$145,535,000

CERTIFICATES OF PARTICIPATION, SERIES 2015B

Evidencing Undivided Proportionate Interests of the Owners Thereof in Basic Lease Payments to be made by

THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA, as Lessee, Pursuant to a Master Lease Purchase Agreement with Palm Beach School Board Leasing Corp., as Lessor

Dated: Dated: Date of Delivery

Due: August 1, as shown on the inside cover

The Certificates of Participation, Series 2015B (the "Series 2015B Certificates") offered hereby evidence undivided proportionate interests in a portion of the Basic Lease Payments (as defined herein) to be made by The School Board of Palm Beach County, Florida (the "School Board") acting as the governing body of The School District of Palm Beach County, Florida (the "District") pursuant to a Master Lease Purchase Agreement, dated of November 1, 1994 (the "Master Lease") with Palm Beach School Board Leasing Corp. (the "Corporation"), as amended and supplemented by Schedule 2006A-1, as amended and restated as of January 1, 2015 (together with the Master Lease, the "Series 2006A-1 Lease") providing for the lease purchase financing and refinancing of certain educational facilities by the School Board, as described herein.

The Series 2015B Certificates are being issued as fully registered Certificates pursuant to the provisions of a Master Trust Agreement, dated as of November 1, 1994, as amended and supplemented by a Series 2015B Supplemental Trust Agreement, dated as of January 1, 2015, each between the Corporation and The Bank of New York Mellon Trust Company, N.A. (successor in interest to NationsBank of Florida, N.A.), Jacksonville, Florida, as trustee (the "Trustee"). The interest portion of the Basic Lease Payments represented by the Series 2015B Certificates is payable on August 1 and February 1 of each year, commencing August 1, 2015 (each a "Payment Date") by check or draft of the Trustee mailed to the Series 2015B Certificate owner of record at the address shown on the registration records maintained by the Trustee as of the fifteenth day of the month (whether or not a business day) next preceding each Payment Date. The Series 2015B Certificates are being issued in denominations of $5,000 or any integral multiple thereof and will initially be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"). Purchasers of the Series 2015B Certificates (the "Beneficial Owners") will not receive physical delivery of the Series 2015B Certificates. Ownership of the Beneficial Owners of the Series 2015B Certificates will be evidenced through a book-entry only system of registration. As long as Cede & Co. is the registered owner as nominee of DTC, payment of the principal portion and interest portion of the Basic Lease Payments represented by the Series 2015B Certificates will be made directly to Cede & Co., which will in turn remit such payments to the DTC Participants for subsequent disbursement to the Beneficial Owners.

The Series 2015B Certificates are subject to optional and extraordinary prepayment prior to maturity. See "THE SERIES 2015B CERTIFICATES – Prepayment" herein.


SEE THE INSIDE COVER FOR CERTAIN ADDITIONAL INFORMATION RELATING TO THE SERIES 2006A-1 LEASE AND THE SERIES 2015B CERTIFICATES.

This cover page and the inside cover contain certain information for reference only. They are not, and are not intended to be, a summary of the transaction. Investors must read the entire Offering Statement, including the appendices, to obtain information essential to the making of an informed investment decision.

The Series 2015B Certificates are offered when, as and if delivered and received by the Underwriters, subject to the approving legal opinion of Greenberg Traurig, P.A., Miami, Florida and Edwards & Associates, P.A., Miami, Florida, Co-Special Tax Counsel, and certain other conditions. Certain legal matters will be passed upon for the School Board by Nabors, Giblin & Nickerson, P.A., Tampa, Florida, Disclosure Counsel. Certain legal matters will be passed upon for the School Board and the Corporation by the District's Office of General Counsel, Moskowitz, Mandell, Salmo & Simovitz, P.A., Fort Lauderdale, Florida, as serving as Counsel to the Underwriters. Public Financial Management, Inc., Orlando, Florida, is acting as Financial Advisor to the School Board. It is expected that the Series 2015B Certificates will be available for delivery in New York, New York through the offices of DTC on or about January 14, 2015.

BoA Merrill Lynch

J.P. Morgan

RBC Capital Markets

Morgan Stanley

Wells Fargo Securities
The Series 2015B Certificates are being issued to provide funds for the purposes of (i) refunding, on an advanced basis, a portion of the School Board's outstanding Certificates of Participation, Series 2006A and (ii) paying certain costs of issuance with respect to the Series 2015B Certificates.

The initial term of the Series 2006A-1 Lease commenced on May 25, 2006 and continued through and including June 30, 2006, has been automatically renewed annually to date and is automatically renewable annually through August 1, 2031, unless sooner terminated as described herein. In addition to the Series 2006A-1 Lease, the School Board (i) has heretofore entered into the Current Leases (as described herein) under the Master Lease, and (ii) expects to enter into other Leases under the Master Lease in the future. Failure to appropriate funds to pay Lease Payments under any such Lease, or an event of default under any such Lease, will result in the termination of all Leases, including the Series 2006A-1 Lease. Upon any such termination, any proceeds of the disposition of leased Facilities will be applied solely to the payment of the related Series of Certificates in accordance with the Master Trust Agreement as supplemented by the related Supplemental Trust Agreement and as further described herein. Co-Special Tax Counsel will express no opinion as to tax exemption or the effect of securities laws with respect to the Series 2015B Certificates following non-appropriation of funds or an event of default under the Master Lease which results in termination of the Lease Terms. Transfers of the Series 2015B Certificates may be subject to compliance with the registration provisions of state and federal securities laws following non-appropriation of funds or an event of default under the Master Lease which results in termination of the Lease Term of all Leases. See "TAX TREATMENT" and "RISK FACTORS" herein.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS, PRICES AND INITIAL CUSIP NUMBERS

$145,535,000 Serial Series 2015B Certificates

<table>
<thead>
<tr>
<th>Maturity (August 1)</th>
<th>Principal Amount</th>
<th>Interest Rate</th>
<th>Yield</th>
<th>Price</th>
<th>CUSIP No.* **</th>
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<tr>
<td>2017</td>
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<tr>
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<tr>
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<tr>
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<td>696550ZM7</td>
</tr>
</tbody>
</table>

* Yield and Price calculated to first optional prepayment date of August 1, 2025.
** CUSIP is a registered trademark of American Bankers Association. CUSIP data herein is provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP data herein is provided for convenience of reference only. The School Board, the Financial Advisor and the Underwriters and their agents take no responsibility for the accuracy of such data.
THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA

BOARD MEMBERS
District 2 - Chuck Shaw, Chairman
District 5 - Frank A. Barbieri, Jr., Vice Chairman
District 1 - Mike Murgio
District 3 - Karen M. Brill
District 4 - Erica Whitfield
District 6 - Marcia Andrews
District 7 - Debra L. Robinson, M.D.

SUPERINTENDENT OF SCHOOLS
E. Wayne Gent

CHIEF OPERATING OFFICER
Michael J. Burke

TREASURER
Leanne Evans, CTP

COUNSEL TO THE SCHOOL BOARD
Office of General Counsel
The School District of Palm Beach County, Florida

CO-SPECIAL TAX COUNSEL
Greenberg Traurig, P.A.
Miami, Florida
Edwards & Associates, P.A.
Miami, Florida

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

FINANCIAL ADVISOR
Public Financial Management, Inc.
Orlando, Florida

TRUSTEE
The Bank of New York Mellon Trust Company, N.A.
Jacksonville, Florida
No dealer, broker, salesman or other person has been authorized by the School Board or the Underwriters to give any information or to make any representations, other than those contained in this Offering Statement, in connection with the offering contained herein, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Offering Statement does not constitute an offer to sell or a solicitation of an offer to buy any securities, other than the securities offered hereby, or an offer or a solicitation of an offer of the securities offered hereby to any person in any jurisdiction where such offer or solicitation of such offer would be unlawful. The information set forth herein has been obtained from the District, the School Board, the Corporation, DTC and other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of the District or the School Board with respect to information provided by DTC. The information and expressions of opinion stated herein are subject to change without notice, and neither the delivery of this Offering Statement nor any sale made hereunder under any circumstances, create any implication that there has been no change in the affairs of the District or the School Board since the date hereof.

The Underwriters have provided the following sentence for inclusion in this Offering Statement. The Underwriters have reviewed the information in this Offering Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

UPON ISSUANCE, THE SERIES 2015B CERTIFICATES 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 OFFERING STATEMENT OR APPROVED THE SERIES 2015B CERTIFICATES FOR SALE. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

THIS OFFERING STATEMENT DOES NOT CONSTITUTE A CONTRACT BETWEEN THE SCHOOL BOARD OR THE DISTRICT AND ANY ONE OR MORE OF THE OWNERS OF THE SERIES 2015B CERTIFICATES.

