.6	281,421,906	0.9
2001	1,154,464	2.1	16,330,601	2.2	285,112,030	1.3
2002	1,183,197	2.5	16,674,608	2.1	287,888,021	1.0
2003	1,211,448	2.4	17,070,167	2.4	290,447,644	0.9
2004	1,242,270	2.5	17,280,558	1.2	293,191,511	0.9
2005	1,265,900	1.9	17,918,227	3.7	295,895,897	0.9
2006	1,287,987	1.7	18,349,132	2.4	298,754,819	1.0
2007	1,295,033	0.5	18,680,367	1.8	301,621,157	1.0
2008	1,294,654	0.0	18,807,219	0.7	304,059,724	0.8
2009	1,286,621	(0.6)	18,748,925	(0.3)	307,006,550 <sup>(1)</sup>	1.0

<sup>(1)</sup> Data obtained from [www.census.gov](http://www.census.gov)

Source: Florida Research and Economic Database at: <http://fred.labormarketinfo.com>. University of Florida - Bureau of Economic and Business Research, Florida.

**Income**

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

**Per Capita Personal Income  
1998-2008**

<u>Year</u>	<u>Palm Beach County</u>			<u>Florida</u>		<u>U.S.</u>
	<u>Dollars</u>	% of <u>Florida</u>	% of <u>U.S.</u>	<u>Dollars</u>	% of <u>U.S.</u>	<u>Dollars</u>
1998	\$39,045	150.2%	145.2%	\$25,987	96.7%	\$26,883
1999	40,121	149.2	143.6	26,894	96.3	27,939
2000	43,116	151.2	144.4	28,508	95.5	29,845
2001	43,964	150.1	143.7	29,291	95.8	30,582
2002	44,195	148.4	143.2	29,754	96.5	30,838
2003	43,974	144.7	139.3	30,369	96.3	31,530
2004	48,422	148.0	145.8	32,672	98.5	33,157
2005	51,374	148.0	148.1	34,709	100.1	34,690
2006	55,812	151.0	151.0	37,099	100.8	36,794
2007	59,147	154.0	154.0	38,417	99.5	38,615
2008	N/A	N/A	N/A	39,070	98.3	39,751

Source: Florida Research and Economic Database at: <http://fred.labormarketinfo.com>.

Note: Data for 2008 for the County is not available.

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  
2004-2008**

<u>Age Group</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
0-17	22%	22%	21%	21%	21%
18-34	18	18	18	18	19
35-54	27	27	27	27	27
55-65	11	11	11	12	12
65+	22	22	22	22	21

Source: Florida Statistical Abstract 2009, University of Florida Bureau of Economic and Business Research.

## Employment

Tourism, construction 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 Employment Distribution by Major Industry 2003-2007

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Manufacturing	21,200	19,300	19,400	20,400	19,100
Contract Construction	35,700	38,800	42,400	47,100	44,100
Transportation	10,500	9,400	9,900	10,000	10,200
Trade	90,100	92,700	93,100	96,300	96,600
Finance	39,800	39,600	39,400	40,600	40,200
Services	272,600	293,300	304,300	305,600	308,100
Government	<u>63,700</u>	<u>64,200</u>	<u>65,200</u>	<u>65,700</u>	<u>65,500</u>
<b>Total</b>	<b>533,600</b>	<b>557,300</b>	<b>573,700</b>	<b>585,700</b>	<b>583,800</b>

Source: Florida Department of Labor and Employment Security, Division of Employment Security.

The data on County unemployment in the following table represents annual averages.

### Palm Beach County Annual Average Labor Force and Unemployment Estimates

<u>Year</u>	Civilian <u>Labor Force</u>	<u>Unemployment Rates</u>		
		<u>Palm Beach County</u>	<u>Florida</u>	<u>United States</u>
2000	541,759	4.2%	3.8%	4.0%
2001	564,996	5.0	4.7	4.7
2002	581,462	6.1	5.7	5.8
2003	585,256	5.7	5.3	6.0
2004	595,447	5.1	4.7	5.5
2005	612,879	4.2	3.9	5.1
2006	627,536	3.7	3.4	4.6
2007	639,916	4.3	4.0	4.6
2008	628,273	6.6	6.2	5.8
2009 <sup>(1)</sup>	629,235	11.3	11.0	9.7

Source: Florida Research and Economic Database at: <http://fred.labormarketinfo.com>.

<sup>(1)</sup> Figures are for the July 2009 time period and are not seasonally adjusted.

## Largest Employers

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

	<u>No. of Employees</u>
Palm Beach County School Board .....	21,718
Palm Beach County .....	11,319
State Government .....	9,300
Federal Government .....	6,200
Tenet Healthcare Corp.....	4,500
Florida Power & Light Company .....	3,632
Hospital Corporation of America.....	3,395
Wackenhut Corporation.....	3,000
Florida Atlantic University.....	2,838
Veterans Health Administration.....	2,207

Source: Palm Beach County, Florida Comprehensive Annual Financial Report for Fiscal Year ended September 30, 2008.

## Tourism

Visitors to the Palm Beaches have a significant economic impact on the County. Tourism is the County's number one industry, generating a direct annual economic impact of \$2.8 billion in the local economy, producing \$23 million in bed tax revenue and lodging sales of approximately \$623 million. Over 7 million tourists are estimated to visit the County annually.

## Agriculture

Agriculture, together with the related service industries, are the leading sources of income for the County's residents. The western region of the County is one of the nation's most productive agricultural areas. Palm Beach County leads Florida and all counties east of the Mississippi River in agricultural proceeds and is first in Florida and among the top counties in the United States for agricultural sales. Annual agricultural sales for the County are estimated to be in excess of \$2 billion.

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## Construction

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

**Building Permit Activity  
County of Palm Beach, Florida  
(Dollars in Thousands)  
2005 - 2009**

<u>Fiscal 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

Source: The School District of Palm Beach County, Florida Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2009.

## Banking

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

**Total Bank Deposits<sup>(1)</sup>  
Fiscal Years 2000 - 2009  
(amounts in thousands)**

<u>Fiscal Year</u>	<u>Commercial Banks</u>	<u>Federal Savings and Loan Associations</u>
2000	\$13,183,000	\$8,185,000
2001	13,656,000	8,707,000
2002	14,093,000	10,229,000
2003	15,856,000	11,543,000
2004	18,173,000	12,815,000
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	N/A	N/A

<sup>(1)</sup> Internet address [www2.fdic.gov/sod](http://www2.fdic.gov/sod) as of June 30.

Source: The School District of Palm Beach County, Florida Comprehensive Annual Financial Report for Fiscal Year ended June 30, 2009.

**APPENDIX B**

**BASIC FINANCIAL STATEMENTS OF THE SCHOOL BOARD OF  
PALM BEACH COUNTY, FLORIDA FOR FISCAL YEAR ENDED JUNE 30, 2009**

# BASIC FINANCIAL STATEMENTS



**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2009**  
**(amounts expressed in thousands)**

	<b>Primary Government Governmental Activities</b>	<b>Component Units</b>
<b>ASSETS</b>		
Cash, cash equivalents and investments	\$ 1,018,487	\$ 11,334
Taxes receivable	54,529	-
Accounts and interest receivable	2,601	1,416
Due from other agencies	39,893	30
Inventories	7,816	-
Restricted assets (cash with fiscal agent)	2,701	-
Other assets	20,510	1,423
Capital assets:		
Land	340,454	-
Construction in progress	335,025	-
Improvements other than buildings	35,897	2,225
Buildings and improvements	3,549,877	5,947
Furniture, fixtures and equipment	158,545	5,437
Motor vehicles	96,409	347
Audio/video materials and software	55,138	978
Less accumulated depreciation	<u>(879,482)</u>	<u>(4,216)</u>
Total capital assets, net of depreciation	<u>3,691,863</u>	<u>10,718</u>
<b>TOTAL ASSETS</b>	<u><b>4,838,400</b></u>	<u><b>24,921</b></u>
<b>LIABILITIES</b>		
Accounts and contracts payable	44,491	3,673
Accrued payroll and payroll deductions	82,699	727
Retainage payable on contracts	14,591	-
Revenue and tax anticipation notes payable	157,135	-
Commercial paper notes payable	150,000	-
Deposits payable	628	-
Interest payable	41,085	-
Unearned revenue	8,952	6
Noncurrent liabilities:		
Portion due or payable within one year:		
Notes payable	-	502
Bonds payable	3,175	-
Obligations under capital leases	-	-
Liability for compensated absences	12,395	341
Certificates of participation payable	57,995	-
Estimated claims	25,080	-
Other post-employment benefits obligation	297	-
Portion due or payable after one year:		
Notes payable	-	7,384
Bonds payable	38,762	-
Liability for compensated absences	167,257	-
Certificates of participation payable	1,908,859	-
Estimated claims	38,580	-
Other post-employment benefits obligation	<u>43,679</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u><b>2,795,660</b></u>	<u><b>12,633</b></u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	1,815,754	4,658
Restricted for:		
Categorical carryover programs	1,645	-
Debt service	72,788	-
Capital projects	284,298	1,496
School food service	20,052	-
Other purposes	-	51
Unrestricted (deficit)	<u>(151,797)</u>	<u>6,083</u>
<b>TOTAL NET ASSETS</b>	<u><b>\$ 2,042,740</b></u>	<u><b>\$ 12,288</b></u>

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

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2009**  
(amounts expressed in thousands)

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary government:</b>				
Governmental activities:				
Instruction	\$ 954,271	\$ 1,724	\$ 182,628	\$ -
Instructional support services	170,854	-	-	-
Board	5,293	-	-	-
General administration	10,161	-	-	-
School administration	98,528	-	-	-
Facilities acquisition and construction	92,500	-	-	39,739
Fiscal services	6,141	-	-	-
Food services	60,858	23,015	37,995	-
Central services	14,520	-	-	-
Pupil transportation services	46,217	2,233	27,280	-
Operation of plant	131,285	-	-	-
Maintenance of plant	47,184	-	-	-
Administrative technology services	5,588	-	-	-
Community services	30,125	21,538	2,127	-
Interest on long-term debt	99,581	-	-	4,644
Unallocated depreciation expense	107,044	-	-	-
Amortization expense	1,136	-	-	-
<b>Total primary government governmental activities</b>	<b>1,881,286</b>	<b>48,510</b>	<b>250,030</b>	<b>44,383</b>
<b>Component Units:</b>				
Charter schools	\$ 63,733	\$ 1,457	\$ 4,870	\$ 2,316

General revenues:

Taxes:

Property taxes, levied for general purposes

Property taxes, levied for capital projects

Local sales taxes

Grants and entitlements not restricted to specific programs

Investment earnings

Miscellaneous

Total general revenues

Change in net assets

Net Assets—beginning, as previously reported

Change in reporting entity

Net Assets—beginning, as adjusted

Net Assets—ending

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

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

<b>Primary</b>	
<b>Government</b>	
<b>Governmental</b>	<b>Component</b>
<b>Activities</b>	<b>Units</b>
\$ (769,919)	\$ -
(170,854)	-
(5,293)	-
(10,161)	-
(98,528)	-
(52,761)	-
(6,141)	-
152	-
(14,520)	-
(16,704)	-
(131,285)	-
(47,184)	-
(5,588)	-
(6,460)	-
(94,937)	-
(107,044)	-
(1,136)	-
<u>(1,538,363)</u>	<u>-</u>
-	(55,090)
887,265	-
282,362	-
100,100	-
241,445	53,715
26,975	87
28,609	718
<u>1,566,756</u>	<u>54,520</u>
28,393	(570)
2,014,347	12,843
-	15
<u>2,014,347</u>	<u>12,858</u>
<u>\$ 2,042,740</u>	<u>\$ 12,288</u>

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2009**  
**(amounts expressed in thousands)**

	<u>GENERAL FUND</u>	<u>CAPITAL IMPROVEMENT</u>
<b>ASSETS</b>		
Cash, cash equivalents and investments	\$ 225,867	\$ 198,439
Taxes receivable	41,369	13,160
Accounts and interest receivable	1,495	-
Due from other agencies	1,488	-
Due from other funds	5,000	-
Other assets	-	-
Inventories	6,039	-
<b>TOTAL ASSETS</b>	<u>281,258</u>	<u>211,599</u>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>LIABILITIES</b>		
Accounts and contracts payable	9,494	10,179
Accrued payroll and payroll deductions	90,282	-
Due to other funds	-	-
Retainage payable on contracts	-	180
Revenue/Tax anticipation notes payable	85,000	-
Commercial paper notes payable	-	-
Deposits payable	628	-
Interest payable	2,125	-
Deferred/Unearned revenue	1,317	-
<b>TOTAL LIABILITIES</b>	<u>188,846</u>	<u>10,359</u>
<b>FUND BALANCES</b>		
Fund balances reserved:		
Reserved for encumbrances	2,031	46,736
Reserved for inventories	6,039	-
Reserved for categorical carryover programs	1,645	-
Reserved for debt service	-	-
Reserved for school food service	-	-
Fund balances (deficits) unreserved:		
General Fund - designated for board contingency	39,400	-
General Fund - designated for communications	4,790	-
Capital Project Funds - designated for capital projects	-	154,504
Undesignated (deficits), reported in:		
General Fund	38,507	-
Capital Project Funds	-	-
Special Revenue Funds	-	-
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<u>92,412</u>	<u>201,240</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 281,258</u>	<u>\$ 211,599</u>