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 Series 2015B Certificates are qualified in their entirety by reference to the form thereof included in the aforesaid documents and agreements.

THIS OFFERING STATEMENT IS BEING PROVIDED TO PROSPECTIVE PURCHASERS IN EITHER BOUND OR PRINTED FORMAT ("ORIGINAL BOUND FORMAT"), OR IN ELECTRONIC FORMAT ON THE FOLLOWING WEBSITES: WWW.MUNIOS.COM AND WWW.EMMA.MSRB.ORG. THIS OFFERING STATEMENT MAY BE RELIED ON ONLY IF IT IS IN ITS ORIGINAL BOUND FORMAT, OR IF IT IS PRINTED OR SAVED IN FULL DIRECTLY FROM THE AFOREMENTIONED WEBSITES.
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OFFERING STATEMENT

$145,535,000
CERTIFICATES OF PARTICIPATION, SERIES 2015B
Evidencing Undivided Proportionate Interests of the Owners Thereof in Basic Lease Payments to be Made by THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA, as Lessee, Pursuant to a
Master Lease Purchase Agreement
with Palm Beach School Board Leasing Corp., as Lessor

INTRODUCTION

This Offering Statement, including the cover page, the inside cover page and appendices hereto, is provided to furnish information in connection with the sale and delivery of $145,535,000 aggregate principal amount of Certificates of Participation, Series 2015B (the "Series 2015B Certificates"). The Series 2015B Certificates evidence undivided proportionate interests of the owners thereof in a portion of the Basic Lease Payments to be made by The School Board of Palm Beach County, Florida (the "School Board") under the Series 2006A-1 Lease (as such term is defined below). The Series 2015B Certificates are being executed and delivered pursuant to a Master Trust Agreement dated as of November 1, 1994 (the "Master Trust Agreement"), as supplemented by a Series 2015B Supplemental Trust Agreement dated as of January 1, 2015 (collectively, the "Trust Agreement"), each between Palm Beach School Board Leasing Corp., a Florida not-for-profit corporation (the "Corporation") and The Bank of New York Mellon Trust Company, N.A. (successor in interest to NationsBank of Florida, N.A.), Jacksonville, Florida, as trustee (the "Trustee").

The School Board, as the governing body of the School District of Palm Beach County, Florida (the "District"), entered into a Master Lease Purchase Agreement dated as of November 1, 1994 (the "Master Lease") between the Corporation, as lessor, and the School Board, as lessee, for the purpose of providing for the lease purchase financing and refinancing from time to time of certain educational facilities, sites and equipment (the "Facilities") from the Corporation. Facilities to be leased from time to time are identified on separate schedules (each a "Schedule") attached to the Master Lease. Upon execution and delivery thereof, each Schedule, together with the provisions of the Master Lease, will constitute a separate lease agreement (individually a "Lease" and collectively the "Leases"). The Facilities subject to each such Lease are financed or refinanced with separate Series of Certificates issued under the Master Trust Agreement as supplemented by a Supplemental Trust Agreement related to each such Series of Certificates.

The following table provides a summary of the Leases to be in effect following delivery of the Series 2015B Certificates, the designation of the Facilities being lease-purchased by the School Board under each Lease, the final term of each Lease, the related Series of Certificates and the outstanding principal amount of each such related Series of Certificates.
<table>
<thead>
<tr>
<th>Lease</th>
<th>Related Facilities</th>
<th>Final Renewal Term Ending Date</th>
<th>Related Series of Certificates</th>
<th>Principal Amount</th>
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<tbody>
<tr>
<td>Series 1994A</td>
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<td>June 30, 2015</td>
<td>Series 2007D</td>
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<td>Series 2000A</td>
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<td>Series 2011B</td>
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<td></td>
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<td></td>
<td>Series 2014B</td>
<td>166,010,000</td>
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<tr>
<td>Series 2001A(1)</td>
<td>Series 2001A</td>
<td>June 30, 2026</td>
<td>Series 2005A</td>
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<tr>
<td>Series 2002A(2)</td>
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<td>Series 2007C</td>
<td>75,715,000(10)</td>
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<td></td>
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<td>Series 2005A</td>
<td>27,290,000(9)</td>
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<td>Series 2002B</td>
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<td>Series 2005A</td>
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<td>Series 2012A</td>
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<td>Series 2003B</td>
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<td>Series 2004A(4)</td>
<td>Series 2004A-1 and</td>
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<td>Unrefunded Series 2006A</td>
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<td>Series 2006A-2</td>
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<td>Series 2007E(6)</td>
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<td>Series 2007E-2</td>
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<td>Series 2010A(7)</td>
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<td>Total</td>
<td>$1,625,716,824</td>
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(2) Includes the Series 2002A-1 Lease and the Series 2002A-2 Lease.
(3) Includes the Series 2002D-1 Lease and the Series 2002D-2 Lease.
(7) The School Board designated the Series 2010A Lease as a "qualified school construction bond" pursuant to Section 54F of the Internal Revenue Code of 1986, as amended (the "Code"). Pursuant to Section 6431 of the Code, the School Board made an election to qualify to receive federal subsidy payments from the United States Treasury pursuant to Section 6431(f) of the Code (the "Interest Subsidy") on each interest payment date for the Series 2010A Certificates. The expected Interest Subsidy will be in an amount equal to the lesser of the amount of interest payable with respect to the Series 2010A Certificates on such date or the amount of interest which would have been payable with respect to the Series 2010A Certificates if the interest were determined at the applicable tax credit rate for the Series 2010A Certificates pursuant to Section 54A(b)(3) of the Code. See "RISK FACTORS - Effect of Sequestration on Lease Payments" herein.
(8) The listed principal amount represents the approximate principal portion of the Series 2002E Certificates allocated to each of the Series 1995A Lease and Series 1996A Lease.
(10) The listed principal amounts represent the approximate principal portion of the Series 2007C Certificates allocated to each of the Series 2001A Leases and Series 2002C Lease.
The Series 2002-QZAB Certificates, the Series 2002E Certificates, the Series 2003A Certificates, the Series 2003B Certificates, the Series 2004A Certificates, the Series 2004-QZAB Certificates, the Series 2005A Certificates, the Series 2005-QZAB Certificates, the Unrefunded Series 2006A Certificates, the Series 2007A Certificates, the Series 2007C Certificates, the Series 2007D Certificates, the Series 2007E Certificates, the Series 2010A Certificates, the Series 2011A Certificates, the Series 2011B Certificates, the Series 2011C Certificates, the Series 2011D Certificates, the Series 2012A Certificates, the Series 2012B Certificates, the Series 2012C Certificates, the Series 2014A Certificates, the Series 2014B Certificates and the Series 2014C Certificates are collectively referred to herein as the "Outstanding Certificates."

The Series 1994A Lease, the Series 1995A Lease, the Series 1996A Lease, the Series 2000A Lease, the Series 2001A Leases, the Series 2002A Leases, the Series 2002B Lease, the Series 2002C Lease, the Series 2002D Leases, the Series 2002-QZAB Lease, the Series 2003A Lease, the Series 2003B Lease, the Series 2004A Leases, the Series 2004-QZAB Lease, the Series 2005-QZAB Lease, the Series 2007A Leases, the Series 2007B Lease, the Series 2007E Leases and the Series 2010A Lease, are collectively referred to herein as the "Current Leases." In addition to the Current Leases and the Series 2006A-1 Lease the School Board may authorize other Leases in the future. See "THE MASTER LEASE FACILITIES," "THE PRIOR FACILITIES" and "THE MASTER LEASE PROGRAM."

On or about May 5, 2015, the School Board also expects to issue approximately $106,315,000 principal amount of Refunding Certificates of Participation, Series 2015A (the "Series 2015A Certificates") in order to refund a portion of the School Board's outstanding Series 2005A Certificates. The School Board has also authorized, or expects to authorize, the issuance of one or more additional Series of Certificates to refund certain outstanding Certificates of Participation. See "EXPECTED ISSUANCE OF OTHER CERTIFICATES" herein.

The Facilities currently leased by the School Board under the Master Lease constitute approximately 46% of all gross square feet of educational facilities space in the District. See "THE MASTER LEASE FACILITIES," "THE SERIES 2006A-1 FACILITIES" and "THE PRIOR FACILITIES."

Pursuant to the applicable provisions of Florida law, including particularly Chapters 1001-1013, Florida Statutes, as amended, the School Board has, by Resolution duly adopted by the School Board on November 5, 2014, authorized the execution and delivery of Schedule 2006A-1, as amended and restated as of January 1, 2015 (together with the Master Lease, the "Series 2006A-1 Lease") providing for the lease purchase financing and refinancing of the Series 2006A Facilities by the School Board, as described herein.

The initial term of the Series 2006A-1 Lease commenced on May 25, 2006 and continued through and including June 30, 2006, has been automatically renewed annually to date and is automatically renewable annually through August 1, 2031, unless sooner terminated as described herein. Subject to the Board's right to substitute facilities, the Facilities being lease purchased under the Series 2006A-1 Lease includes two elementary schools and the modernization/replacement of two elementary schools and a high school (the "Series 2006A-1 Facilities").

The School Board currently holds title to all of the sites on which the Series 2006A-1 Facilities are located (the "Series 2006A-1 Facility Sites"). Pursuant to the Series 2006A Ground
Lease dated as of May 1, 2006, as amended (the "Series 2006A Ground Lease"), the School Board is leasing the Series 2006A-1 Facility Sites to the Corporation for an initial term which commenced on May 1, 2006 and ends on August 1, 2036, subject to Permitted Encumbrances (as defined in the Series 2006A Ground Lease), and subject to earlier termination or extension as set forth therein. See "APPENDIX D - CERTAIN LEGAL DOCUMENTS - The Series 2006A Ground Lease."

Pursuant to the Series 2006A Assignment Agreement dated as of May 1, 2006 (the "Series 2006A Assignment"), between the Corporation and the Trustee, the Corporation has irrevocably assigned to the Trustee for the benefit of the owners of the Series 2015B Certificates, the Unrefunded Series 2006A Certificates and any other Certificates representing an undivided proportionate interest in a portion of the Basic Lease Payments payable under the Series 2006A-1 Lease (e.g., a Series of Certificates issued to refund the Series 2015B Certificates or the Unrefunded Series 2006A Certificates) substantially all of its right, title and interest in and to the Series 2006A Ground Lease and the Series 2006A-1 Lease including the right to receive the Basic Lease Payments and all other amounts due under the Series 2006A-1 Lease, as herein described. See "APPENDIX D - CERTAIN LEGAL DOCUMENTS - The Series 2006A Assignment."

Brief descriptions of the District, the School Board, the Corporation and the Series 2006A-1 Facilities are included in this Offering Statement together with summaries of certain provisions of the Series 2015B Certificates, the Master Lease, the Series 2006A-1 Lease, the Series 2006A Ground Lease, the Trust Agreement and the Series 2006A Assignment. Such descriptions and summaries do not purport to be comprehensive or definitive. All references herein to the Master Lease, the Series 2006A-1 Lease, the Trust Agreement, the Series 2006A Ground Lease and the Series 2006A Assignment are qualified in their entirety by reference to the respective complete documents. Copies of the documents may be obtained upon written request and payment of the costs of duplication to the Trustee at 10161 Centurion Parkway, Jacksonville, Florida 32256, or to the District at 3300 Forest Hill Boulevard, Suite A-334, West Palm Beach, Florida 33406-5813, Office of the Treasurer. Capitalized terms used herein and not otherwise defined will have the meanings given them in "APPENDIX D - CERTAIN LEGAL DOCUMENTS."

PURPOSE OF THE SERIES 2015B CERTIFICATES

The Series 2015B Certificates are being issued for the principal purposes of (i) providing funds sufficient to prepay that portion of the outstanding Series 2006A Certificates maturing on and after August 1, 2017 (the "Refunded Certificates") and thereby refinance a portion of the costs of the Series 2006A-1 Facilities and (ii) paying costs associated with the issuance of the Series 2015B Certificates.

The Series 2006A Certificates maturing on August 1 in the years 2015 and 2016 will not be refunded with proceeds of the Series 2015B Certificates and are referred to herein as the "Unrefunded Series 2006A Certificates." See "PLAN OF REFUNDING" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.
PLAN OF REFUNDING

The Series 2015B Certificates are being issued in order to provide the funds necessary to refund, on an advanced basis, the Refunded Certificates and thereby refinance a portion of the Series 2006A-1 Facilities. The Refunded Certificates are subject to optional prepayment on August 1, 2016, at a price equal to the par amount of the Refunded Certificates, plus accrued interest to the prepayment date. Upon the issuance of the Series 2015B Certificates, a portion of the proceeds of the Series 2015B Certificates, together with other legally available funds of the School Board, will be deposited in an escrow deposit trust fund created pursuant to an Escrow Deposit Agreement by and between the School Board and The Bank of New York Mellon Trust Company, N.A., Jacksonville, Florida, as Escrow Agent (the "Escrow Deposit Agreement"), which proceeds will be sufficient to pay the Basic Lease Payments represented by the Refunded Certificates to their date of prepayment. Co-Special Tax Counsel will render their opinion to the effect that, assuming the deposit and application of such proceeds and other funds in accordance with the terms of the Escrow Deposit Agreement provision having been made for the payment of the Basic Lease Payments represented by the Refunded Certificates, the Refunded Certificates will be deemed to be paid and the obligations under the Series 2006A-1 Lease to pay Basic Lease Payments as represented by the Refunded Certificates will have been released and discharged with respect to the Refunded Certificates. Such opinions will be rendered in reliance upon the verification report of Samuel Klein and Company, Certified Public Accountants, Newark, New Jersey, described herein under the heading "VERIFICATION OF MATHEMATICAL COMPUTATIONS."

EXPECTED ISSUANCE OF OTHER CERTIFICATES

Pursuant to a Forward Delivery Agreement, subject to satisfaction of certain conditions, the School Board expects to cause the issuance of approximately $106,315,000 principal amount of Certificates of Participation, Series 2015A (the "Series 2015A Certificates") on or about May 5, 2015. The Forward Delivery Agreement provides for the Series 2015A Certificates to be privately placed with a financial institution. The proceeds of the Series 2015A Certificates will be used for the principal purpose of refunding a portion of Series 2005A Certificates. The Series 2001A Leases, the Series 2002A Leases, the Series 2002C Lease and the Series 2002D Leases will be further amended and restated in connection with the issuance of the Series 2015A Certificates. When and if issued, the Series 2015A Certificates will be secured equally and ratably under the Series 2001A Leases, the Series 2002A Leases, the Series 2002C Lease and the Series 2002D Leases with other Outstanding Certificates allocated to such Leases. At this time, there is no assurance that conditions precedent to the issuance of the Series 2015A Certificates will be satisfied and therefore the expected issuance of such Series 2015A Certificates is not reflected in this Offering Statement. However, if issued, the issuance of the Series 2015A Certificates is expected to result in annual debt service savings to the School Board.

The School Board has also identified several Series of Outstanding Certificates as potential candidates for refunding and has authorized the issuance of one or more additional Series of Certificates to refund such Series of Outstanding Certificates. The issuance of such refunding Certificates is dependent upon favorable market conditions. Such refundings, if undertaken, will be offered via one or more separate Offering Statements.
THE SERIES 2015B CERTIFICATES

General

The Series 2015B Certificates will be dated the date of delivery, will mature in the years and principal amounts and accrue interest at the fixed interest rates set forth on the inside cover page of this Offering Statement. The Series 2015B Certificates will initially be issued exclusively in "book-entry" form and ownership of one fully registered Series 2015B Certificate for each maturity as set forth on the inside cover page, each in the aggregate principal amount of such maturity, will be initially registered in the name of "Cede & Co." as nominee of The Depository Trust Company, New York, New York ("DTC"). The principal portion and interest portion of Basic Lease Payments represented by the Series 2015B Certificates are payable in the manner set forth under "THE SERIES 2015B CERTIFICATES - Book-Entry Only System" herein. Individual purchases of the Series 2015B Certificates will be made in increments of $5,000 or integral multiples thereof.

The principal portion of Basic Lease Payments represented by the Series 2015B Certificates payable at maturity or earlier prepayment thereof represents undivided proportionate interests in the principal portion of the Basic Lease Payments due on each of the dates set forth in the Series 2006A-1 Lease, equally and ratably with the Unrefunded Series 2006A Certificates. The interest component of Basic Lease Payments represented by the Series 2015B Certificates is payable on August 1 and February 1 of each year, commencing on August 1, 2015, and represents undivided proportionate interests in the interest portion of Basic Lease Payments due on the December 30 and June 30 prior to each Payment Date to and including the maturity or earlier prepayment of the Series 2015B Certificates. The interest portion of the Basic Lease Payments represented by the Series 2015B Certificates will be computed on the basis of a 360-day year based on twelve 30-day months. The principal portion or Prepayment Price of the Series 2015B Certificates is payable to the registered owner upon presentation at the designated corporate trust office of the Trustee. Except as otherwise provided in connection with the maintenance of a book-entry only system of registration of the Series 2015B Certificates, the interest portion of the Basic Lease Payments represented by the Series 2015B Certificates is payable to the registered owner at the address shown on the registration books maintained by the Trustee as of the 15th day of the month (whether or not a business day) preceding the Payment Date or at the prior written request and expense of any registered owner of at least $1,000,000 in aggregate principal amount of Series 2015B Certificates by bank wire transfer to a bank account in the United States designated in writing prior to the fifteenth day of the month next preceding each Payment Date. Notwithstanding the above, reference is made to the book-entry system of registration described under "BOOK-ENTRY ONLY SYSTEM" below.