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

<b>COPS</b>	<b>SALES TAX</b>	<b>OTHER NON-MAJOR GOVERNMENTAL FUNDS</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
\$ 272,504	\$ 137,294	\$ 158,066	\$ 992,170
-	-	-	54,529
-	133	-	1,628
-	15,591	22,814	39,893
-	-	-	5,000
-	-	151	151
-	-	1,777	7,816
<u>272,504</u>	<u>153,018</u>	<u>182,808</u>	<u>1,101,187</u>
16,538	2,889	5,382	44,482
-	-	-	90,282
-	-	5,000	5,000
11,286	1,750	1,375	14,591
72,135	-	-	157,135
-	150,000	-	150,000
-	-	-	628
186	-	-	2,311
48	-	8,587	9,952
<u>100,193</u>	<u>154,639</u>	<u>20,344</u>	<u>474,381</u>
96,529	10,836	18,706	174,838
-	-	1,777	7,816
-	-	-	1,645
-	-	108,376	108,376
-	-	17,974	17,974
-	-	-	39,400
-	-	-	4,790
75,782	-	16,029	246,315
-	-	-	38,507
-	(12,457)	-	(12,457)
-	-	(398)	(398)
<u>172,311</u>	<u>(1,621)</u>	<u>162,464</u>	<u>626,806</u>
<u>\$ 272,504</u>	<u>\$ 153,018</u>	<u>\$ 182,808</u>	<u>\$ 1,101,187</u>



**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2009  
(amounts expressed in thousands)**

**Total Fund Balances - Governmental Funds** \$ 626,806

Amounts reported for governmental activities in the statement of net assets 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	4,571,345	
Accumulated depreciation	<u>(879,482)</u>	3,691,863

Debt issuance charges 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 assets. 16,388

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. 3,971

An internal service fund is used by management to charge the costs of maintenance activities and health premiums to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets

Assets	29,991	
Liabilities	<u>19,575</u>	
Net assets		10,416

Revenues that have been deferred or unearned in the governmental funds but are recognized as revenue in the governmental-wide financial statements. 1,000

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities (net of discounts/premiums and deferred amounts on refundings) at year-end consist of:

Bonds payable	41,937	
Compensated absences	168,714	
Certificates of participation payable	1,966,854	
Long-term claims payable	48,410	
Other post employment benefits	43,015	
Accrued interest on long-term debt	<u>38,774</u>	<u>(2,307,704)</u>

**Total Net Assets - Governmental Activities** \$ 2,042,740

**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, 2009  
(amounts expressed in thousands)**

	<u>GENERAL FUND</u>	<u>CAPITAL IMPROVEMENT</u>	<u>COPS</u>
<b>REVENUES:</b>			
Local sources:			
Ad valorem taxes	\$ 887,265	\$ 282,362	\$ -
Sales tax	-	-	-
Impact fees	-	-	-
Interest income and other	5,882	4,146	10,481
School age child care fees	21,538	-	-
Food service sales	-	-	-
Local grants and other	34,914	-	-
Total local sources	<u>949,599</u>	<u>286,508</u>	<u>10,481</u>
State sources:			
Florida education finance program	61,735	-	-
Capital outlay and debt service	98	-	-
Food service	-	-	-
Transportation	27,280	-	-
Public education capital outlay	-	-	-
Class size reduction	182,628	-	-
State grants and entitlements	56,142	-	-
Total state sources	<u>327,883</u>	<u>-</u>	<u>-</u>
Federal sources:			
Federal grants and entitlements	6,407	-	-
National school lunch act	-	-	-
Total federal sources	<u>6,407</u>	<u>-</u>	<u>-</u>
<b>TOTAL REVENUES</b>	<u>1,283,889</u>	<u>286,508</u>	<u>10,481</u>
<b>EXPENDITURES:</b>			
<b>Current:</b>			
Instruction	879,910	-	-
Instructional support services	111,037	-	-
Board	5,169	-	-
General administration	7,275	-	-
School administration	96,097	-	-
Facilities acquisition and construction	808	-	-
Fiscal services	5,828	-	-
Food services	-	-	-
Central services	13,826	-	-
Pupil transportation services	44,210	-	-
Operation of plant	128,427	-	-
Maintenance of plant	46,190	-	-
Administrative technology services	5,451	-	-
Community services	29,391	-	-
<b>Total Current Expenditures</b>	<u>1,373,619</u>	<u>-</u>	<u>-</u>

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

<u>SALES TAX</u>	<u>OTHER NON-MAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
\$ -	\$ -	\$ 1,169,627
100,100	-	100,100
-	3,254	3,254
3,621	2,482	26,612
-	-	21,538
-	23,015	23,015
-	6,915	41,829
<u>103,721</u>	<u>35,666</u>	<u>1,385,975</u>
-	-	61,735
-	6,599	6,697
-	937	937
-	-	27,280
-	16,697	16,697
-	16,457	199,085
-	3,716	59,858
-	<u>44,406</u>	<u>372,289</u>
-	120,030	126,437
-	37,995	37,995
-	<u>158,025</u>	<u>164,432</u>
<u>103,721</u>	<u>238,097</u>	<u>1,922,696</u>
-	56,210	936,120
-	56,827	167,864
-	-	5,169
-	2,655	9,930
-	-	96,097
-	-	808
-	-	5,828
-	60,613	60,613
-	485	14,311
-	1,373	45,583
-	441	128,868
-	-	46,190
-	-	5,451
-	322	29,713
-	<u>178,926</u>	<u>1,552,545</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, 2009  
(amounts expressed in thousands)**

	<u>GENERAL FUND</u>	<u>CAPITAL IMPROVEMENT</u>	<u>COPS</u>
<b>Capital outlay</b>	571	107,806	205,185
<b>Debt service:</b>			
Retirement of principal	-	-	-
Interest	2,133	-	165
Fiscal charges	-	4	82
<b>TOTAL EXPENDITURES</b>	<u>1,376,323</u>	<u>107,810</u>	<u>205,432</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(92,434)</u>	<u>178,698</u>	<u>(194,951)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	61,325	-	-
Transfers out	(2)	(200,980)	(285)
Proceeds of loss recoveries	2,803	-	-
Sale of capital assets and other	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>64,126</u>	<u>(200,980)</u>	<u>(285)</u>
<b>NET CHANGE IN FUND BALANCES</b>	(28,308)	(22,282)	(195,236)
<b>FUND BALANCES (DEFICIT), JULY 1, 2008</b>	<u>120,720</u>	<u>223,522</u>	<u>367,547</u>
<b>FUND BALANCES (DEFICIT), JUNE 30, 2009</b>	<u>\$ 92,412</u>	<u>\$ 201,240</u>	<u>\$ 172,311</u>

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

<u>SALES TAX</u>	<u>OTHER NON-MAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
29,716	52,051	395,329
-	58,705	58,705
2,321	96,968	101,587
690	583	1,359
<u>32,727</u>	<u>387,233</u>	<u>2,109,525</u>
 70,994	 (149,136)	 (186,829)
 -	 154,779	 216,104
-	(14,837)	(216,104)
-	2,066	4,869
-	3,301	3,301
<u>-</u>	<u>145,309</u>	<u>8,170</u>
 70,994	 (3,827)	 (178,659)
<u>(72,615)</u>	<u>166,291</u>	<u>805,465</u>
 <u>\$ (1,621)</u>	 <u>\$ 162,464</u>	 <u>\$ 626,806</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, 2009  
(amounts expressed in thousands)**

**Total net change in fund balances - governmental funds** \$ (178,659)

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 by which capitalized capital outlays (\$303,205) exceed depreciation expense (\$107,044) in the period. 196,161

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

Issuance Cost Amortization	(1,136)	
Premium/Discount Amortization	<u>2,649</u>	1,513

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 58,705

Revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 1,000

Revenues reported in the funds that were reported as revenue in the statement of activities in the prior year under full accrual. (6,653)

The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets. (15,896)

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	(518)	
Compensated absences	(10,482)	
Long-term claims payable	(1,388)	
Other post employment benefits	(15,079)	
Liability for arbitrage rebate	238	
Accrued interest on long-term debt	<u>476</u>	(26,753)

An internal service fund is used by management to charge the costs of maintenance activities and health premiums to individual funds. The net revenue of the internal service fund is reported with governmental activities. (1,025)

**Change in net assets of governmental activities** \$ 28,393

**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, 2009**  
(amounts expressed in thousands)

	<b>Budgeted Amounts</b>		<b>Actual (Budgetary Basis)</b>	<b>Variances - Positive (Negative)</b>	
	<b>Original</b>	<b>Final</b>		<b>Original to Final</b>	<b>Final to Actual</b>
<b>REVENUES:</b>					
Local sources	\$ 937,657	\$ 949,599	\$ 949,599	\$ 11,942	\$ -
State sources	351,630	327,883	327,883	(23,747)	-
Federal sources	2,963	6,407	6,407	3,444	-
<b>TOTAL REVENUES</b>	<u>1,292,250</u>	<u>1,283,889</u>	<u>1,283,889</u>	<u>(8,361)</u>	<u>-</u>
<b>EXPENDITURES:</b>					
Instruction	899,077	897,637	880,260	1,440	17,377
Instructional support services	120,882	120,897	111,105	(15)	9,792
Board	6,804	7,037	5,328	(233)	1,709
General administration	7,550	7,558	7,276	(8)	282
School administration	94,567	97,665	96,125	(3,098)	1,540
Facilities acquisition and construction	458	1,461	808	(1,003)	653
Fiscal services	6,254	6,213	5,828	41	385
Central services	15,676	14,915	13,930	761	985
Pupil transportation services	51,089	44,692	44,428	6,397	264
Operation of plant	140,593	138,130	128,563	2,463	9,567
Maintenance of plant	50,012	48,938	46,990	1,074	1,948
Administrative Technology Services	5,526	5,538	5,469	(12)	69
Community services	22,793	35,263	29,540	(12,470)	5,723
Capital outlay	-	-	571	-	(571)
Debt service	3,391	3,391	2,133	-	1,258
<b>TOTAL EXPENDITURES</b>	<u>1,424,672</u>	<u>1,429,335</u>	<u>1,378,354</u>	<u>(4,663)</u>	<u>50,981</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<u>(132,422)</u>	<u>(145,446)</u>	<u>(94,465)</u>	<u>(13,024)</u>	<u>50,981</u>
<b>OTHER FINANCING SOURCES:</b>					
Transfers in	61,250	61,325	61,325	75	-
Transfers out	-	(2)	(2)	(2)	-
Proceeds from loss recoveries	-	2,803	2,803	2,803	-
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>61,250</u>	<u>64,126</u>	<u>64,126</u>	<u>2,876</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (71,172)</u>	<u>\$ (81,320)</u>	<u>\$ (30,339)</u>	<u>\$ (10,148)</u>	<u>\$ 50,981</u>
<b>FUND BALANCE, JULY 1, 2008 (GAAP BASIS)</b>			<u>120,720</u>		
<b>FUND BALANCE, JUNE 30, 2008 (BUDGETARY BASIS)</b>			<u>90,381</u>		
<b>Adjustment To Conform With GAAP:</b>					
Elimination of encumbrances			<u>2,031</u>		
<b>FUND BALANCE, JUNE 30, 2009 (GAAP BASIS)</b>			<u>\$ 92,412</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 ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2009**  
**(amounts expressed in thousands)**

	<b>Governmental Activities</b>
	<b>Internal Service Funds</b>
	<b>-----</b>
<b>ASSETS</b>	
Cash, cash equivalents and investments	\$ 29,018
Accounts and interest receivable	973
Total assets	<b>-----</b> <b>-----</b> \$ 29,991
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 9
Noncurrent liabilities:	
Portion due or payable within one year:	
Estimated unpaid claims	14,250
Liability for compensated absences	300
Other post-employment benefits obligation	6
Portion due or payable after one year:	
Liability for compensated absences	4,055
Other post-employment benefits obligation	955
Total liabilities	<b>-----</b> <b>-----</b> \$ 19,575
<b>NET ASSETS</b>	
Unrestricted	<b>-----</b> <b>-----</b> \$ 10,416

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2009  
(amounts expressed in thousands)**

	<b>Governmental Activities</b>
	<b>Internal Service Funds</b>
<b>OPERATING REVENUES:</b>	
Service revenue	\$ 28,273
Premium revenue	148,008
Other operating revenue	4,220
<b>TOTAL OPERATING REVENUES</b>	<b>180,501</b>
<b>OPERATING EXPENSES:</b>	
Salaries	20,913
Benefits	7,424
Purchased services	1,760
Other expenses	151,792
<b>TOTAL OPERATING EXPENSES</b>	<b>181,889</b>
<b>OPERATING LOSS</b>	<b>(1,388)</b>
<b>NONOPERATING REVENUES:</b>	
Interest and other income	363
<b>TOTAL NONOPERATING REVENUES</b>	<b>363</b>
<b>CHANGE IN NET ASSETS</b>	<b>(1,025)</b>
<b>NET ASSETS - Beginning of year</b>	<b>11,441</b>
<b>NET ASSETS - End of year</b>	<b>\$ 10,416</b>

**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 FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**  
**(amounts expressed in thousands)**

	<b>Governmental Activities</b>
	<b>Internal Service Funds</b>
	<hr/> <hr/>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash receipts from customers and interfund services provided	\$ 176,281
Cash payments to suppliers for goods and services	(152,693)
Cash payments for salaries, benefits, and other expenses	(28,044)
Other receipts (payments)	3,247
Net cash used in operating activities	<hr/> <hr/> (1,209)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest earnings on investments	363
Net cash provided by investing activities	<hr/> <hr/> 363
Net increase in cash and cash equivalents	(846)
Cash and cash equivalents, beginning of year	29,864
	<hr/> <hr/>
Cash and cash equivalents, end of year	\$ 29,018
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH USED IN OPERATING ACTIVITIES:</b>	
Operating loss	\$ (1,388)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Changes in assets and liabilities:	
Increase in accounts receivable	(973)
Increase in accounts payable	9
Increase in estimated unpaid claims	1,143
Total adjustments	<hr/> <hr/> 179
Net cash used in operating activities	<hr/> <hr/> \$ (1,209)

**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 ASSETS**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2009**  
**(amounts expressed in thousands)**

	<b>PRIVATE- PURPOSE TRUST FUND FLORIDA FUTURE EDUCATORS OF AMERICA</b>	<b>AGENCY FUND SCHOOL INTERNAL FUNDS</b>
<b>ASSETS</b>		
Cash, cash equivalents and investments	\$ 516	\$ 15,951
Accounts receivable	-	820
<b>TOTAL ASSETS</b>	<u>516</u>	<u>\$ 16,771</u>
<b>LIABILITIES</b>		
Accounts payable	-	\$ 589
Due to student organizations	-	16,182
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>\$ 16,771</u>
<b>NET ASSETS</b>		
Held in trust for scholarships	<u>516</u>	
<b>TOTAL NET ASSETS</b>	<u>\$ 516</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 ASSETS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2009  
(amounts expressed in thousands)**

	<b>PRIVATE- PURPOSE TRUST FUND FLORIDA FUTURE EDUCATORS OF AMERICA</b>
<b>ADDITIONS</b>	
Donations	\$ 323
Interest	26
<b>TOTAL ADDITIONS</b>	<u>349</u>
<b>DEDUCTIONS</b>	
Scholarship disbursements	<u>335</u>
<b>TOTAL DEDUCTIONS</b>	<u>335</u>
<b>CHANGE IN NET ASSETS</b>	14
<b>NET ASSETS - Beginning of year</b>	<u>502</u>
<b>NET ASSETS - End of year</b>	<u><u>\$ 516</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, 2009**

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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 by countywide vote for overlapping four-year terms. The Superintendent is appointed by the Board to act as executive officer of the District.