Prepayment

Optional Prepayment. The Series 2015B Certificates maturing on or before August 1, 2025 are not subject to optional prepayment. The Series 2015B Certificates maturing on or after August 1, 2026 are subject to prepayment on or after August 1, 2025, if the School Board elects to prepay the principal portion of the Basic Lease Payments due under the Series 2006A-1 Lease in whole or in part at any time, and if in part, in such order of maturity of Certificates corresponding to the due dates of the principal portion of Basic Lease Payments as
shall be designated by the School Board to be prepaid, and by lot within a maturity in such manner as the Trustee may determine, at a Prepayment Price equal to 100% of the principal portion of the Basic Lease Payments represented by the Series 2015B Certificates or portions thereof to be prepaid, plus interest accrued to the Prepayment Date.

**Extraordinary Prepayment.** The principal portion of Basic Lease Payments due under the Series 2006A-1 Lease represented by the Series 2015B Certificates shall be subject to prepayment in the event the Series 2006A-1 Lease terminates prior to payment in full of all of the Basic Lease Payments due thereunder to the extent the Trustee has moneys available for such purpose pursuant to the Series 2015B Trust Agreement and the Series 2006A-1 Lease, as applicable, to the extent and subject to the limitations provided in the Master Lease.

**No Extraordinary Prepayment in the Event of Damage, Destruction or Condemnation of the Series 2006A-1 Facilities.** The Series 2015B Certificates are not subject to extraordinary prepayment prior to maturity in the event of damage, destruction or condemnation of the Series 2006A-1 Facilities. See "THE SERIES 2006A-1 LEASE - Lease Payments" for information regarding the required use of any insurance or condemnation proceeds related to the Series 2006A-1 Facilities in the event of damage, destruction or condemnation of such Facilities.

**Selection of Series 2015B Certificates for Prepayment.** If less than all of the Series 2015B Certificates are called for prepayment, the particular Series 2015B Certificates, or portions thereof to be prepaid will be in multiples of $5,000 and, except as otherwise provided in the Trust Agreement, the maturity of the Series 2015B Certificates to be prepaid will be determined by the Trustee. If less than all of the Series 2015B Certificates of like maturity are called for prepayment, the particular Series 2015B Certificates or portions thereof to be prepaid will be selected by lot by the Trustee in such manner as the Trustee deems fair and appropriate. The portion of any Series 2015B Certificate of a denomination of more than $5,000 to be prepaid will be in the principal amount of $5,000 or an integral multiple thereof, and, in selecting portions of such Series 2015B Certificates for prepayment, the Trustee will treat each such Series 2015B Certificate as representing that number of Series 2015B Certificates in $5,000 denominations which is obtained by dividing the principal amount of such Series 2015B Certificate to be prepaid in part by $5,000.

**DTC Procedures.** Investors should note that while DTC is the registered owner of the Series 2015B Certificates, partial prepayments of the Series 2015B Certificates will be determined in accordance with DTC's procedures. The School Board intends that prepayment allocations made by DTC, the DTC Participants or such other intermediaries that may exist between the School Board and the Beneficial Owners of the Series 2015B Certificates be made in accordance with the method of selection of Series 2015B Certificates for a partial prepayment described above. However, the selection of the Series 2015B Certificates for prepayment in DTC's book-entry only system is subject to DTC's practices and procedures as in effect at the time of any such partial prepayment. The School Board can provide no assurance that DTC or the DTC Participants or any other intermediaries will allocate prepayments among Beneficial Owners in accordance with the method of selection of Series 2015B Certificates for a partial prepayment described above.

**Notice of Prepayment.** So long as the Series 2015B Certificates are issued in book-entry-only form, notice of prepayment will be mailed, postage prepaid, not less than 30 days before the
Prepayment Date (not less than five days nor more than ten days before the Prepayment Date in the case of prepayment for termination of the Lease Term in certain events of non-appropriation or default under any Lease, unless a different notice period is required by DTC) to Cede & Co., as nominee for DTC, and the Trustee will not mail any prepayment notice directly to the Beneficial Owners of the Series 2015B Certificates. See "THE SERIES 2015B CERTIFICATES – Book-Entry Only System" herein.

**Effect of Prepayment.** If, on the Prepayment Date, moneys for the payment of the Prepayment Price of the Series 2015B Certificates or portions thereof to be prepaid are held by the Trustee and available therefor on the Prepayment Date and if notice of prepayment has been given as required, then from and after the Prepayment Date, the interest represented by the Series 2015B Certificates or the portion thereof called for prepayment will cease to accrue. If such moneys are not available on the Prepayment Date, the principal represented by such Series 2015B Certificates or portions thereof will continue to bear interest until paid at the same rate as would have accrued had it not been called for prepayment.

**BOOK-ENTRY ONLY SYSTEM**

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY ONLY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE CORPORATION AND THE SCHOOL BOARD BELIEVE TO BE RELIABLE, BUT NEITHER THE CORPORATION NOR THE SCHOOL BOARD TAKE ANY RESPONSIBILITY FOR THE ACCURACY THEREOF.

The Depository Trust Company ("DTC") will act as securities depository for the Series 2015B Certificates. The Series 2015B Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Series 2015B Certificates, each in the aggregate principal amount of such maturity 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 (the "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 (the "Indirect Participants"). DTC has a Standard and Poor's rating of "AA+." The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Series 2015B Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for such Series 2015B Certificates on DTC's records. The ownership interest of each actual purchaser of each Series 2015B Certificate ("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 Series 2015B Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2015B Certificates, except in the event that use of the book-entry system for the Series 2015B Certificates is discontinued.

To facilitate subsequent transfers, all Series 2015B Certificates 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 Series 2015B Certificates 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 Series 2015B Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2015B Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping an 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 Series 2015B Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2015B Certificates, such as prepayments, defaults, and proposed amendments to the Series 2015B documents. For example, Beneficial Owners of Series 2015B Certificates may wish to ascertain that the nominee holding the Series 2015B Certificates 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 Trustee and request that copies of notices be provided directly to them.

Prepayment notices shall be sent to DTC. If less than all of the Series 2015B Certificates are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such Certificates to be prepaid.
Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2015B Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the School Board 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 Series 2015B Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Prepayment proceeds and other payments on the Series 2015B Certificates 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 School Board or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the School Board, subject to any statutory and regulatory requirements as may be in effect from time to time. Payment of prepayment proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the School Board and/or the Trustee for the Series 2015B Certificates. 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 the Direct and Indirect Participants.

None of the Corporation, the School Board or the Trustee can give any assurances that DTC, Direct Participants, Indirect Participants or others will distribute payments of principal of, premium, if any, and interest on the Series 2015B Certificates paid to DTC or its nominee, or any prepayment or other notices, to the Beneficial Owners, or that they will do so on a timely basis or that DTC will serve or act in a manner described in this Offering Statement.

For every transfer and exchange of beneficial interests in the Series 2015B Certificates, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other government charge that may be imposed in relation thereto.

DTC may discontinue providing its services as securities depository with respect to the Series 2015B Certificates at any time by giving reasonable notice to the School Board. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2015B Certificates are required to be printed and delivered.

The School Board may decide to discontinue use of the book-entry transfers through DTC (or a successor securities depository). In that event, Series 2015B Certificates will be printed and delivered to DTC.
SECURITY FOR THE SERIES 2015B CERTIFICATES

General

The Series 2015B Certificates evidence undivided proportionate interests in the principal portion and interest portion of Basic Lease Payments made by the School Board under the Series 2006A-1 Lease, equally and ratably with the Unrefunded Series 2006A Certificates. The Series 2015B Certificates are secured by and payable from the Trust Estate established for the Series 2015B Certificates (the "Trust Estate") pursuant to the Trust Agreement. The Trust Estate consists of all estate, right, title and interest of the Trustee in and to the portion of Basic Lease Payments under the Series 2006A-1 Lease allocable to the Series 2015B Certificates and all amounts held in the funds and accounts under the Trust Agreement in accordance with the provisions of the Series 2006A-1 Lease and the Trust Agreement, including investment earnings thereon, and any and all monies allocable to the Series 2015B Certificates received by the Trustee pursuant to the Series 2006A-1 Lease and the Trust Agreement which are not required to be remitted to the School Board or the Corporation pursuant to the Series 2006A-1 Lease or the Trust Agreement.