For financial reporting purposes, the accompanying financial statements include all of the operations over which the District is financially accountable. The District is financially accountable for organizations that make up its legal entity, as well as legally separate organizations that meet certain criteria. In accordance with GASB 14, "The Financial Reporting Entity," as amended by GASB 39, "Determining Whether Certain Organizations Are Component Units", the criteria for inclusion in the reporting entity involve those cases where the District or its officials appoint a voting majority of an organization's governing body, and is either able to impose its will on the organization or there is a potential for the organization to provide specific financial benefits to or to impose specific financial burdens on the District or the nature and significance of the relationship between the District and the organization is such that exclusion would cause the District's financial statements to be incomplete. Applying this definition, District management has determined that the component units and/or joint ventures reportable within the accompanying financial statements are the Palm Beach School Board Leasing Corporation, (the "Corporation") and thirty of the thirty-four Charter Schools operating within the District. These Charter Schools are included due to the fact that the exclusion of them would cause the District's financial statements to be incomplete. Based on the Auditor General's Rules, Chapter 10.850, "Audits of Charter Schools and Similar Entities" District management has determined that the following four charter schools are non-component units: Palm Beach Maritime Academy, Potentials Charter School, Potentials South Charter School and Seagull Academy Charter School. Each of these charter schools are operated by entities other than the District and are not legally separate from those entities. As such, each of these charter schools is included as a component unit of their respective operating entity.

*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.

*Discretely Presented Component Units* - Florida State Statute 1002.33 authorized the establishment of Charter Schools as part of the State's education program. Charter Schools are public schools operating under a performance contract with the local school district and are fiscally dependent on the District for a majority of their funding. Revenues such as Florida Education Finance Program ("FEFP"), State Categoricals and other State and Federal revenue sources are received by the District on behalf of the Charter schools and then remitted to them. As such, Charter schools are funded on the same basis and are subject to the same financial reporting requirements as the District. Additionally, all students enrolled in Charter Schools are included in the District's total enrollment. At fiscal year end there were thirty Charter

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA**  
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Schools operating within the School District of Palm Beach County meeting the criteria for presentation as a discretely presented component unit. While it would be misleading to exclude them from the District's financial statements, none of the individual component units are considered to be major.

During fiscal year 2009, Academy for International Studies merged their operations with Bright Futures Academy on July 1, 2008. All assets of the dissolved not-for-profit corporation were assumed by Bright Futures Academy.

Complete financial statements of the individual component units can be obtained from their administrative offices. The thirty component unit charter schools in operation at fiscal year end are listed below:

Academy for Positive Learning  
128 North C. Street  
Lake Worth, Florida 33460

Believers Academy  
5840 Corporate Way, Suite 100  
West Palm Beach, Florida 33407

Boca Raton Charter  
269 NE 14<sup>th</sup> Street  
Boca Raton, Florida 33432

Bright Futures International  
757 Lighthouse Drive  
North Palm Beach, Florida 33408

Chancellor Charter School at Lantana  
600 South East Coast Avenue  
Lantana, Florida 33462

Charter School of Boynton Beach  
1375 Gateway Boulevard  
Boynton Beach, Florida 33426

DayStar Academy of Excellence  
970 North Seacrest Boulevard  
Boynton Beach, Florida 33435

Delray Youth Vocational Charter School  
601 North Congress Avenue, Unit 110  
Delray Beach, Florida 33445

Ed Venture Charter School  
117 East Coast Avenue  
Hypoluxo, Florida 33462

Everglades Preparatory Academy  
360 East Main Street, Building C  
Pahokee, Florida 33476

G-STAR School of the Arts  
2065 Prairie Road, Building J  
West Palm Beach, Florida 33406

Glades Academy  
1200 East Main Street  
Pahokee, Florida 33476

Gulfstream Goodwill L.I.F.E Academy  
3800 South Congress Avenue, Suite 12  
Boynton Beach, Florida 33426

Gulfstream Goodwill Transition Academy  
950 North Congress Avenue  
Riviera Beach, Florida 33404

Hope Learning Community of Riviera Beach  
(Noah's Ark International)  
21 West 22nd Street  
Riviera Beach, Florida 33404

Inlet Grove Community High School, Inc.  
7071 Garden Road  
West Palm Beach, Florida 33404

JFK Medical Center Charter School  
4696 Davis Road  
Lake Worth, Florida 33461

Joseph Littles-Nguzo Saba Charter School  
5829 Corporate Way, 2<sup>nd</sup> Floor  
West Palm Beach, Florida 33407

Lakeside Academy Charter School  
716 South Main Street  
Belle Glade, Florida 33430

Leadership Academy West  
2030 South Congress Avenue  
West Palm Beach, Florida 33406

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Life Skills Center, Palm Beach  
600 North Congress Avenue, Suite 560  
Delray Beach, Florida 33445

Montessori Academy of Early Enrichment  
6201 South Military Trail  
Lantana, Florida 33462

Palm Beach Academy for Learning  
1199 West Lantana Road, Cottage 19  
Lantana, Florida 33462

Palm Beach School for Autism, Inc.  
1199 West Lantana Road, Cottage #16  
Lantana, Florida 33462

Renaissance Learning Center  
5800 Corporate Way  
West Palm Beach, Florida 33407

Riviera Beach Maritime Academy  
251 West 11<sup>th</sup> Street  
Riviera Beach, Florida 33404

South Tech Charter Academy  
1300 S.W. 30th Avenue  
Riviera Beach, Florida 33426

Toussaint L'Ouverture  
1325 Gateway Boulevard  
Boynton Beach, Florida 33426

Western Academy Charter School  
500F-K Royal Plaza Road  
Royal Palm Beach, Florida 33411

The charter school listed below did not submit an audit of their operations in time for the issuance of this report, thus no financial information has been reported for this entity. However, based on unaudited financial information provided, the financial statements for this charter school are not material to the aggregate component unit financial statements.

Guided Path Academy  
1199 West Lantana Road, Building 3  
Lantana, Florida 33462

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.

***Change in Reporting Entity***

As the financial information for Guided Path Academy have not been submitted, District's management has excluded this Charter School, which was reported as component unit during prior years. There have also been adjustments to the beginning fund balance to the following charter schools: G-STAR School of the Arts, Gulfstream Goodwill Life Academy, Palm Beach Academy for Learning and Palm Beach School for Autism, Inc. As a result of these changes in reporting, the net assets of the component units as a whole have been adjusted as follows (in thousands):

Net Assets - Beginning of year, as previously reported	\$ 12,843
Adjustments for Effect of Change in Reporting Entity	
Guided Path Academy	(9)
Prior Period Adjustments to Beginning Fund Balance	
G-STAR School of the Arts	(9)
Gulfstream Goodwill Life Academy	33
Palm Beach Academy for Learning	177
Palm Beach School for Autism, Inc.	(177)
Net Assets - Beginning of year, adjusted	\$ 12,858

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA**  
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**B. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

***Government-wide Financial Statements***

The Statement of Net Assets 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. Internal service fund activity is eliminated to avoid “doubling up” revenues and expenses.

The government-wide statements are prepared using the economic resources measurement focus. 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 a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

***Fund Financial Statements***

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Nonmajor funds are aggregated and presented in a single column. All of the component units are nonmajor and 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. This measurement focus is based on the concept of accountability, which includes measuring interperiod equity whether current year revenues were sufficient to pay for current year services. The Proprietary Fund is accounted for on an “economic resources” measurement focus. Accordingly, the Statement of Revenues, Expenses and Changes in Fund Net Assets 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.

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA**  
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***Capital Improvement Capital Projects Fund***

The capital improvement capital projects fund accounts for locally received funds, primarily ad valorem tax revenue, for the acquisition, construction or renovation of capital facilities, including land and equipment.

***Sales Tax Fund***

Sales tax capital projects fund which accounts for locally received funds, primarily sales tax revenue, for the acquisition, construction or renovation of capital facilities, including land and equipment.

***COPS Fund***

Certificates of Participation ("COPS") capital projects fund which accounts for construction projects and equipment purchases financed by the sale of certificates of participation.

***Other Non-Major Governmental Funds***

The other governmental funds are a summarization of all the non-major governmental funds.

**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 fund that the District has is an internal service fund. 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 funds include salaries, benefits, administrative expenses, and claims paid. All items not meeting this definition are reported as nonoperating revenues and expenses.

***Internal Service Funds***

Internal service funds are 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 maintenance and one for group health.

**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.

***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 also use the accrual basis of accounting.

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***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. 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, claims and judgments and certain prepaids 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 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. Any unused money is returned to the FDOE and so recorded in the year returned.

The District, at various times, receives authorization for the expenditure of funds for Public Education Capital Outlay ("PECO"), Classrooms First, Effort index grant and Class size reduction projects from the State of Florida. For State reporting purposes, PECO, Classrooms First, Effort index grant and Class size reduction revenue is recognized at the time authorization is approved by the State. For financial reporting purposes however, as there is no assurance that all funds made available will become eligible and since authorizations are made available for several years, revenue is not recognized until the eligibility criteria is met.

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

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**

Revenues and 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, and the PECO, Classrooms First, Effort index grant and Class size reduction revenues. The budgetary process includes encumbrances and the aforementioned revenues in the current year budget. The encumbrances and revenues are reported as expenditures or revenues respectively, 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 10, 2008, 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.
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. All budget amendments that are categorized as federal or State grants must have State approval as well as Board approval. The Board is not legally authorized to approve expenditures that exceed appropriations; therefore, during fiscal year 2009, budget amendments were approved as necessary to comply with legal requirements.

Unreserved appropriations are canceled at the end of the fiscal year. However, encumbered appropriations for funds do not lapse at the end of the fiscal year. Undesignated fund balances at June 30, 2009 for funds under budgetary control have been reappropriated for the fiscal year 2010 operating budget within the appropriate fund. Programs reserved for carryover include all State categorical grants required to be expended on specific programs and District approved carryover programs.

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA**  
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**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 reserved 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. Investments consist of direct obligations of the United States Treasury, U.S. Government Agency Securities, money market funds investing in U.S. Treasury Securities, corporate notes, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association and other investments allowable by the District's investment policy. 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, books, maintenance items, transportation items, 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 reserve for inventories 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 not available for appropriation and expenditure.

**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.

**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 assets. In the case of gifts or contributions, such assets are recorded at fair market value at the time received.

The District's capitalization levels are \$1,000 on tangible personal property, \$100,000 on building improvements and \$50,000 on improvements other than buildings. Other costs incurred for repairs and maintenance are 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

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA**  
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**I. Long Term Debt**

In the fund-level financial statements, governmental funds report the face amount of debt issued, 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 assets. Bond premiums/discounts are amortized over the life of the bonds using the effective-interest method; while deferred loss on advance refundings and issuance costs are amortized over the shorter of the remaining life of the refunded bonds or the life of the new bonds in a systematic and rational method, which approximates the effective-interest method.

The District enters into interest rate swap agreements to modify interest rates on outstanding debt. The fair value of these instruments are not reflected in the Districts financial statements. On the fund level financial statements, up-front premium payments received are recognized as other financing sources. On the government wide financial statements, the premium is being amortized as income over the life of the agreement. In addition, the net interest expenditures resulting from these agreements are recorded in the financial statements.

**J. Self Insurance**

The District is self insured for portions of its general and automobile liability insurance and workers' compensation. Claim activity (expenditures for general and automobile liability and workers' compensation) is recorded in the governmental fund as payments become due each period. The estimated liability for self-insured risks represents an estimate of the amount to be paid on insurance claims reported and on insurance claims incurred but not reported (See note 7). Consistent with GAAP guidelines, for the governmental funds, in the fund financial statements, the liability for self-insured risks is considered long-term and therefore, is not a fund liability (except for any amounts due and payable at year end) and represents a reconciling item between the fund level and government-wide presentations.

The District is also self insured for health insurance. The District provides health insurance for its employees and eligible dependents. Effective January 1, 2007, the District changed from a fully insured plan to a self-insured plan, with individual stop loss coverage to protect the District against catastrophic health claims for one person in a calendar year. The District accounts for health insurance activity in an internal service fund starting July 1, 2007. Prior to July 1, 2007 the activity was reported in the general fund. The estimated liability for self-insured risks represents an estimate of the amount to be paid on insurance claims reported and on insurance claims incurred but not reported (See note 7). Consistent with GAAP guidelines, in the proprietary fund financial statements, the liability for self insured risks is recorded under the accrual basis of accounting.

**K. 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 is payable to employees upon termination or retirement at the current rate of pay on the date of termination or retirement. The costs of vacation and sick leave benefits are budgeted and expended in the respective operating funds when payments are made to employees.

The District uses the vesting method to calculate the compensated absences amounts. The entire compensated absence liability is reported on the government-wide financial statements. The portion related to employees in the internal service fund is recorded at the fund level. The current portion is the amount estimated to be used in the following year. 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.

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**L. Reserves and Designations of Fund Equity**

Portions of Fund Equity that have been reserved indicate the amount of fund balance that cannot be appropriated for expenditures since it is legally segregated for a specific future use. In addition, the District established a designation of Fund Equity for Board Contingency and communications. The Board contingency designation will ultimately accumulate up to 3% of the total annual General Fund appropriations and transfers.