Neither the Corporation nor the School Board will mortgage or grant a security interest in the Series 2006A-1 Facilities to the Trustee. Upon termination of the Series 2006A-1 Lease upon the occurrence of an event of non-appropriation or in the case of certain events of default, however, the Series 2006A-1 Lease provides that the School Board must surrender possession of the Series 2006A-1 Facilities to the Trustee as assignee of the Corporation for disposition by sale or re-letting of its interest in such Series 2006A-1 Facilities as provided in the Trust Agreement. Any proceeds of any such disposition of the Series 2006A-1 Facilities will be applied to the payment of the Series 2015B Certificates, equally and ratably with the Unrefunded Series 2006A Certificates, after payment of the expenses of the Trustee, in accordance with the terms of the Series 2006A-1 Lease. The School Board may not be dispossessed of any personal property

financed or refinanced, in whole or in part, with proceeds of Certificates. See "THE SERIES 2006A-1 FACILITIES" herein for a description of the Series 2006A-1 Facilities against which the Trustee may exercise rights on behalf of the Owners of the Series 2015B Certificates. See also "THE SERIES 2006A-1 LEASE - Effect of Termination for Non-Appropriation or Default."

Lease Payments

All Lease Payments and all other amounts required to be paid by the School Board under the Series 2006A-1 Lease and the Current Leases and all other Leases will be made from funds authorized by law and regulations of the State of Florida Department of Education to be used for such purpose and budgeted and appropriated for such purpose by the School Board. Revenues available to the District for operational purposes and capital projects such as the Series 2006A-1 Facilities are described under "REVENUE, FINANCIAL RESULTS AND LIABILITIES OF THE DISTRICT." Such revenues are also used to pay other outstanding obligations of the District.

The Series 2006A Trust Agreement provides for the establishment and maintenance of a Series 2006A-1 Lease Payment Account for deposit of Basic Lease Payments appropriated and paid under the Series 2006A-1 Lease. Separate Lease Payment Accounts are established for
each new group of Facilities to be financed by a Series of Certificates issued under the Trust Agreement. Lease Payments due under the schedules to the Master Lease are subject to annual appropriation by the School Board on an all-or-none basis and are payable solely from legally available funds appropriated by the School Board for such purposes; provided that Lease Payments with respect to a particular schedule and Series of Certificates may be additionally and separately secured by a Credit Facility. Such additional Facilities may be financed through the sale of additional Series of Certificates under the Trust Agreement. THE SCHOOL BOARD MAY NOT BUDGET AND APPROPRIATE LEASE PAYMENTS DUE FOR A PORTION OF THE FACILITIES LEASED UNDER THE MASTER LEASE; IT MUST BUDGET AND APPROPRIATE LEASE PAYMENTS FOR ALL PROJECTS OR NONE OF THEM. THERE CAN BE NO ASSURANCE THAT SUFFICIENT FUNDS WILL BE APPROPRIATED OR OTHERWISE BE MADE AVAILABLE TO MAKE ALL OF THE LEASE PAYMENTS DUE UNDER THE MASTER LEASE.

Limited Obligation of the School Board


Additional Leases

As noted above, the School Board has entered into the Current Leases and may enter into other Leases under the Master Lease in addition to the Series 2006A-1 Lease and the Current Leases. See "THE MASTER LEASE PROGRAM." Failure to appropriate funds to make Lease Payments under any Lease will, and certain events of default under a Lease may, result in the termination of the Lease Term of all Leases, including the Series 2006A-1 Lease. Upon any such termination of the Lease Term of all Leases, the School Board must surrender all Facilities (except for certain designated Facilities), including the Series 2006A-1 Facilities to the Trustee for sale or re-letting of the Trustee's interest. The proceeds of any such disposition of the Series 2006A-1 Facilities will be applied to the payment of the Series 2015B Certificates, equally and
ratably with the Unrefunded Series 2006A Certificates, after payment of the expenses of the Trustee, in accordance with the terms of the Series 2006A-1 Lease. **The School Board may not be dispossessed of any personal property financed, in whole or in part, with proceeds of Certificates.** Except as herein provided, in no event will owners of the Series 2015B Certificates have any interest in or right to the proceeds of the disposition of Facilities financed or refinanced with the proceeds of another Series of Certificates. There can be no assurance that the remedies available to the Trustee upon any such termination of the Lease Term of all Leases and the disposition of the Series 2006A-1 Facilities against which the Trustee has rights will produce sufficient amounts to pay the outstanding Series 2015B Certificates.

For a discussion of remedies available to the Trustee upon the occurrence of an event of the non-appropriation of funds to pay Lease Payments or upon the occurrence of an event of default, see "THE SERIES 2006A-1 LEASE - Termination of Lease Term" and ".- Effect of Termination for Non-Appropriation or Default" and "APPENDIX D - CERTAIN LEGAL DOCUMENTS - The Master Lease."

**Additional Certificates; Outstanding Certificates**

With respect to any Additional Lease, one or more series of Additional Certificates may be authorized by the Corporation at the request of the School Board and executed and delivered by the Trustee for the purpose of: (a) financing the cost of acquisition, construction, installation and equipping of any Facilities; (b) financing the cost of completing the acquisition, construction, installation and equipping of any Facilities; (c) financing the cost of increasing, improving, modifying, expanding or replacing any Facilities; (d) paying or providing for the payment of the principal portion and interest portion of the Basic Lease Payments with respect to, or the Purchase Option Price (as described under "SECURITY FOR THE SERIES 2015B CERTIFICATES - Optional Prepayment Price" below) of, all or a portion of the Facilities financed from the proceeds of any series of Certificates previously executed and delivered; (e) funding a Reserve Account in an amount equal to the applicable Reserve Account Requirement, if any; (f) capitalizing the interest portion of Basic Lease Payments during construction; or (g) paying the applicable Costs of Issuance. The aggregate principal amount of Additional Certificates which may be executed and delivered under the provisions of the Master Trust Agreement is not limited, except as may be provided with respect to a particular series of Additional Certificates in any Supplemental Trust Agreement creating such series.

Unless otherwise set forth in a Supplemental Trust Agreement authorizing the issuance of more than one series of Certificates, each Certificate within a Series of Certificates executed and delivered pursuant to the Trust Agreement shall rank *pari passu* and be equally and ratably secured under the Trust Agreement with each other Certificate of such series, but not with any Certificates of any other series, without preference, priority, or distinction of any such Certificate over any other such Certificate, except that to the extent that Basic Lease Payments available for payment to all Certificate holders are less than all amounts owed with respect to all Series of Certificates on any Payment Date, such amounts available shall be applied on a pro rata basis to Certificate holders of all Series in accordance with the ratio that the principal balance of each Series of Certificates outstanding bears to the total amount of Certificates Outstanding under the Trust Agreement.
Optional Prepayment Price

The School Board has the right to prepay all or a portion of the Basic Lease Payments represented by the Series 2015B Certificates and in connection therewith remove all or a portion of the Series 2006A-1 Facilities from the Series 2006A-1 Lease and from the lien of the Series 2006A Ground Lease by paying the Purchase Option Price for the specific Series 2006A-1 Facilities being purchased or, to the extent permitted by law, by substituting other Facilities for the Series 2006A-1 Facilities to be released. In such event, Series 2015B Certificates representing an interest in the prepaid Basic Lease Payments would be prepaid on the next available date for prepaying the Series 2015B Certificates. No such partial prepayment of the Series 2015B Certificates which is accomplished by the deposit in escrow of the prepayment price and the removal of Facilities from the Series 2006A-1 Lease and from the lien of the Series 2006A Ground Lease may be made without the prior consent of the Credit Facility Issuer, if any. The Purchase Option Price, as of each Lease Payment Date, is: (i) the Basic Lease Payment then due plus the amount designated in the Series 2006A-1 Lease; (ii) minus any credits pursuant to the provisions of the Series 2006A-1 Lease; (iii) plus an amount equal to the interest to accrue with respect to the Series 2015B Certificates and any other Certificates representing an interest in the Series 2006A-1 Lease to be prepaid from such Lease Payment Date to the next available date for paying the Series 2015B Certificates; (iv) plus an amount equal to any other amounts then due and owing under the Series 2006A-1 Lease.