**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 November 2006, the Government Accounting Standards Board (GASB) issued GASB Statement 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. GASB 49 requires that pollution remediation liabilities and recoveries are recognized and disclosed. The District adopted GASB Statement 49 in Fiscal Year 2009. The adoption of GASB 49 did not have a material impact on the District's Financial Statements.

In June 2007, the GASB issued Statement 51, *Accounting and Financial Reporting for Intangible Assets*. GASB 51 establishes additional guidance for the accounting and financial reporting requirements for intangible assets. The District adopted GASB Statement 51 in Fiscal Year 2009. The adoption of GASB 51 did not have any impact on the District's Financial Statements.

In May 2009, the GASB issued statement 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. GASB 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standards Board's (GASB) authoritative literature. The District adopted GASB Statement 55 in Fiscal Year 2009. The adoption of GASB 55 did not have any impact on the District's Financial Statements.

In May 2009, the GASB issued statement 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*. GASB 56 incorporates into the Governmental Accounting Standards Board's (GASB) authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards. The District adopted GASB Statement 56 in Fiscal Year 2009. The adoption of GASB 56 did not have any impact on the District's Financial Statements.

*Recently Issued Accounting Pronouncements*

In June 2008, the GASB issued Statement 53, *Accounting and Financial Reporting for Derivative Instruments*. GASB 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009. The District is currently assessing the impact of GASB 53 on its financial position.

In May 2009, the GASB issued Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB 54 requires the use of new fund balance classifications and clarifies existing governmental fund type definitions. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2010. The District will adopt this Statement in Fiscal Year 2011.

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA**  
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Retroactive restatement of fund balance is required for all prior periods presented. Management is currently evaluating the impact of the adoption of this statement on the District's Financial Statements.

**O. Deficit Fund Balance**

The sales tax fund has a deficit fund balance of approximately \$1.6 million as of June 30, 2009. This deficit will be funded with future sales tax revenues.

**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 four percent 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 7.251 mills and the total assessed value on which the 2008-09 levy was based was \$168 billion. Gross taxes levied were approximately \$1.2 billion. Total revenue, net of discounts, was approximately \$1.2 billion. A portion of the taxes levied for the Local Capital Improvement Capital Project Fund, designated for repairs and maintenance programs, are transferred to the General Fund as provided by Chapter 1013, Florida Statutes. For fiscal year 2009, the maintenance transfer amounted to approximately \$49.0 million. Additionally, approximately \$8.3 million was transferred for property insurance, approximately \$3.3 million was transferred for charter school capital outlay, and approximately \$0.7 million was transferred for two conversion charter schools based on negotiated contracts bringing the total transfer from capital to approximately \$61.3 million.

**3. CASH, CASH EQUIVALENTS AND INVESTMENTS**

**Cash and Cash Equivalents**

Florida Statutes authorize the deposit of District funds in demand deposits or time deposits of financial institutions approved by the State Treasurer and are defined as public deposits. All District public deposits are held in qualified public depositories pursuant to chapter 280, Florida Statutes, the "Florida Security for Public Deposits Act." Under the act, all qualified public depositories are required to pledge eligible collateral having a market value equal to or greater than the average daily or monthly balance of all public deposits times the depository's collateral pledging level. The collateral pledging level may range from 50 percent to 125 percent depending upon the depository's financial condition and the length of time that the depository has been established. All collateral must be deposited with the State Treasurer. Any losses to public depositories resulting from insolvency are covered by applicable deposit insurance, sale of securities pledged as collateral and, if necessary, assessment against other qualified public depositories of the same type as

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the depository in default. All bank balances of the District are fully insured or collateralized. At June 30, 2009, the carrying amount of the District's cash deposits was approximately \$237.3 million and the bank balance was approximately \$254.1 million. The carrying amount of the Agency Fund - School Internal Funds cash deposits was approximately \$16.0 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 the Columbia Government Reserves Money Market Fund, Dreyfus Government Prime Cash Money Market Fund, Dreyfus Treasury & Agency Cash Mgt Money Market Fund, JP Morgan US Government Money Market Fund, Federated Government Obligation Money Market Fund, PFM Funds Government Series Money Market Fund, Fidelity Institutional Government Fund, SBA Local Government Investment Pool (the "LGIP") and the SBA Fund B Surplus Funds Trust Fund (the "Fund B"). As of June 30, 2009, Columbia Government Reserves Money Market was rated Aaa by Moody's Investor Service and AAAm by Standard and Poors, Dreyfus Government Prime Cash Money Market was rated AAAM by Standard and Poors, Dreyfus Treasury & Agency Cash Mgt Money Market was rated AAAM by Standard and Poors, JP Morgan US Government Money Market Fund was rated Aaa by Moody's Investor Service and AAAM by Standard and Poors, Federated Government Obligation was rated Aaa by Moody's Investor Service and AAAM by Standard and Poors, PFM Funds Government Series was rated AAAM by Standard and Poors, Fidelity Institutional Government Fund was rated Aaa by Moody's Investor Service and AAAM by Standard and Poors, and the Local Government Investment Pool was rated AAAM by Standard and Poors. As of June 30, 2009, Fund B Surplus Funds was not rated by a nationally recognized statistical rating agency.

**Investments**

The District's investment policy permits investments in the SBA Local Government Surplus Funds Trust Fund, 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.

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As of June 30, 2009, the District had the following unrestricted cash and investments and maturities (in thousands):

<b>PORTFOLIO / INVESTMENTS</b>	<b>CARRYING VALUE</b>	<b>EFFECTIVE DURATION</b>
<b>Cash Deposits</b>	\$ 237,267	N/A
<b>Money Market Funds</b>	577,569	N/A
<b>Flexible Repurchase Agreements</b>	66,694	N/A
<b>Florida State Board of Administration</b>	10	6.87
<b>Commercial Paper</b>	788	N/A
<b>Core Fund Investments</b>		
US Treasury - Notes/Bills	37,498	2.06
Federal Agency - Bond/Notes	87,425	1.01
Federal Agency - Mortgage Pass-Throughs	832	0.08
Corporate Notes	4,173	1.54
Corporate Notes - Temp. Liq. Guar. Prog.	6,231	2.32
<b>TOTAL</b>	<b>\$ 1,018,487</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 investments in the Federal Home Loan Bank mature between October 2009 and June 2012. The District's investment in the Federal Home Loan Mortgage Corporation matures between July 2009 and June 2012. The District's investments in the Federal Farm Credit Bank mature between October 2009 and November 2011. The District's investments in the Federal National Mortgage Association mature between September 2010 and January 2013. As of June 30, 2009, the District held approximately \$20.1 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. A decrease in interest rate levels could trigger calls on these securities, forcing the District to reinvest the proceeds in lower-yielding securities.

**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, 2009, the District held \$10.4 million of corporate notes of which \$4.2 million had an S&P rating of AA+, and \$6.2 million had an S&P rating of AAA. All investments in the Federal Home Loan Bank and Federal Home Loan Mortgage Corporation were rated between A-1+ and AAA by S&P. All other rated investments were rated AAA by S&P.

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As of June 30, 2009, the Local Government Investment Pool was rated AAAM by S&P. As of June 30, 2009, Fund B was not rated by a nationally recognized statistical rating agency.

**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 the SBA Local Government Surplus Funds Trust Fund or securities of the United States Government. Investments in Federal Instrumentalities may be no greater than 80% of the portfolio with a maximum of 50% invested with any single issuer. Corporate notes are limited to 15% of the portfolio and no greater than 5% may be in a single issuer.

<b>PORTFOLIO / INVESTMENTS</b>	<b>CARRYING VALUE (in thousands)</b>	<b>%</b>
<b>Cash Deposits</b>	\$ 237,267	23.30%
<b>Money Market Funds</b>		
Columbia FDS SER TR	56,356	5.53%
Dreyfus Government Prime	43,999	4.32%
Dreyfus Treasury and Agency	169,620	16.65%
JP Morgan US Government	182,798	17.95%
Federated Government Obligation	15,841	1.56%
PFM Funds Government Series	92,415	9.07%
Fidelity Institutional Government Fund	16,540	1.62%
<b>Flexible Repurchase Agreements</b>		
Morgan Stanley Repurchase Agreement	66,694	6.55%
<b>Florida State Board of Administration (SBA)</b>	10	0.00%
<b>Commercial Paper</b>		
General Electric CP	788	0.08%
<b>Investments in Securities</b>		
US Treasury - Notes/Bills	37,498	3.68%
Morgan Stanley	3,120	0.31%
JP Morgan Chase & Co	3,111	0.31%
General Electric Capital Corporation	4,173	0.41%
Farmer Mac GTD NT	350	0.03%
Federal Farm Credit Bank	4,520	0.44%
Federal Home Loan Bank	55,397	5.44%
Federal Home Loan Mortgage Corp	19,141	1.88%
Federal National Mortgage Association	8,849	0.87%
	<b>\$ 1,018,487</b>	<b>100.00%</b>

As of June 30, 2009, all District investments were in compliance with the District's Investment Policy and did not exceed portfolio allocation or issuer maximums.

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**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, 2009, the District's investment portfolio was held with a third-party custodian.

**4. DUE FROM OTHER AGENCIES**

At June 30, 2009, the District had a total of approximately \$39.9 million in "Due from other agencies". Approximately \$15.6 million is due from the State for sales taxes. Approximately \$7.5 is due from the State for the Class Size Reduction Program. Approximately \$11.4 million is due from Federal, State and local governments for various grant programs. Approximately \$1.7 million is due from Palm Beach County for impact fees. Approximately \$2.1 million is due from the Federal Emergency Management Agency (FEMA) for window replacement grant. Approximately \$1.0 million is due from Medicaid for reimbursement for services performed which is recorded as deferred revenue at the fund level. Another \$.6 million is due from other state and local agencies for miscellaneous items.

**5. INTERFUND ACTIVITIES**

Due to/from other funds consisted of the following balances at June 30, 2009 (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 governmental funds to the general fund is to cover temporary cash shortages.

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Interfund transfers as of June 30, 2009 were as follows (in thousands):

Transfer from:	Transfer to:		
	General Fund	Other Non-Major Governmental Funds	Total
Capital Improvement Fund	\$ 46,488	\$ 154,492	\$ 200,980
COPS	-	285	285
General Fund	-	2	2
Other Non-Major Governmental Funds	14,837	-	14,837
<b>Total</b>	<b>\$ 61,325</b>	<b>\$ 154,779</b>	<b>\$ 216,104</b>

The majority of interfund transfers were for recurring annual operating and debt service expenditures.

**6. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2009 is as follows (in thousands):

**Primary Government**

	Beginning Balance July 1, 2008	Additions	Retirements and Transfers	Ending Balance June 30, 2009
<b><u>Non-Depreciable Assets:</u></b>				
Land	\$ 333,042	\$ 7,426	\$ 14	\$ 340,454
Construction in Progress	466,376	253,664	385,015	335,025
<b>Total Non-Depreciable Assets</b>	<b>799,418</b>	<b>261,090</b>	<b>385,029</b>	<b>675,479</b>
<b><u>Depreciable Assets:</u></b>				
Improvements Other Than Buildings	31,756	4,141	-	35,897
Buildings and Improvements	3,190,449	389,091	29,663	3,549,877
Furniture, Fixtures & Equipment	150,075	16,144	7,674	158,545
Motor Vehicles	85,493	14,355	3,439	96,409
Audio/Video Materials & Software	54,244	1,728	834	55,138
<b>Total Depreciable Assets</b>	<b>3,512,017</b>	<b>425,459</b>	<b>41,610</b>	<b>3,895,866</b>
<b><u>Less Depreciation For:</u></b>				
Improvements Other Than Buildings	(5,119)	(2,380)	-	(7,499)
Buildings and Improvements	(612,263)	(72,228)	(16,064)	(668,427)
Furniture, Fixtures & Equipment	(104,416)	(14,576)	(7,274)	(111,718)
Motor Vehicles	(49,950)	(7,807)	(3,334)	(54,423)
Audio/Video Materials & Software	(28,090)	(10,053)	(728)	(37,415)
<b>Total Accumulated Depreciation</b>	<b>(799,838)</b>	<b>(107,044)</b>	<b>(27,400)</b>	<b>(879,482)</b>
<b>Capital Assets, Net</b>	<b>\$ 3,511,597</b>	<b>\$ 579,505</b>	<b>\$ 399,239</b>	<b>\$ 3,691,863</b>

Depreciation expense for the year ended June 30, 2009 of approximately \$107.0 million was not allocated to specific functions. The District's capital assets essentially serve all functions and as such the depreciation expense is included as a separate line item in the statement of activities.

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**Discretely presented component units**

	Beginning Balance July 1, 2008	Changes in Reporting Entity	Balance July 1, 2008, Adjusted	Additions	Retirements/ Transfers/ Adjustments	Ending Balance June 30, 2009
<b><i>Depreciable Assets:</i></b>						
Improvements Other Than Buildings	\$ 1,848	\$ -	\$ 1,848	\$ 386	\$ (9)	\$ 2,225
Buildings and Improvements	5,545	-	5,545	662	(260)	5,947
Furniture, Fixtures & Equipment	4,812	(54)	4,758	928	(249)	5,437
Motor Vehicles	321	-	321	30	(4)	347
Audio/Video Materials & Software	709	-	709	193	76	978
Total Depreciable Assets	13,235	(54)	13,181	2,199	(446)	14,934
<b><i>Less: Accumulated Depreciation</i></b>	(3,239)	18	(3,221)	(1,097)	102	(4,216)
<b><i>Capital Assets, Net</i></b>	<b>\$ 9,996</b>	<b>\$ (36)</b>	<b>\$ 9,960</b>	<b>\$ 1,102</b>	<b>\$ (344)</b>	<b>\$ 10,718</b>

**7. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; administrative errors and omissions; injuries to employees, students and guests; as well as natural disasters. 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, 2009 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, 2009, the liability for insurance claims consisted of approximately \$14.3 million, \$9.0 million and \$38.2 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 (in thousands):

	Fiscal Year Ended June 30, 2008	Fiscal Year Ended June 30, 2009
Beginning Balance	\$ 53,451	\$ 58,233
Additions:		
Current year claims and changes in estimates	148,812	160,789
Reductions:		
Claim payments	(144,030)	(157,550)
Ending Balance	\$ 58,233	\$ 61,472

The District maintains excess insurance coverage for health care costs. There have been no other significant reductions in insurance coverage. There have been no settlements that exceeded the District's coverage for fiscal years ended June 30, 2007, 2008 and 2009.