Non-Appropriation Risk

THE SCHOOL BOARD IS NOT LEGALLY REQUIRED TO APPROPRIATE MONEYS FOR THE PURPOSE OF MAKING LEASE PAYMENTS. UNDER THE MASTER LEASE THE SCHOOL BOARD MAY NOT BUDGET AND APPROPRIATE AVAILABLE REVENUES TO MAKE LEASE PAYMENTS SELECTIVELY ON A LEASE BY LEASE BASIS, BUT MUST APPROPRIATE SUCH REVENUES FOR ALL LEASES OR NONE OF THEM. FOR A DISCUSSION OF REMEDIES AVAILABLE TO THE TRUSTEE IN THE EVENT OF THE NON-APPROPRIATION OF FUNDS TO PAY LEASE PAYMENTS, SEE "THE SERIES 2006A-1 LEASE - TERMINATION OF LEASE TERM" AND "- EFFECT OF TERMINATION FOR NON-APPROPRIATION OR DEFAULT." THERE CAN BE NO ASSURANCE THAT THE REMEDIES AVAILABLE TO THE TRUSTEE IN THE EVENT OF NON-APPROPRIATION WILL PRODUCE SUFFICIENT AMOUNTS TO FULLY PAY THE OUTSTANDING CERTIFICATES FOR PAYING SUCH CLAIMS.

No Reserve Account for Series 2015B Certificates

There is no Reserve Account for the Series 2015B Certificates. However, pursuant to a Supplemental Trust Agreement authorizing the issuance of any Series of Certificates, there may be established and maintained a separate Reserve Account to secure the payment of the principal and/or interest portion of the Basic Lease Payments related to such Series of Certificates. Each such Reserve Account shall secure only the Series of Certificates for which it has been established. See "APPENDIX D - CERTAIN LEGAL DOCUMENTS - The Master Trust Agreement."
Interest Rate Exchange Agreements

2002B Interest Rate Exchange Agreement/2014A Interest Rate Exchange Agreement. In connection with the Series 2002B Certificates, the School Board entered into an International Swaps and Derivatives Association, Inc. ("ISDA") Master Agreement with Citigroup Financial Products Inc. ("CFPI"), formerly Salomon Brothers Holding Company Inc. (together with all schedules and confirmations thereto, the "2002B Interest Rate Exchange Agreement"). In general, the 2002B Interest Rate Exchange Agreement provides, subject to the terms and conditions thereof, for payment by the School Board to CFPI of a fixed rate of interest of 4.22% and for payment by CFPI to the School Board of interest at a variable rate based on the Securities Industry and Financial Markets Association (formerly BMA) Municipal Swap Index (the "SIFMA Index"), or subsequent to an Alternate Floating Rate Date (as defined in the 2002B Interest Rate Exchange Agreement), at a variable rate based on 67% of "USD LIBOR-BBA," in each case based on an initial notional amount of $115,350,000 which declines simultaneously with the scheduled amortization of the related Series 2002B Certificates. The scheduled payments of the School Board when due pursuant to the 2002B Interest Rate Exchange Agreement were guaranteed by a financial guaranty insurance policy (the "2002B Swap Policy") issued by Financial Security Assurance Inc., now known as Assured Guaranty Municipal Corp. ("AGM"). On January 31, 2014, the Series 2002B Certificates were refunded with a portion of the proceeds of the Series 2014A Certificates and the 2002B Interest Rate Exchange Agreement was amended and now relates to the Series 2014A Certificates (the "2014A Interest Rate Exchange Agreement"). The scheduled termination date of the 2014A Interest Rate Exchange Agreement is August 1, 2027. Pursuant to a Swap Management Agreement between the School Board and AGM, AGM agreed to continue to insure the School Board's scheduled payments under the 2014A Interest Rate Exchange Agreement pursuant to the existing Swap Policy (the "2014A Swap Policy"). In consideration therefor, the School Board has agreed to, among other things, terminate the 2014A Swap Policy within six months of the date the termination amount under the 2014A Interest Rate Exchange Agreement would result in a payment to the School Board of $200,000 or more. Upon such termination, the School Board has agreed to replace the 2014A Swap Policy with another insurance policy or deliver collateral acceptable to CFPI. The 2002B Swap Policy does not guarantee termination payments under the 2014A Interest Rate Exchange Agreement unless the termination is at the direction of AGM. For additional information on the 2014A Interest Rate Exchange Agreement, see notes 10 and 11 (with respect to the 2002B Interest Rate Exchange Agreement) to the District's audited financial statements for the Fiscal Year ended June 30, 2013, attached hereto as Appendix B and Notes 10 and 11 to the Superintendent's Annual Financial Report (Unaudited) for the Fiscal Year ended June 30, 2014, attached hereto as Appendix C.

2002D Interest Rate Exchange Agreement (2005). In connection with the Series 2002D Certificates, the School Board entered into an ISDA Master Agreement with Citibank, N.A. ("Citibank") dated January 10, 2003 (together with all schedules thereto and the confirmation dated August 10, 2005, the "2002D Interest Rate Exchange Agreement (2005)""). Pursuant to the 2002D Interest Rate Exchange Agreement (2005), in exchange for an upfront payment from Citibank to the School Board, the School Board granted Citibank the option to put the District into a synthetic fixed payer swap, which option was exercised by Citibank for a swap which commenced on August 1, 2012. Accordingly, the District issued the Certificates of Participation, Series 2012B (the "Series 2012B Certificates") on June 29, 2012 in an aggregate principal
amount equal to the notional amount of the swap in order to refund a portion of the Series 2002D Certificates. The 2002D Interest Rate Exchange Agreement (2005) provides, subject to the terms and conditions thereof, for payment by the School Board to Citibank of a fixed rate of interest of 4.71% and for payment by Citibank to the School Board of interest at a variable rate based on the SIFMA Index, in each case based on a declining notional amount of $116,555,000. The scheduled termination date of the 2002D Interest Rate Exchange Agreement (2005) is August 1, 2028. The scheduled payments of the School Board when due pursuant to the 2002D Interest Rate Exchange Agreement (2005) are guaranteed by a financial guaranty insurance policy (the "2005 Swap Policy") issued by AGM. The 2005 Swap Policy does not guarantee termination payments under the 2002D Interest Rate Exchange Agreement (2005) unless the termination is at the direction of AGM. For additional information on the 2002D Interest Rate Exchange Agreement (2005), see notes 10 and 11 to the District's audited financial statements for the Fiscal Year ended June 30, 2013, attached hereto as Appendix B and Notes 10 and 11 to the Superintendent's Annual Financial Report (Unaudited) for the Fiscal Year ended June 30, 2014, attached hereto as Appendix C.

2003B Interest Rate Exchange Agreement. In connection with the Series 2003B Certificates, the School Board entered into an ISDA Master Agreement with UBS AG (together with all schedules and confirmations thereto, the "2003B Interest Rate Exchange Agreement"). In general, the 2003B Interest Rate Exchange Agreement provides, subject to the terms and conditions thereof, for payment by the School Board to UBS of a fixed rate of interest of 3.91% and for payment by UBS to the School Board of interest at a variable rate based on the SIFMA Index, in each case based on an initial notional amount of $124,295,000 which declines simultaneously with the scheduled amortization of the Series 2003B Certificates. UBS will have the option to cancel the 2003B Interest Rate Exchange Agreement on or prior to August 1, 2018 if the 180 day average of the SIFMA Index exceeds 7.0%. The scheduled termination date of the 2003B Interest Rate Exchange Agreement is August 1, 2029. The 2003B Interest Rate Exchange Agreement has a Swap Policy issued by Ambac Assurance Corporation ("Ambac"). Pursuant to actions taken by the Commissioner of Insurance for the State of Wisconsin, such Swap Policy has been deposited to a 'segregated account.' Pursuant to a Plan of Rehabilitation in connection with any Swap Policy in the segregated account, 25% of the permitted claim will be paid in cash and 75% in surplus notes bearing interest at the rate of 5.1% per year with a scheduled maturity on June 7, 2020. For additional information on the 2003B Interest Rate Exchange Agreement, see notes 10 and 11 to the District's audited financial statements for the Fiscal Year ended June 30, 2013, attached hereto as Appendix B and Notes 10 and 11 to the Superintendent's Annual Financial Report (Unaudited) for the Fiscal Year ended June 30, 2014, attached hereto as Appendix C.

2001B Interest Rate Exchange Agreement. In connection with the Series 2001B Certificates, the School Board entered into an ISDA Master Agreement with Citibank (together with all schedules, confirmations and amendments thereto, the "2001B Interest Rate Exchange Agreement"). In exchange for an upfront payment from Citibank to the School Board, the School Board granted Citibank the option to put the District into a synthetic fixed payer swap, which option was exercised by Citibank effective on August 1, 2011. Accordingly, the District issued the Series 2011B Certificates to refund a portion of the Series 2001B Certificates. The scheduled termination date of the 2001B Interest Rate Exchange Agreement was August 1, 2025. In connection with the issuance of the Series 2014B Certificates, the School Board terminated
the Series 2001B Interest Rate Exchange Agreement. Such termination resulted in the payment
by the School Board of a $28,422,466.28 termination payment to Citibank which the School
Board financed with a portion of the proceeds of the Series 2014B Certificates. For additional
information on the 2001B Interest Rate Exchange Agreement, see notes 10 and 11 to the
District's audited financial statements for the Fiscal Year ended June 30, 2013, attached hereto as
Appendix B and Notes 10 and 11 to the Superintendent's Annual Financial Report (Unaudited)
for the Fiscal Year ended June 30, 2014, attached hereto as Appendix C.

Payments made by the School Board under the above described agreements constitute
Additional Lease Payments under the Master Lease and are secured by the Leases to which the
respective interest rate exchange agreement relates. Each agreement described above is subject
to termination prior to the scheduled termination date thereof under certain circumstances. If a
termination event were to occur under one or more of such agreements the School Board may be
confronted with the need to appropriate a significant termination payment or payments within a
single Fiscal Year. Such an obligation could have a material adverse effect on the School
Board's ability to make lease payments, including payments required under the Series 2006A-1
Lease.

THE MASTER LEASE FACILITIES

The Series 2006A-1 Facilities are being financed and refinanced under the School Board's existing Master Lease as part of the School Board's master lease purchase program (the "Master Lease Program") with the Corporation. The Facilities financed or refinanced by the School Board under the Master Lease Program are subject to annual appropriation on an all or none basis. Currently, approximately 46% of all gross square feet of educational facilities space in the District is subject to the Master Lease. For a complete description of the Facilities under the Master Lease Program see "THE SERIES 2006A-1 FACILITIES" and "THE PRIOR FACILITIES" herein.

Pursuant to the Master Lease, the School Board does not have the ability to appropriate funds to make Lease Payments on one Facility or some combination of Facilities only. The School Board's annual appropriation for Basic Lease Payments must be for all Facilities under the Master Lease Program. In the event the School Board does not appropriate funds in its annual budget for all of such financed Facilities, the School Board would, at the Trustee's option, be required to surrender such Facilities (other than certain designated Facilities), but including the Series 2006A-1 Facilities, to the Trustee for the benefit of the Owners of the Certificates which financed or refinanced such Facilities.

THE SERIES 2006A-1 FACILITIES

The Series 2006A-1 Project consists of the lease purchase financing and refinancing of the acquisition and construction of the Series 2006A-1 Facilities, the lease of the Series 2006A-1 Facility Sites by the School Board to the Corporation pursuant to the Series 2006A Ground Lease and the sublease of the Series 2006A-1 Facility Sites back to the School Board. All of the Series 2006A-1 Facilities are located within the District. The School Board holds title to all of

**Barton Elementary School Modernization.** This school, located in the City of Lake Worth, has approximately 119,204 gross square feet and a student capacity of 964. The school has two pre-kindergarten classrooms, four kindergarten classrooms, 12 primary classrooms, 16 intermediate classrooms, 3 skills development/computer labs, 5 resource rooms, 23 ESE classrooms, covered play area, library media center, administration/student services, food service/multipurpose, teacher planning, stage, restrooms and custodial space. This school opened in 2007.

**DD Eisenhower Elementary School.** This school, located in northern Palm Beach County, has approximately 118,529 gross square feet and a student capacity of 600 with a core capacity of 960. The school has 8 kindergarten classrooms, 16 primary classrooms, 6 intermediate classrooms, 2 skills development/computer labs, 4 resource rooms, 14 ESE pre-kindergarten classrooms, 3 ESE classrooms, art, music, covered play area, library media center, administration/student services, audiology lab, food service/multipurpose, teacher planning, stage, restrooms and custodial space. This school opened in 2007.

**Palm Beach Gardens Area Elementary School (03-x).** This school, located in the City of Palm Beach Gardens, has approximately 121,243 gross square feet and a student capacity of 960. The school has 8 kindergarten classrooms, 22 primary classrooms, 16 intermediate classrooms, 3 skills development/computer labs, 6 resource rooms, 6 ESE classrooms, art, music, covered play area, library media center, administration/student services, food service/multipurpose, teacher planning, stage, restrooms and custodial space. This school opened in 2008.

**Rolling Green Elementary School Modernization.** This school, located in the City of Boynton Beach, has approximately 101,244 gross square feet and a student capacity of 964. The school has one pre-kindergarten classroom, 4 kindergarten classrooms, 9 primary classrooms, 16 intermediate classrooms, 3 skills development/computer labs, 4 resource rooms, 14 ESE classrooms, covered play area, library media center, administration/student services, food service/multipurpose, teacher planning, stage, restrooms and custodial space. This school opened in 2007.

**Palm Beach Gardens High School Modernization.** This school, located in the City of Palm Beach Gardens, has approximately 385,555 gross square feet and a student capacity of 2,545. The school has driver's education, 30 ESE classrooms, 5 foreign language classrooms, 24 general classrooms, 9 language arts classrooms, 8 math classrooms, 12 science rooms, 8 social studies classrooms, 2 resource rooms, 4 skills development/computer labs, career education (business, family/consumer science, health occupations, information technology, media/film/tv production, radio production, technology and tourism/hospitality/resort management), ROTC, art, music, physical education, library media center, administration/student services, food service, teacher planning, auditorium, stage, restrooms and custodial space. This school opened in 2009.
Substitution of Series 2006A-1 Facilities

To the extent permitted by law, on or after the Completion Date, the School Board may substitute for any portion of the Series 2006A-1 Facilities other facilities owned by the School Board, provided such substituted facilities: (a) have the same or greater remaining useful life; (b) have a fair market value equal to or greater than the portion of the Series 2006A-1 Facilities for which they are substituted (based on an MAI appraisal performed by an appraiser jointly selected by the School Board and the Trustee); (c) are of substantially equal usefulness as the Series 2006A-1 Facilities to be replaced and provide essential governmental services; and (d) are free and clear of all liens and encumbrances, except Permitted Encumbrances and (e) are approved by the State Department of Education. In order to effect such substitution, Series 2006A-1 Facilities and the applicable Series 2006A-1 Facility Site will be released from the encumbrance of the Series 2006A-1 Lease and the Series 2006A Ground Lease and the Facilities to be substituted shall be incorporated into the Series 2006A-1 Lease and Series 2006A Ground Lease. Schedule 2006A-1 will be appropriately amended and the Series 2006A Ground Lease will be amended or canceled and replaced, to reflect such substitution.

There shall also be delivered at the time of substitution an Opinion of Counsel as described in the Master Lease with respect to the substitute Facility Site.

THE PRIOR FACILITIES

The following provides a summarized description of the Facilities being lease-purchased under the Current Leases and subject to the Master Lease. Under certain conditions set forth in the Master Lease, the School Board may substitute Facilities, modify the plans and specifications therefor or eliminate Facilities.

Series 1994A Facilities
Orchard View Elementary School (91-I)
Pioneer Park Elementary School (91-D)
Roosevelt Middle School (91-KK)
Woodlands Middle School (91-LL)

Series 1995A Facilities
Belle Glade Elementary School (91-T)
Dreyfoos School of the Arts, Building #6
Dreyfoos School of the Arts, Building #8
Golden Grove Elementary School (91-O)
Lake Worth High School, New Classroom Bldg #28
Morikami Elementary School (91-S)
Okeecheelee Middle School (91-EE)
Poinciana Elementary replacement
Royal Palm High School (91-HHH)
Starlight Cove Elementary School (91-C)
Water's Edge Elementary School (91-V)
Series 1996A Facilities
Eagles Landing Middle School (91-MM)
Western Pines Middle School (91-JJ)

Series 2000A Facilities
Beacon Cove Elementary School (96-A)
Independence Middle School (98-FF)
Jupiter High School modernization
Lake Park Elementary School modernization
Pahokee Elementary School, classroom building
Palmetto Elementary School modernization
Village Academy (98-P)
Palm Beach Central High School (96-JJJ)

Series 2001A-1 Facilities
Boca Raton Elementary School modernization
Freedom Shores Elementary School (97-M)
Crosspointe Elementary School (98-I)
Discovery Key Elementary School (96-L)
Forest Hill Elementary modernization
Frontier Elementary School (96-B)
Lake Worth High School, classroom addition
Benoist Farms Elementary School (96-D)
Pleasant City Elementary School (98-N)
Sunrise Park Elementary School (96-H)
Royal Palm Beach Elementary School (96-J)

Series 2001A-2 Facilities*
Portable replacement program

Series 2002A-1 Facilities
Central Bus Compound
Dreyfoos School of Arts, new cafeteria and gymnasium remodeling
Park Vista Community High School (91-EEE)