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**8. SHORT-TERM DEBT**

**Tax Anticipation Notes**

On October 30, 2008 the District issued Tax Anticipation Notes ("TANS"), Series 2008. This \$85.0 million issue was sold at a coupon interest rate of 3.75 percent with an effective yield of 2.091 percent. Interest costs incurred on this issue for the year ended June 30, 2009, were approximately \$1.2 million net of a premium of approximately \$918 thousand. Note proceeds were used to pay fiscal year 2009 District operating expenditures prior to the receipt of ad valorem taxes. TANS are subject to arbitrage rebate. There was no arbitrage rebate due on the TANS, Series 2008. The notes are due September 23, 2009.

**Revenue Anticipation Notes**

On February 26, 2009 the District issued Revenue Anticipation Notes ("RANS"), Series 2009. This \$72.1 million issue was sold at a coupon interest rate of .085 percent with an effective yield of .0756 percent. Interest costs incurred on this issue for the year ended June 30, 2009 were \$165 thousand net of a premium of \$20,588. Note proceeds were used to pay FY 2009 District construction expenditures prior to the issuance of a COPS issue expected in FY 2010. RANS are subject to arbitrage rebate. The arbitrage rebate for RANS, Series 2009 will be calculated closer to the due date. The notes are due March 10, 2010.

Short-term debt activity for the year ended June 30, 2009 was as follows (in thousands):

	Beginning Balance July 1, 2008		Issued	Redeemed	Ending Balance June 30, 2009
Tax anticipation notes	\$ 115,000	\$ 85,000	\$ (115,000)	\$	85,000
Revenue anticipation notes	-	72,135	-		72,135
Total short-term debt	\$ 115,000	\$ 157,135	\$ (115,000)	\$	157,135

**Sales Tax Revenue Commercial Paper Notes**

The District has established a commercial paper debt program whereby tax exempt commercial paper notes (TECP) issued are payable from and secured by a pledge of the proceeds received by the District from the levy and collection of a one-half cent discretionary sales surtax pursuant to Section 212.055(6), Florida Statutes. The TECP is payable solely from the sales tax revenues generated for the school construction projects identified in the sales tax resolution that was approved by the voters in Palm Beach County in November 2004. The sales tax collection began on January 1, 2005 and will be in place for six years, through December 2010. The sales tax was projected to generate at least \$560 million, or 224% of the principal over the six years. Current projections indicate the total revenues will be approximately \$637 million. Total sales tax revenue earned through June 30, 2009 is \$501.7 million with \$100.1 million received during fiscal year 2009. As of June 30, 2009 \$150.0 million of TECP is outstanding. The District plans to repay the remaining TECP by December 31, 2009, one year ahead of schedule. For fiscal year 2009, principal and interest paid were \$100 million and \$2.4 million respectively. Principal and interest remaining on the program is projected to be \$150.2 million.

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The School Board has authorized the issuance of commercial paper notes in an aggregate amount not to exceed \$300 million.

January 12, 2005	School Board Authorized	\$300,000,000
January 21, 2005	Offering Statement	\$275,540,000
June 30, 2006	Issued Notes	\$250,000,000

The District's commercial paper debt program is administered as follows: The notes mature within 270 days of issuance, with interest payable at maturity based on market rates not to exceed 12%. The notes are not subject to redemption prior to maturity. As each group of notes comes due, new notes are issued to refinance the principal amount, and current revenues of the District are used to pay the interest amount due. In addition, through January 15, 2011 the District will maintain an irrevocable, direct-pay letter of credit with a bank to facilitate the refinance of outstanding notes. The District's intent is to continue to refinance maturing notes until such time as the notes are retired through the use of future years' revenues or through issuance of long-term debt. Outstanding obligations under this program are reported as short-term liabilities in the government-wide statement of net assets.

**9. LONG-TERM LIABILITIES**

A summary of changes in long-term liabilities for the year ended June 30, 2009, is as follows (in thousands):

	Beginning Balance June 30, 2008	Additions	Reductions	Ending Balance June 30, 2009	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Bonds and Leases Payable:					
Capital Outlay Bond Issue	\$ 35,805	\$ -	\$ (2,970)	32,835	\$ 3,175
Certificates of Participation	2,000,023	-	(55,735)	1,944,288	57,995
	<u>2,035,828</u>	<u>-</u>	<u>(58,705)</u>	<u>1,977,123</u>	<u>61,170</u>
Plus (Less) Issuance Premium (Discount)	61,742	-	(5,872)	55,870	-
Less Deferred Amount on Refundings	(27,425)	-	3,223	(24,202)	-
<b>Total Bonds and Leases Payable</b>	<u>2,070,145</u>	<u>-</u>	<u>(61,354)</u>	<u>2,008,791</u>	<u>61,170</u>
Other Liabilities:					
Compensated Absences	171,630	22,293	(14,271)	179,652	12,395
Claims and Judgments	60,659	160,789	(157,788)	63,660	25,080
Post Employment Benefits	28,436	21,760	(6,220)	43,976	297
<b>Total Other Liabilities</b>	<u>260,725</u>	<u>204,842</u>	<u>(178,279)</u>	<u>287,288</u>	<u>37,772</u>
<b>Total Governmental Activities</b>					
<b>Long-Term Liabilities</b>	<u>\$ 2,330,870</u>	<u>\$ 204,842</u>	<u>\$ (239,633)</u>	<u>\$ 2,296,079</u>	<u>\$ 98,942</u>

The compensated absences, claims and judgments and postemployment benefits are generally liquidated by the general fund.

**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

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range from 3.00 percent to 6.00 percent. Interest is payable semiannually on January 1 and July 1. The bonds are redeemable at par.

**Defeased Debt**

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, 2009, the total amount of defeased debt outstanding but removed from the District's financial statements amounted to approximately \$495.4 million.

**Annual Debt Service Requirements**

Annual requirements to amortize all bond issues outstanding as of June 30, 2009 are as follows (in thousands):

Year Ended June 30	Principal Capital Outlay Bonds	Interest	Total Principal and Interest
2010	\$ 3,175	\$ 1,571	\$ 4,746
2011	3,405	1,415	4,820
2012	3,655	1,248	4,903
2013	3,910	1,080	4,990
2014	4,185	888	5,073
2015-2019	11,460	1,884	13,344
2020-2024	3,045	320	3,365
Total	<u>\$ 32,835</u>	<u>\$ 8,406</u>	<u>\$ 41,241</u>

The District is subject to State laws that limit the amount of debt outstanding to 10% of the non-exempt assessed valuation. At June 30, 2009, the statutory limit for the District was approximately \$15 billion, providing additional debt capacity of approximately \$14.9 billion.

**Certificates of Participation**

On November 16, 1994, the District entered into a Master Lease Purchase Agreement (the "Master Lease") dated November 1, 1994, with the Palm Beach School Board Leasing Corporation, a Florida not-for-profit corporation, to finance the acquisition and construction of certain facilities, and equipment for District operations. The Corporation was formed by the Board solely for the purpose of acting as the lessor for Certificates of Participation financed facilities, with the District as lessee. On November 1, 1994, June 1, 1995, May 1, 1996, February 1, 2000, April 1, 2001, February 1, 2002, March 21, 2002, May 15, 2002, December 10, 2002, June 10, 2003, June 24, 2003, April 8, 2004, May 26, 2005, May 25, 2006, February 8, 2007, March 12, 2007 and October 31, 2007 the Corporation issued Certificates of Participation ("Certificates") 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 2005B, Series

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2006A, Series 2007A, Series 2007B and 2007E in the amounts of \$62,095,000, \$133,600,000, \$32,155,000, \$155,000,000, \$135,500,000, \$115,250,000, \$115,350,000, \$161,090,000, \$191,215,000, \$60,865,000, \$124,295,000, \$103,575,000, \$38,505,000, \$222,015,000, \$268,545,000, \$119,400,000 and \$147,390,000 respectively, 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 as lessor entered into Ground Leases with the Corporation for the 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 2005B, Series 2006A, Series 2007A, Series 2007B, and Series 2007E Facilities sites. On September 1, 1997 the District issued \$47,145,000 of Certificates of Participation Series 1997A to advance refund and defease a portion of the Series 1994A Certificates of Participation which mature on or after August 1, 2005. On July 24, 2001 the District issued \$169,445,000 of Certificates of Participation Series 2001B to advance refund and defease the Series 2000A Certificates of Participation. In addition, on September 5, 2002 the District issued \$93,350,000 of Certificates of Participation Series 2002E to advance refund and defease a portion of the Series 1995A and Series 1996A Certificates of Participation which mature on or after August 1, 2007. On February 25, 2005 the District issued \$124,630,000 of Certificates of Participation Series 2005A to advance refund and defease a portion of the Series 2001A, Series 2002A, Series 2002C and Series 2002D Certificates of Participation. On February 28, 2007, the District issued \$192,310,000 of Certificates of Participation Series 2007C to advance refund and defease a portion of the Series 2001A and Series 2002C Certificates of Participation. On April 11, 2007 the District issued \$30,485,000 of Certificates of Participation Series 2007D to advance refund and defease a portion of the Series 1997A Certificates of Participation which mature on or after August 1, 2008. These refunding issues were done in order to achieve debt service savings. (See Defeased Debt.) On March 12, 2008 the District converted and remarketed the 2007B resulting in a reduction of principal of \$3,175,000. On March 20, 2008 the District converted and remarketed the 2003B resulting in no change to principal.

On June 11, 2002, April 30, 2004 and December 15, 2005 the District sold Certificates of Participation, Series 2002, Series 2004 and Series 2005 Qualified Zone Academy Bonds ("QZAB") in an aggregate principal amount of \$950,000, \$2,923,000 and \$2,150,000 respectively. The QZAB program is a financial instrument that provides a different form of subsidy from traditional tax-exempt bonds. Interest on QZAB's 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 percent 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 percent of the gross proceeds of the QZAB.

The principal of the Series 2002, Series 2004 and Series 2005 QZAB certificates are payable on July 11, 2016, April 30, 2020 and December 15, 2020 respectively. The District deposits funds annually in an escrow, which when coupled with interest earnings will be sufficient to pay off the principal at maturity.

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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 Series 1994A, Series 1995A, Series 1996A, Series 2001A, Series 2002A, Series 2002B, Series 2002C, Series 2002D, Series 2003A, Series 2003B, Series 2004A, Series 2005B, Series 2006A, Series 2007A, 2007B and 2007E Facilities by the District and the Trustee's re-letting for the remaining Ground Lease term, or the voluntary sale of the Series 1994A, Series 1995A, Series 1996A, Series 2001A, Series 2002A, Series 2002B, Series 2002C, Series 2002D, Series 2003A, Series 2003B, Series 2004A, Series 2005B, Series 2006A, 2007A, 2007B and 2007E Facilities by the School Board. In either case, the proceeds will be applied against the School Board's obligations under the Master Lease.

A summary of lease terms are presented as follows:

<b>Certificates</b>	<b>Issue Date</b>	<b>Amount Issued</b>	<b>Remaining Interest Rates (Percent)</b>	<b>Final Maturity Date</b>	<b>Amount Outstanding</b>	<b>Ground Lease Term</b>
Series 1994A **	11/1/1994	\$ 62,095	-	-	\$ -	6/30/2020
Series 1995A **	6/1/1995	133,600	-	-	-	6/30/2020
Series 1996A **	5/1/1996	32,155	-	-	-	8/1/2021
Series 1997A *	9/1/1997	47,145	-	-	-	n/a
Series 2001A *	4/1/2001	135,500	4.10% to 4.25%	8/1/2011	1,670	8/1/2031
Series 2001B	6/1/2001	169,445	4.00% to 5.375%	8/1/2025	165,640	n/a
Series 2002A *	2/1/2002	115,250	3.75% to 5.375%	8/1/2018	50,535	8/1/2023
Series 2002B	3/20/2002	115,350	4.22% Swap rate	8/1/2027	115,350	8/1/2032
Series 2002C *	5/15/2002	161,090	3.875% to 4.25%	8/1/2012	14,825	8/1/2032
QZAB Series 2002	6/11/2002	950	-	6/11/2016	950	n/a
Series 2002D *	12/1/2002	191,215	3.30% to 5.25%	8/1/2028	153,680	8/1/2033
Series 2002E	9/1/2002	93,350	4.00% to 5.375%	8/1/2016	76,540	n/a
Series 2003A	6/26/2003	60,865	2.25% to 5.00%	8/1/2021	46,805	8/1/2026
Series 2003B	6/26/2003	124,295	Variable Est. 3.91%	8/1/2029	124,295	8/1/2034
Series 2004A	5/4/2004	103,575	2.625% to 5.00%	8/1/2029	92,965	8/1/2034
QZAB Series 2004	4/30/2004	2,923	-	4/30/2020	2,923	n/a
Series 2005A	3/22/2005	124,630	3.00% to 5.00%	8/1/2022	124,090	n/a
Series 2005B	6/7/2005	38,505	3.00% to 5.00%	8/1/2010	16,340	8/1/2015
QZAB Series 2005	12/15/2005	2,150	-	12/15/2020	2,150	n/a
Series 2006A	5/25/2006	222,015	3.625% to 5.00%	8/1/2031	211,335	8/1/2036
Series 2007A	2/28/2007	268,545	3.70% to 5.50%	8/1/2031	259,010	8/1/2036
Series 2007B	3/22/2007	119,400	4.429%	8/1/2025	116,225	8/1/2030
Series 2007C	3/22/2007	192,310	4.00% to 5.00%	8/1/2027	191,085	n/a
Series 2007D	5/3/2007	30,485	4.00% to 5.00%	8/1/2015	30,485	n/a
Series 2007E	10/31/2007	147,390	3.625% to 5.00%	8/1/2032	147,390	8/1/2037
		<u>\$ 2,694,233</u>			<u>\$ 1,944,288</u>	

\* Partially defeased

\*\* Refunded

n/a - Bonds were issued to refund prior issuances - no new ground lease.

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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, 2009, approximately \$205.2 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, 2009, the arbitrage liability was \$2.2 million and is included in claims liability.

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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 (in thousands):

Year ended June 30	Series 2001-A	Series 2001-B	Series 2002-A	Series 2002-B	Series 2002-C	Series 2002-D	Series 2002-E	Series 2003-A	Series 2003-B	Series 2004-A
2010	\$ 450	\$ 650	\$ 6,620	\$ -	\$ 3,555	\$ 3,850	\$ 9,045	\$ 3,130	\$ -	\$ 2,795
2011	725	675	6,870	-	3,435	3,980	9,495	3,195	-	2,870
2012	495	705	7,130	-	3,845	4,115	9,990	3,280	-	2,955
2013	-	735	7,425	-	3,990	4,325	10,515	3,365	-	3,050
2014	-	765	7,710	-	-	4,505	11,070	3,465	-	3,185
2015-2019	-	39,860	14,780	3,045	-	14,985	26,425	19,425	-	18,330
2020-2024	-	82,965	-	56,885	-	18,875	-	10,945	13,590	23,260
2025-2029	-	39,285	-	55,420	-	99,045	-	-	30,235	29,670
2030-2032	-	-	-	-	-	-	-	-	80,470	6,850
<b>Total</b>	<b>\$ 1,670</b>	<b>\$ 165,640</b>	<b>\$ 50,535</b>	<b>\$ 115,350</b>	<b>\$ 14,825</b>	<b>\$ 153,680</b>	<b>\$ 76,540</b>	<b>\$ 46,805</b>	<b>\$ 124,295</b>	<b>\$ 92,965</b>

  

Year ended June 30	Series 2005-A	Series 2005-B	Series 2006-A	Series 2007-A	Series 2007-B	Series 2007-C	Series 2007-D	Series 2007-E	Series 2002- QZAB	Series 2004- QZAB
2010	\$ 190	\$ 8,020	\$ 5,765	\$ 9,885	\$ -	\$ 235	\$ 3,805	\$ -	\$ -	\$ -
2011	195	8,320	5,975	10,270	-	245	3,955	-	-	-
2012	200	-	6,195	10,680	-	255	4,110	4,080	-	-
2013	210	-	6,045	11,155	-	775	4,320	4,240	-	-
2014	215	-	6,330	11,660	-	4,990	4,535	4,395	-	-
2015-2019	79,675	-	35,945	67,080	-	8,725	9,760	25,045	950	-
2020-2024	43,405	-	45,305	-	80,680	49,895	-	30,965	-	2,923
2025-2029	-	-	57,740	64,875	35,545	125,965	-	39,420	-	-
2030-2032	-	-	42,035	73,405	-	-	-	39,245	-	-
<b>Total</b>	<b>\$ 124,090</b>	<b>\$ 16,340</b>	<b>\$ 211,335</b>	<b>\$ 259,010</b>	<b>\$ 116,225</b>	<b>\$ 191,085</b>	<b>\$ 30,485</b>	<b>\$ 147,390</b>	<b>\$ 950</b>	<b>\$ 2,923</b>

  

Year ended June 30	Series 2005- QZAB	Total Lease Payment & Interest
2010	\$ -	\$ 57,995
2011	-	60,205
2012	-	58,035
2013	-	60,150
2014	-	62,825
2015-2019	-	364,030
2020-2024	2,150	461,843
2025-2029	-	577,200
2030-2032	-	242,005
<b>Total</b>	<b>\$ 2,150</b>	<b>\$ 1,944,288</b>

  

Year ended June 30	Total Payment & Interest
2010	\$ 89,950
2011	87,654
2012	84,788
2013	81,774
2014	78,933
2015-2019	344,818
2020-2024	247,569
2025-2029	127,317
2030-2032	14,594
<b>Total</b>	<b>\$ 1,157,397</b>

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA**  
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**2002B Interest Rate Swap:**

*Swap Objective:* The District entered into a floating-to-fixed cancelable interest rate swap with Citigroup Financials Products Inc., on March 21, 2002. The purpose of the transaction was to hedge against future increases in interest rates. The swap effectively converts the Certificates into 25-year synthetic fixed rate debt obligations with a coupon of 4.22%. The Certificates and swap together create low cost, long-term synthetic fixed-rate debt for the District.

*Swap Terms:* The Certificates and the related swap agreement have a notional amount of \$115,350,000 with an effective date of March 20, 2002 and will mature on August 1, 2027. The Certificates bear a variable rate that is reset on a weekly basis and set by the remarketing agent. The District pays a fixed rate of 4.22% and receives a variable rate payment based on the SIFMA Swap Index Rate. In exchange for an additional reduction in the fixed rate paid by the District on the swap, the counterparty has the right to pay a lower Alternate Floating Rate equal to 67% of 1 month London Interbank Offering Rate ("LIBOR"). The counterparty can pay this lower Alternate Rate if the 180-day average of the Bond Market Association ("BMA")/LIBOR ratio exceeds 67%. The most likely cause of an increase in the tax-exempt/taxable yield relationship would be legislation reducing the tax advantage of municipal debt, i.e. a tax cut. In exchange for an upfront premium payment of \$6,142,000 received by the District, the swap counterparty had the right to cancel the swap on any date on or after February 1, 2007. On April 8, 2009, the District purchased the 2002B Swap cancellation option for \$2,714,000, which was recorded as interest expense.

*Fair Value:* At June 30, 2009, the swap had a negative fair value of \$21,186,000 based on mid-market values as of the close of business.

*Risks:* As of June 30, 2009, the 2002B Interest Rate Swap exposes the District to basis risk and termination risk. These risks are explained further in this section.

**2003B Interest Rate Swap:**

*Swap Objective:* The District entered into a floating-to-fixed knock-out interest rate swap with UBS AG, Stamford Branch on June 24, 2003. The purpose of the transaction was to hedge against future increases in interest rates. The swap effectively converts the Certificates into a synthetic fixed rate debt obligation with a coupon of 3.91%. The Certificates and knockout swap together create long-term synthetic fixed-rate debt for the District.

*Swap Terms:* The certificates and the related swap agreement have a notional amount of \$124,295,000 with an effective date of June 26, 2003, and will mature on August 1, 2029. The Certificates bear a variable rate based on the SIFMA Swap Index plus 65 basis points. The District pays a fixed rate of 3.91% and receives a variable rate payment based on the SIFMA Swap Index Rate. In exchange for an upfront premium payment of \$3,010,000 received by the District, the swap counterparty has the right to terminate or "knockout" the swap if the 180 day average of the BMA index exceeds 7.0% in the future. The knockout feature is exercisable anytime until August 1, 2018. Once the knockout option expires the District will be left with a fixed-payer swap that matures on August 1, 2029.

*Fair Value:* At June 30, 2009, the swap had a negative fair value of \$12,808,000 based on mid-market values as of the close of business.

*Risks:* As of June 30, 2009, the 2003B Interest Rate Swap exposes the District to basis risk and termination risk. These risks are explained further in this section.

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**Swap Payments and Associated Debt:**

As of June 30, 2009, debt service requirements and net swap payments were as follows (in thousands):

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Swap Net Interest</b>	<b>Total Interest</b>
2009	\$ -	\$ 2,396	\$ 9,053	\$ 11,450

Using rates as of June 30, 2009, debt service requirements for variable rate debt (2002B and 2003B COPS) and net Swap payment, assuming current interest rates remain the same, are as follows (in thousands):

<b>Fiscal Year</b>	<b>Total Principal</b>	<b>Interest</b>	<b>Swap Net Interest</b>	<b>Total Interest</b>
2010	\$ -	\$ 2,396	\$ 9,053	\$ 11,449
2011	-	2,397	9,053	11,450
2012	-	2,396	9,054	11,450
2013	-	2,397	9,053	11,450
2014	-	2,396	9,053	11,449
2015 - 2019	3,045	11,952	45,143	57,095
2020 - 2024	76,035	9,733	36,439	46,172
2025- 2029	160,565	4,463	16,279	20,742
<b>Total</b>	<b>\$ 239,645</b>	<b>\$ 38,130</b>	<b>\$ 143,127</b>	<b>\$ 181,257</b>

**2002D Basis Swap:**

*Swap Objective:* The District entered into a basis swap with Citibank, NA., on January 10, 2003. The purpose of the transaction was to reduce the net borrowing cost associated with the 2002D Certificates.

*Swap Terms:* The swap has a notional amount of \$100,000,000 which amortizes to match the final \$100 million of maturing principal of the underlying Certificates with an effective date of January 14, 2003, and will mature on June 30, 2028. The swap creates economics similar to a 67% of LIBOR synthetic fixed-rate financing, i.e. variable-rate bonds plus floating-to-fixed rate swap, without the District having to actually issue the underlying variable-rate bonds. Under the basis swap, in exchange for receiving a below-market percentage of LIBOR, the District pays a variable rate equal to the BMA index less a fixed margin of 66.5 basis points. Since the District both receives and pays a variable rate under the basis swap, the transaction is interest rate neutral, all else equal. However, the District does bear risk of a future reduction or elimination in the benefit of the tax exemption for municipal debt. For example, a tax cut would likely increase the variable rate paid by the District under the swap and reduce or eliminate (in a worst case scenario) the swap's expected positive cash flow and present value savings. However, the risk of radical tax reform that would severely reduce or eliminate the swap's savings is deemed to be relatively low.

*Fair Value:* At June 30, 2009, the swap had a negative fair value of \$2,291,000 based on mid-market values as of the close of business.

*Risks:* As of June 30, 2009, the 2002D Basis Swap exposes the District to basis risk and termination risk. These risks are explained further in this section.

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**2002D and 2001B Interest Rate Swaptions:**

*Swap Objective:* The transactions allowed the District to achieve a synthetic forward refunding of the Certificates to lock in and receive the present value savings based on current market conditions. Under U.S. tax law, the 2002D and 2001B Certificates were not eligible for a traditional current refunding until May 1, 2012 and May 1, 2011, respectively.

*Swap Terms:* Anticipating the future issuance of \$116,550,000 of variable-rate bonds to refund outstanding Certificates of Participation, Series 2002D and \$162,980,000 of variable-rate bonds to refund outstanding Certificates of Participation, Series 2001B, on August 10 and August 16, 2005 respectively, the District sold two options (the "Swaptions") on floating-to-fixed BMA interest rate swaps to Citibank, NA. The upfront gross premium amounts for the sale of the 2002D and 2001B Swaptions were \$4,240,000 and \$6,250,000 respectively. The terms of the Swaptions were structured to mirror the terms on the optional redemption features on the 2002D and 2001B Certificates. For the 2001B Swaption, the counterparty has the option to exercise the agreement on a semiannual basis beginning August 11, 2011 and ending on August 1, 2014. If the swap is exercised, the swap will commence on the option exercise date. For the 2002D Swaption, the counterparty has the option to exercise the agreement on set dates beginning August 1, 2012 and ending on February 1, 2014. If the swap is exercised, the swap will commence on the option exercise date. If the swaptions are exercised, the District would pay 4.71% and 4.59% respectively and receive the SIFMA Swap Index Rate.

*Fair Value:* At June 30, 2009, the swaptions had a combined negative fair value of \$25,942,000 based on mid-market values as of the close of business.

*Risks:* As of June 30, 2009, the 2002D and 2001B Swaptions expose the District to termination risk. These risks are explained further in this section.

**2002D Constant Maturity Swap:**

*Swap Objective:* The District executed a forward-starting floating-to-floating or basis swap with UBS AG Stamford Branch on September 13, 2006. The purpose of the transaction was to reduce the net borrowing cost associated with the 2002D Certificates.

*Swap Terms:* The swap has a notional amount of \$100,000,000 with an effective date of June 30, 2007 and amortizes to match the final \$100 million of maturing principal of the underlying Certificates and will mature on June 30, 2028. The District pays UBS 67% of 1-month LIBOR in exchange for receiving 59.93% of the 10-year Constant Maturity Swap ("CMS") rate. The "flat" shape of the yield curve provided an opportunity to swap the 1-month rate to a 10-year rate. Assuming the yield curve reverts to its normal positive slope, the District should earn a higher benefit as compared to the short-term swap index. If the yield curve remains flat or inverts (short-term rates exceed long-term rates), the District could incur negative cash flow on the Basis Swap.

*Fair Value:* At June 30, 2009, the swap had a positive fair value of \$3,257,000 based on mid-market values as of the close of business. As of June 30, 2009, the counterparty to the swap (UBS, AG) had a credit rating of A+ from S&P and Aa2 from Moody's.

*Risks:* As of June 30, 2009, the 2002D Constant Maturity Basis Swap exposes the District to credit risk and termination risk. These risks are explained further in this section.

**Description of Risks:**

*Credit Risk:* The District is exposed to credit risk when a swap has a positive fair value. All the swap agreements contain a collateral agreement with the Counterparty. If a Counterparty's credit rating from

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either Standard & Poor's (S&P) and/or Moody's Investor's Services is "A+"/A1, respectively or lower, and the fair value of the swap reaches certain threshold amounts, the swaps require collateralization of the fair value of the swap by the Counterparty with U. S. Government Securities. Collateral would be posted with a third party custodian.

*Basis Risk:* The District is exposed to basis risk when the floating rate it receives on the swap is less than the variable rate the District pays on the certificates. Depending on the magnitude and duration of any basis risk shortfall, the expected cost savings from the swap may not be realized.

*Termination Risk:* In the event the swap is terminated, the District could be exposed to higher interest rate payments on the Certificates. Also, if at the time of termination, the swap has a negative fair value, the District would be liable to the Counterparty for payment equal to the swap's fair value. The District or Counterparty may terminate a swap in accordance with the contract or if the other party fails to perform under the terms of the contract. The swap may also be terminated by the District or the Counterparty if the other's credit rating falls below designated levels.

**10. RETIREMENT PLANS**

Plan Description: The District contributes to the Florida Retirement System (the "System"), a cost-sharing multiple-employer pension plan administered by the State of Florida Division of Retirement. The System 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 the System. Employees hired prior to 1970 and not electing to enroll in the Florida Retirement System may be covered by various contributory plans, principally the Teacher's Retirement System Plan E. The System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Florida Legislature established the System under Chapter 121, Florida Statutes, and has sole authority to amend benefit provisions. Each year the System 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.

Funding Policy: The System is non-contributory for employees and the District is required to make contributions in accordance with rates established by the Florida Legislature. During the fiscal year the rates ranged from 9.85% to 20.92% of annual covered payroll. The Teachers Retirement System is contributory and the rates for those employees still participating in this program is 11.35% and 6.25% for the employer and the employee, respectively. The District's contributions for both plans to the System are equal to the required contributions for each year as follows (in thousands):

	June 30, 2007	June 30, 2008	June 30, 2009
Florida Retirement System	\$ 91,242	\$ 94,615	\$ 94,977
Teachers' Retirement System			
Plan E: Employer	\$ 88	\$ 70	\$ 61

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

In addition to the retirement benefits described in Note 10, the District has authorized early retirement incentives to provide financial assistance for the purchase of health and life insurance to our retirees. In all cases, employees who retire from the District may purchase health and life insurance through the District. The newly retired employee must send a payment each month to cover the cost of the insurance premiums.

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For those eligible employees who qualify for the Retirement Incentive Program (“RIP”), below is brief description and eligibility criteria of the Plan:

*RIP 1999* – Eligibility criteria include the following:

- 30 years of service with the Palm Beach County School District or
- Age 62 or higher (60 or higher if in the Teachers Retirement System) with at least 10 years of service with the Palm Beach County School District or
- Employees whose age plus years of service equal or exceed 80 and
- Employees must retire between April 21, 1999 and June 30, 2000.

The District pays an annual insurance subsidy for up to ten years beginning at \$2,400 and increasing 3% each year thereafter. Payments for this subsidy began August 1999 and are paid each August thereafter.

The government-wide financial statements recognize a liability for these post-retirement benefits. Consistent with GAAP guidelines, in the Governmental Funds statements no expenditure or liability is recognized until the benefits are due. A summary of the total liability and related expenditure as recorded in the Governmental Funds statements for the fiscal year ended June 30, 2009 is as follows (in thousands):

	Beginning		Ending
	Number of	Balance	Total Paid
	Participants	July 1, 2008	FY 2009
			June 30, 2009
RIP 99	111	\$ 636	\$ 339
	111	\$ 636	\$ 339

The District implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other than Pensions* (GASB 45), for certain postemployment health care benefits provided by the District for the fiscal year ended June 30, 2008. The requirement of this statement was implemented prospectively.

*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.

*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 2009 1,434 retirees received health care benefits. The District provided required contributions of approximately \$5.9 million toward the annual OPEB cost. Retiree contributions totaled approximately \$8.8 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 SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

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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 (in thousands):

Annual Required Contribution	\$ 22,303
Interest on Net OPEB Obligation	834
Adjustment to Annual required Contribution	(1,377)
Annual OPEB Cost (Expense)	21,760
Contribution towards OPEB Cost	(5,881)
Increase in net OPEB obligation	15,879
Net OPEB obligation - beginning of year	27,800
Net OPEB obligation - end of year	\$ 43,679

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, 2009, was as follows (in thousands):

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$ 21,760	27%	\$ 43,679
June 30, 2008	\$ 31,300	11%	\$ 27,800

*Funded Status and Funding Progress.* As of June 30, 2009, the actuarial accrued liability for benefits was \$216.0 million, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$926.3 million, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 23.3 percent.

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.

*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, 2008. The unfunded actuarial accrued liability is

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA**  
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**FOR THE YEAR ENDED JUNE 30, 2009**

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amortized over the maximum acceptable period of thirty years on an open basis. It is calculated assuming a level dollar amount. The remaining amortization period at June 30, 2009 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, 2008.

*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 \$9,186 and at age 70 \$5,292.

*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 3.00% to .05% over age 65.

*Mortality* – Life expectancies were based on mortality tables from the National Center for Health Statistics. The RP-2000 Table, applied on a gender specific bases was used.

*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 11 percent initially, reduced 0.5% each year until reaching the ultimate trend rate of 5.0 percent.

*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, 2008. 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 postemployment benefit plan.

*Lapse Rates* – Annual postretirement lapse rates of .5% for pre 65 and 1% for post 65 retirees were used.

*Medicare Part D Prescription Drug Subsidy* – Based on GASB Technical Bulletin No. 2006-1, an employer should apply the measurement requirements of GASB Statement 45 to determine the actuarial accrued liabilities, the annual required contribution of the employer, and the annual OPEB cost without reduction for RDS payments. For this reason, the Medicare Part D employer subsidy was excluded from this valuation.

*Salary Increase Assumption* – 2.5% per annum

*Census Data* – The census data was provided as of June 2009.

*Discount Rate* – 3% per annum

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

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**12. 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 the amount of revenue which may be remitted back to the State due to errors in the FTE count or the amount of grant expenditures which may be disallowed by granting agencies, 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 is 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. At June 30, 2009, the District had construction commitments of approximately \$172 million.

**13. SUBSEQUENT EVENTS**

On September 23, 2009, \$85.0 million of Tax Anticipation Notes Series 2008 were paid. (See Note 8).

On October 14, 2009 the District issued Tax Anticipation Notes ("TANS") Series 2009. This \$85.0 million issue was sold at a coupon rate of .75% with an effective yield of .31%. The notes are dated October 28, 2009, and are due February 1, 2010.

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION -  
SCHEDULE OF FUNDING PROGRESS  
OTHER POST EMPLOYEMENT BENEFITS PLAN  
JUNE 30, 2009**

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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, 2008	\$ -	\$ 216,013	\$ 216,013	0.0%	\$ 926,287	23.3%
June 30, 2008	\$ -	\$ 239,500	\$ 239,500	0.0%	\$ 930,821	25.7%

**APPENDIX C**

**FORM OF NOTE COUNSEL OPINION**

## APPENDIX C

### FORM OF NOTE COUNSEL OPINION

*On the date of issuance of the Revenue Anticipation Notes, Series 2010, Greenberg Traurig, P.A., Note Counsel, proposes to issue its approving opinion in substantially the following form:*

March 9, 2010

School District of Palm Beach County, Florida  
3322 Forest Hill Boulevard  
West Palm Beach, Florida 33406-5813

Re: \$56,000,000 School District of Palm Beach County, Florida  
Revenue Anticipation Notes, Series 2010

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 \$56,000,000 Revenue Anticipation Notes, Series 2010 initially issued and delivered on this date (the "Notes") pursuant to the Constitution and laws of the State of Florida, particularly Section 1011.14, 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 February 10, 2010 (the "Resolution").

The proceeds of the Notes are to be used, together with other available funds of the District, for the purpose of renewing a portion of the loan financed under the District's Revenue Anticipation Notes, Series 2009 on March 10, 2010, and paying expenses incurred in issuing the Notes.

In order to secure the payment when due of the principal of and interest on the Notes, and subject to the terms of the Resolution, the District has irrevocably pledged and granted a lien to the registered owners of the Notes on certain capital improvement tax receipts levied pursuant to Section 1011.71(2), Florida Statutes, interest earnings thereon received by the District, and other available capital outlay funds, if any, for deposit into the Capital Projects Fund, as contained in the budget of the Board for its fiscal year July 1, 2010-June 30, 2011.

We have examined the Act, the 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 so 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 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 1011.14, Florida Statutes, as amended.

2. The Resolution has been duly adopted by the Board, and is 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 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 and such interest is not taken into account in determining adjusted current earnings for purposes 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 interest thereon are not subject to taxation under the laws of the State of Florida, except as to estate taxes and taxes under Chapter 220, Florida Statutes, on interest, income or profits on debt obligations owned by corporations, as defined therein.

This opinion is qualified to the extent that the enforcement of the Notes and the 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.

In rendering the foregoing opinions we have assumed the accuracy and truthfulness of all public records and of all certifications, documents and other proceedings examined by us that have been executed or certified by public officials acting within the scope of their official capacities and have not verified the accuracy or truthfulness thereof. We have also assumed the genuineness of the signatures appearing upon such public records, certifications, documents and proceedings.

We express no opinion with respect to any other document or agreement entered into by the Board, the District or by any other person in connection with the Notes, other than as expressed herein.

Our opinions expressed herein are predicated upon present laws, facts and circumstances, and we assume no affirmative obligation to update the opinions expressed herein if such laws, facts or circumstances change after the date hereof.

Respectfully submitted,

GREENBERG TRAURIG, P.A.

**APPENDIX D**

**AUTHORIZING RESOLUTION**

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

**RESOLUTION**

**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 \$60,000,000 AGGREGATE PRINCIPAL AMOUNT OF SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA REVENUE ANTICIPATION NOTES, SERIES 2010 (THE "NOTES"); PROVIDING FOR A BOOK-ENTRY SYSTEM WITH RESPECT TO THE NOTES; AUTHORIZING A NEGOTIATED SALE OF THE NOTES OR, IF DEEMED TO BE IN THE BEST INTEREST OF THE DISTRICT, A PUBLIC SALE OF THE NOTES; APPROVING THE FORM OF AND AUTHORIZING THE DISTRIBUTION OF A PRELIMINARY OFFICIAL STATEMENT; AUTHORIZING THE EXECUTION AND DELIVERY OF A FINAL OFFICIAL STATEMENT; AUTHORIZING THE EXECUTION AND DELIVERY OF A MATERIAL EVENTS NOTICE CERTIFICATE; MAKING CERTAIN FINDINGS, COVENANTS AND AGREEMENTS IN CONNECTION THEREWITH; PROVIDING FOR INCIDENTAL ACTION; AND PROVIDING FOR SEVERABILITY AND AN EFFECTIVE DATE.**

**RECITALS**

**WHEREAS**, pursuant to Section 1011.14, Florida Statutes, as amended (the "Act"), the school board of any school district is authorized to negotiate a current loan for a period not to exceed one (1) year to pay obligations created by the school board of such school district by way of anticipation of budgeted revenues accruing on a current basis for the acquisition, construction and equipping of such district's school facilities; and

**WHEREAS**, pursuant to Resolution adopted on February 4, 2009, the School District of Palm Beach County, Florida (the "District") acting by and through The School Board of Palm Beach County, Florida (the "School Board"), a body corporate under the laws of the State of Florida and the governing body of the District, negotiated a current loan (the "Loan") in the amount of \$72,135,000 evidenced by the District's outstanding Revenue Anticipation Note, Series 2009 (the "Prior Notes") for the purpose of paying or reimbursing the capital funds or general funds of the District for paying certain costs of the design, construction, acquisition and equipping of one or more of the educational facilities, and to pay expenses incurred in issuing the Prior Notes; and

**WHEREAS**, the Prior Notes will mature and become due and payable on March 10, 2010; and

**WHEREAS**, the District acting by and through the School Board has determined to (a) obtain a current loan in an amount not to exceed \$60,000,000 to be evidenced by the issuance of the District's Revenue Anticipation Notes, Series 2010 (the "Notes") for the purpose of renewing a portion of the Loan and (b) retire a portion of the remaining outstanding principal balance of the Prior Notes; and

**WHEREAS**, the principal of and interest on the Notes will be payable by their terms to the registered owners thereof on a date not to exceed twelve (12) months from the date of issuance thereof; provided, however, that all or any portion of the Loan may be additionally extended from year to year through the issuance of renewal notes for a period not to exceed three (3) additional years, or for a total of

five (5) years including the initial year of the Loan, or from the proceeds of sale of other obligations issued by or on behalf of the District for such purpose; and

**WHEREAS**, the Loan to be evidenced by the Notes together with interest thereon and all other revenue anticipation notes currently outstanding, will be less than 25% of the revenues received during the previous fiscal year (2008-2009) for the District school fund for operating expenses of the District;

**NOW, THEREFORE**, BE IT RESOLVED BY THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA:

**Section 1. Affirmation of Determinations and Findings.** The School Board does hereby affirm and adopt the determinations and findings contained in the preceding recitals as if the same were restated in their entirety in this Section 1.

**Section 2. Authorization of Borrowing; Book Entry System.** Pursuant to the Constitution and laws of the State of Florida, particularly the Act, the School Board hereby authorizes the borrowing of money and hereby authorizes the issuance and sale of not exceeding \$60,000,000 aggregate principal amount of "School District of Palm Beach County, Florida Revenue Anticipation Notes, Series 2010" (the "Notes"). The Notes shall be numbered R-1 and upward in registered book-entry-only form as herein provided. The Notes shall be dated as of their date of issuance, shall mature on such date not to exceed twelve (12) months from their date of issue (however, the Loan may be extended through the issuance of a renewal note or other obligation permitted by law for one or more periods not to exceed three (3) additional years, or for a total of five (5) years including the initial year of the Loan and the first renewal period), and shall bear interest at a rate per annum not exceeding the maximum rate permitted by law 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 be subject to redemption prior to maturity, if at all, as provided therein. 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 Superintendent, execution and delivery of the Notes by the Chairman or Vice Chairman and the Superintendent, as ex officio Secretary of the School 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 Direct Participants 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 certificate numbered R-1 and shall be held in such form until maturity. Individuals may purchase beneficial interests in the amount of \$5,000 and integral multiples thereof, in book-entry-only form, without certificated Notes, through the Direct Participants and Indirect Participants.

DURING THE PERIOD FOR WHICH CEDE & CO. IS 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 letter of representations with DTC providing for such a book-entry-only system. A copy of such blanket 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 hereinabove defined) will register and deliver to the Beneficial Owners replacement Notes in the form of fully registered Notes in denominations of \$5,000 and 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 sufficient moneys to pay the principal of and interest on the Notes at their maturity. Such moneys shall be held for the benefit of Cede & Co. as registered owner of the Notes in the Capital Projects Fund (as hereinafter defined), and shall be transferred by the District to the Paying Agent pursuant to Section 14 of this Resolution and paid to Cede & Co. on the maturity date of the Notes.

**Section 3. 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 School 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 School Board; provided, however, that at least one of the signatures shall be manual, and the seal of the School Board shall be imprinted or impressed thereon. Only such of the Notes as shall have endorsed thereon a certificate of authentication substantially in the form hereinbelow set forth, duly executed by the Registrar (as hereinabove defined), as authenticating agent, shall be entitled to any benefit or security under this Resolution. No Notes shall be valid or obligatory for any purpose unless and until such certificate of authentication shall have been duly executed by the Registrar, and such certificate of the Registrar upon any such Notes shall be conclusive evidence that such Notes have been duly authenticated and delivered under this Resolution. The Registrar's certificate of authentication on any Notes shall be deemed to have been duly executed if signed by an authorized officer of the Registrar, but it shall not be necessary that the same officer sign the certificate of authentication of all of the Notes that may be issued hereunder at any one time. 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 School Board who may at the time of the execution of such Notes hold the proper offices on the

School 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 4. 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 cancelled 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 the 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 5. Public Sale; Award of Notes.** A public sale of the Notes of the District in the aggregate principal amount of not exceeding \$60,000,000 is hereby authorized. The Chief Operating Officer, Chief Financial Officer or the Treasurer of the District is hereby authorized to prepare and publish a summary notice of sale for the Notes, to prepare and distribute an official invitation to bid for the Notes and related documents, and to prepare a Preliminary Official Statement for distribution in connection with such official invitation to bid. The forms of the official notice of sale and summary notice of sale shall be substantially in the forms set forth in **Exhibit C**, attached hereto. The Notes shall be offered at public sale on a date to be determined in the discretion of the Chief Operating Officer, Chief Financial Officer or the Treasurer of the District without further authorization from the School Board. The Chief Operating Officer, Chief Financial Officer or the Treasurer of the District is hereby authorized and directed to publish, or cause to be published, the official or summary form of notice of sale in The Bond Buyer, a financial newspaper published and/or of general circulation in the Borough of Manhattan, City and State of New York and, in the discretion of the Chief Operating Officer, Chief Financial Officer or the Treasurer of the District, in a newspaper of general circulation in the area of the District one time not less than 10 days prior to such date of sale. The School Board hereby separately authorizes and directs the Chairman or Vice Chairman, the Superintendent, the Chief Operating Officer, the Chief Financial Officer, the Treasurer, and the Office of Chief Counsel to take all actions necessary to consummate such sale, upon the terms and conditions set forth in the official invitation to bid.

The School Board and its officers are hereby authorized and directed to take such action as the School Board or its officers deem necessary or desirable to obtain a securities rating for the Notes from Moody's Investors Service, Inc., Fitch Ratings and/or Standard & Poor's Ratings Services.

The Superintendent, the Chief Operating Officer, the Chief Financial Officer and the Treasurer, acting separately or with another named officer and in consultation with and upon the advice of the District's Financial Advisor, Office of the Chief 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, without further action by the School 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 to the purchaser or purchasers thereof (the "Certificate of Award"). The Certificate of Award shall be executed by the Chief Operating Officer, Chief Financial Officer or the Treasurer, upon satisfaction of the conditions specified below, without further action by the School 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:

- (a) The form of Certificate of Award shall be approved by Note Counsel to the District;
- (b) The net interest cost rate for the Notes, based upon their award to the successful bidder, shall not exceed 4.00%;
- (c) Prior to award of the Notes to the successful bidder, the District shall receive from the successful bidder a disclosure and truth-in-bonding statement as required by Section 218.385(2) and (3), Florida Statutes; and
- (d) The successful bidder (the "Purchaser") shall comply with such other conditions as requested by Note Counsel to the District.

**Section 6. 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 School Board hereby authorizes the distribution and use of the Preliminary Official Statement in connection with the public offering for 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 or Vice Chairman, Superintendent, Chief Operating Officer, Chief Financial Officer and the Treasurer is hereby authorized to approve such insertions, changes and modifications, and each of the Chairman or Vice Chairman, Chief Operating Officer, Chief Financial Officer and the Treasurer is hereby authorized to deem the Preliminary Official Statement "final" within the meaning of Rule 15c2-12 of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule"), in the form as mailed, and in furtherance thereof to execute a certificate evidencing the same substantially in the form attached hereto as **Exhibit E**.

The Superintendent is hereby authorized to have prepared and 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 and distribution 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, Chief Financial Officer or the Treasurer as necessary to conform the details of the Notes and such other insertions, modifications and changes as may be approved by the Superintendent, the Chief Operating Officer, Chief Financial 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 School 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 7. Material Events Notice.** The District 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 District 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 7 and the Material Events Notice Certificate.

**Section 8. 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 9. 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 10. Application of Note Proceeds.** In connection with the sale of the Notes, a special fund is hereby created by the District within the capital projects fund (the "Capital Projects Fund") maintained by it and designated "School District of Palm Beach County, Florida, Revenue Anticipation Notes, Series 2010 Proceeds Fund" (hereinafter called the "Proceeds Fund"), to the credit of which there shall be deposited the proceeds from the sale of the Notes.

Moneys in the Proceeds Fund shall be used to retire a portion of the outstanding principal balance of the Prior Notes at maturity on March 10, 2010. Costs of issuance of the Notes shall be paid from proceeds of the Notes or from other legally available funds of the District.

**Section 11. 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 School Board, the Superintendent, the Chief Operating Officer, Chief Financial Officer and the Treasurer are each hereby separately authorized to execute on behalf of the District an arbitrage certificate in appropriate form to assure the holders of the Notes that the Notes are not arbitrage bonds; such arbitrage certificate shall constitute a representation of the District, and no use of the proceeds of the Notes will be made contrary to the representations therein contained. The District further covenants that so long as the Notes remain outstanding that it will perform all obligations required by law to assure that interest on the Notes remains excludable from gross income for federal income tax purposes.

**Section 12. Representations and Warranties.** The District hereby warrants and represents for the benefit of the registered owners from time to time of the Notes as follows:

(a) The budget of the School Board for its fiscal year July 1, 2010-June 30, 2011 (the "2010-2011 Budget") will be prepared in accordance with Florida law and the Capital Projects Fund Section will contain sufficient appropriations consisting of taxes and other revenues accruing on a current basis to allow payment of principal of and interest on the Notes.

(b) The aggregate principal amount of the Notes to be issued hereunder and interest payable thereon at maturity together does not exceed one-fourth of the revenue received by the District during the preceding fiscal year for the district school fund for operating expenses of the District.

(c) The interest rate on the Notes will not exceed the interest rate limitation contained in Section 215.84, Florida Statutes, when the Notes are issued.

(d) The District will not issue any additional obligations of a similar nature as the Notes which, when added to the outstanding principal amount of the Notes, the interest thereon to maturity, and the principal of and interest on any other outstanding obligations of the District issued under such Section 1011.14, Florida Statutes, would exceed one-fourth of the revenues of the District for the preceding fiscal year for the district school fund for operating expenses of the District.

(e) The District is a duly organized and validly existing political subdivision of the State of Florida and is authorized and empowered to issue the Notes, and to perform its obligations under this Resolution pursuant to the Constitution and laws of the State of Florida, particularly the Act. The School Board is the duly authorized and validly existing public body, corporate and governing body of the District

(f) The School Board is a duly organized and validly existing public body corporate and is authorized and empowered to cause the Notes to be issued by the District and to perform its obligations under this Resolution pursuant to the Constitution and laws of the State of Florida, particularly the Act. The School Board is the duly authorized and validly existing governing body of the District.

(g) The proceeds of the sale of the Notes will be used to retire a portion of the outstanding principal balance of the Prior Notes, and to pay expenses incurred in issuing the Notes.

(h) The Notes have the nature of current obligations in anticipation of budgeted revenues as provided in the Act.

(i) The Capital Projects Fund Section of the 2010-2011 Budget will contain provisions relating to the payment of principal of and interest on the Notes. The Notes represent the renewal of a portion of the Loan evidenced by the Prior Notes. If receipts anticipated in the 2010-2011 Budget are not received, any deficiency shall be charged against capital projects or other expenditures of the District in order that payment of the Notes will be fully provided for.

**Section 13. Source of Payment of Notes.** The Notes shall be retired from capital improvement tax receipts levied pursuant to Section 1011.71(2), Florida Statutes (the "Capital Improvement Tax"), interest earnings thereon received by the District, and other available capital outlay funds, if any, all for deposit into the Capital Projects Fund to be contained in the 2010-2011 Budget, pursuant to the Act. The budgeted Capital Improvement Tax receipts in the Capital Projects Fund of the 2010-2011 Budget to be received by District and other available capital outlay funds, if any, are hereby irrevocably pledged to the payment when due of the principal of and interest on the Notes. The District covenants to budget Capital Improvement Tax receipts and other available capital outlay funds, if any, to be received during the 2010-2011 fiscal year in amounts sufficient to pay the principal of and interest on the Notes when due. Notwithstanding the foregoing, the Notes may be retired from the proceeds of renewal notes, or from the proceeds of sale of other obligations issued by or on behalf of the District for such purpose.

In furtherance thereof, 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 (“Permitted Investments”) into a separate fund within the Capital Projects Fund known as the “Series 2010 RAN Debt Service Fund” no later than five (5) Business Days prior to maturity, so that the balance on deposit therein, together with the earnings to be received thereon, will equal the amount of principal and interest becoming due on the Notes at maturity.

The pledge of the Capital Improvement Tax receipts, interest earnings thereon and other available capital outlay funds, if any, received by the District for deposit into the Capital Projects Fund as a lien securing payment of the Notes shall be prior to and superior to any and all leases entered into pursuant to that certain Master Lease Purchase Agreement, dated as of November 1, 1994, between the Palm Beach School Board Leasing Corp. and the School Board and those certain Certificates of Participation evidencing undivided proportionate interests in lease payments to be made by the School Board in connection with such leases, and any other annual appropriation leases of a similar nature entered into by the School Board.

**Section 14. Payment to Paying Agent.** The District will transfer to the Paying Agent the amounts necessary to pay the principal of and interest on the Notes in full no later than one Business Day prior to the maturity date of the Notes. The Paying Agent will use such moneys to retire the Notes as they mature.

**Section 15. Investment of Funds.** The District shall have the authority at all times to invest moneys held in the Capital Projects Fund pursuant to Section 10 hereof in any investment as authorized in Sections 1010.53(2) or 218.415, Florida Statutes.

**Section 16. Further Assurances.** The District covenants that the provisions of this Resolution do not conflict with or violate any existing resolution of the School 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 District further covenants that it has complied or 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 2010-2011 Budget and for the assessment of millages and the levying of taxes against the appropriate taxable property in the District. The members of the School 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 17. 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 18. Open Meeting Findings.** It is hereby found and determined that all official acts of the School 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 School Board and that all deliberations of the School 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 19. 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 20. Repealing Clause.** All resolutions or orders and parts thereof in conflict herewith, to the extent of such conflict, are hereby superseded and repealed.

**Section 21. Defeasance.** Upon the payment of the principal of and the interest due on the Notes issued under the provisions of this Resolution the right, title and interest of the registered holders secured hereby in the moneys mentioned in this Resolution and this Resolution shall thereupon cease, determine and become void without further action of the School Board.

**Section 22. Appointment of Registrar and Paying Agent.** The School Board, acting by and through the Treasurer, shall serve as Registrar and Paying Agent for the Notes.

**Section 23. Modification or Amendment.** Modifications and amendments to this Resolution or any proceeding of the School 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 School 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 of such Notes. Copies of all amendments shall be provided to Moody's Investors Service, Inc., Fitch Ratings and/or Standard and Poor's Ratings Service.

**Section 24. Additional Acts.** The Chairman, Vice Chairman, the Superintendent, the Chief Operating Officer, Chief Financial Officer and the Treasurer are each authorized and directed to execute and deliver all additional documents, contracts, instruments and certificates, and to take all actions and steps on behalf of the District which are necessary or desirable in connection with the issuance of the Notes or the payment of the Prior Notes and which are not inconsistent with the terms and provisions of this Resolution.

**Section 25. Effective Date.** This Resolution shall take effect immediately upon its adoption.

Adopted by The School Board of Palm Beach County, Florida this 10<sup>th</sup> day of February, 2010.

[SEAL]

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Monroe Benaim, M.D.  
Chairman, The School Board of Palm Beach  
County, Florida

Attest:

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Secretary, The School Board of Palm Beach  
County, Florida

Approved as to form:

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Office of the Chief Counsel to The School  
Board of Palm Beach County, Florida

**APPENDIX E**

**FORM OF MATERIAL EVENTS NOTICE CERTIFICATE**

## **MATERIAL EVENTS NOTICE CERTIFICATE**

This Material Events Notice Certificate is executed and delivered by The School Board of Palm Beach County, Florida (the "School Board") in connection with the issuance of the \$56,000,000 Revenue Anticipation Notes, Series 2010 (the "Notes") by the School District of Palm Beach County, Florida (the "District") acting by and through the School Board. The Notes are being issued pursuant to the School Board's Resolution adopted on February 10, 2010 (the "Note Resolution"). 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 School Board on behalf of 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 S.E.C. Rule 15c2-12(b)(5).

**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 School Board, or any successor Dissemination Agent designated in writing by the School Board and which has filed with the School 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 to the MSRB at <http://emma.msrb.org/>, notice of the occurrence of any of the following events with respect to the Notes, if material:

- (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 or 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, and
- (11) Rating changes.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall as soon as possible determine if such event would be material under applicable federal securities laws; provided, however, that any event under subsections (a)(6) and (11) above will always be deemed to be material.

(c) If the District determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the District shall promptly file a notice of such occurrence with the MSRB at <http://emma.msrb.org/>.

**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 School 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: March 9, 2010

THE SCHOOL BOARD OF PALM BEACH  
COUNTY, FLORIDA

By: \_\_\_\_\_  
Monroe Benaim, M.D., Chairman