Series 2002A-2 Facilities*
Site Acquisition
Portable replacement program
Furnishings/equipment for six schools

Series 2002B Facilities
Belvedere Elementary School modernization
Greenacres Elementary School modernization
Jupiter Elementary School modernization
Lantana Middle School modernization
Site acquisition
South Olive Elementary School modernization
Jaega Middle School (98-EE)
Series 2002C Facilities
Equestrian Trails Elementary School (02-S)
Diamond View Elementary School (01-R)
Panther Run Addition and HVAC replacement
West Boca Raton Community High School (01-LLL)
Forest Hill High School modernization
U.B. Kensey/Palmview Elementary School modernization
Village Academy addition

Series 2002D-1 Facilities
Osceola Creek Middle School (99-HH)
Don Eastridge High Tech Middle School (98-GG)
H.L. Watkins Middle School modernization
Lantana Elementary School modernization
Palm Beach Public Elementary School modernization
Palm Springs Elementary School modernization
Roosevelt Elementary School modernization
Tradewinds Middle School (98-II)

Series 2002D-2 Facilities*
Site Acquisition
Portable replacement program

Series 2002-QZAB Facilities*
Furniture and equipment for designated Qualified Zone Academies

Series 2003A Facilities
William T. Dwyer addition
Seminole Ride High School (02-NNN)

Series 2003B Facilities
Furniture and equipment for designated Qualified Zone Academies
Atlantic High School replacement
Bak Middle School of the Arts modernization
L.C. Swain Middle School (03-KK)
Portable/Modular Replacement Program

Series 2004A-1 Facilities
Coral Sunset Elementary School addition
Hammock Pointe Elementary School addition
JC Mitchell Elementary School modernization.
Meadow Park Elementary School modernization.
SD Spady Elementary School modernization.
Series 2004A-2 Facilities*
- Coral Sunset Elementary School HVAC replacement
- Hammock Pointe Elementary School HVAC replacement
- Relocatable Classrooms
- Site Acquisition

Series 2004-QZAB Facilities*
- Equipment for designated Qualified Zone Academies

Series 2005-QZAB Facilities*
- Technology upgrades for designated Qualified Zone Academies

Series 2007A-1 Facilities
- C.O. Taylor Elementary School modernization
- Suncoast High School modernization
- Royal Palm School modernization
- Westward Elementary School modernization
- Site Acquisition

Series 2007A-2 Facilities*
- Site Acquisition
- Rosenwald Elementary School
- Gladeview Elementary School
- Roosevelt Middle School Classroom addition
- FF&E for various educational facilities including the Series 2007B Facilities

Series 2007B Facilities
- Carver Middle School addition
- Hagen Road Elementary School modernization
- Lake Worth Middle School addition
- Palm Beach Gardens Elementary School modernization
- Wellington High School Auditorium
- Sunset Palms Elementary School

Series 2007E-1 Facilities
- Hope-Centennial Elementary (06-D)
- Banyan Creek Elementary addition
- Wellington Elementary additions
- Whispering Pines Elementary additions
- Allamanda Elementary modernization

Series 2007E-2 Facilities*
- Relocatable and Modular Classrooms
- New sports stadium for Pahokee School
- Benoist Farms Elementary School Pre-K addition
- Site Acquisition
**Series 2010A Facilities**
Galaxy Elementary modernization
Gove Elementary modernization

*Constitutes designated Facilities that are not subject to remedial action in the event of a default or non-appropriation.*

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ESTIMATED SOURCES AND USES OF FUNDS

It is estimated that proceeds received from the sale and delivery of the Series 2015B Certificates, together with other legally available funds, are expected to be used as follows:

Estimated Sources:

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<th>Description</th>
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<td>Par Amount of Series 2015B Certificates</td>
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<td>Plus: Bond Premium</td>
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<td>Other Legally Available Funds&lt;sup&gt;(1)&lt;/sup&gt;</td>
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<td><strong>Total Sources of Funds</strong></td>
<td><strong>$175,891,828.40</strong></td>
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Estimated Uses:

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<td>Underwriters' Discount</td>
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<td><strong>Total Uses of Funds</strong></td>
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<sup>(1)</sup> Represents funds on deposit in certain accounts for the benefit of the Refunded Certificates.

<sup>(2)</sup> To be applied to refund the Refunded Certificates. See "PLAN OF REFUNDING" herein.

<sup>(3)</sup> Includes counsel fees, financial advisor fees and other costs of issuance.
CERTIFICATE PAYMENT SCHEDULE I FOR OUTSTANDING CERTIFICATES


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<tr>
<td>Total</td>
<td>$15,618,056.26</td>
<td>$3,861,600.00</td>
<td>$201,053,328.91</td>
<td>$3,669,750.00</td>
<td>$146,437,250.00</td>
<td>$18,574,541.80</td>
<td>$1,771,823.94</td>
<td>$240,755,162.50</td>
<td>$263,294,200.00</td>
<td>$5,250,000.00</td>
</tr>
</tbody>
</table>

(1) In March 2008, the School Board elected to convert the Series 2003B Certificates, which were originally issued as variable rate demand obligations, into a private placement floating rate note with Dexia. Commencing May 1, 2008, the interest rates were set monthly as one month LIBOR plus a spread of 30 bps. Commencing August 1, 2008 the Series 2003B Certificates interest rate are set based on SIFMA plus a spread of 65 bps. See "SECURITY FOR THE SERIES 2015B CERTIFICATES – Interest Rate Exchange Agreements – 2003B Interest Rate Exchange Agreement" herein.

(2) A portion of the Series 2005A Certificates are expected to be refunded with proceeds of the Series 2015A Certificates. See "EXPECTED ISSUANCE OF OTHER CERTIFICATES" herein.

(3) Assumes the refunding of the Refunded Certificates with proceeds of the Series 2015B Certificates. However, the Certificate Year 2015 debt service amount includes the accrued but unpaid interest on the Refunded Certificates. A portion of such interest will be paid from Other Legally Available Funds of the District deposited to the Escrow Account. See "PURPOSE OF THE SERIES 2015B CERTIFICATES", "PLAN OF REFUNDING" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

(4) Includes the Series 2002 QZAB Certificates, the Series 2004 QZAB Certificates and the Series 2005 QZAB Certificates. Pursuant to Section 1397E of the Code, the holders of such QZAB Certificates receive a tax credit equal to the applicable tax credit rate on the date such QZAB Certificates were issued multiplied by the face amount of the QZAB Certificates held by the holder thereof on the applicable credit allowance date.
CERTIFICATE PAYMENT SCHEDULE II FOR OUTSTANDING CERTIFICATES
2012C, 2014A, 2014B and 2014C Certificates are as follows:
Certificate
Year
Ending
Series 2007E
Series 2010A
August 1
Certificates
Certificates(1)
2015
$11,063,350.00
$142,096.50
2016
11,063,180.00
142,096.50
2017
11,062,580.00
142,096.50
2018
11,066,805.00
142,096.50
2019
11,066,775.00
6,549,525.07
2020
11,062,645.00
9,532,530.75
2021
11,066,470.00
9,116,157.88
2022
11,063,220.00
8,699,785.02
2023
11,064,720.00
8,283,412.15
2024
11,064,970.00
7,867,039.28
2025
11,063,220.00
7,222,727.34
2026
11,063,720.00
2027
11,065,470.00
2028
11,062,470.00
2029
11,063,970.00
2030
11,063,720.00
2031
11,065,720.00
11,063,720.00
2032
$199,156,725.00 $57,839,563.49
Total
_____________________
(1)

(2)

(3)

Series 2011A
Certificates
$5,456,418.76
5,456,418.76
5,456,418.76
5,456,418.76
11,086,418.76
11,085,568.76
11,237,018.76
11,357,068.76
11,074,568.76
11,082,112.50
9,680,575.00
3,395,250.00
3,395,250.00
3,395,250.00
3,395,250.00
30,430,250.00
11,428,500.00
33,059,250.00
$186,928,006.34

Series 2011B
Certificates
$861,055.04

Series 2011C
Certificates
$483,796.00
4,692,358.00
257,579.00
1,378,577.00

Series 2011D
Certificates
$978,748.00
4,834,772.00
4,843,760.00
4,839,580.00
4,842,496.00
4,837,244.00
1,708,956.00

Series 2012A
Certificates
$1,004,250.00
1,004,250.00
1,004,250.00
1,004,250.00
1,004,250.00
1,004,250.00
1,004,250.00
2,799,250.00
914,500.00
914,500.00
914,500.00
914,500.00
914,500.00
19,204,500.00

Series 2012B
Certificates(2)
$5,944,126.00
5,959,485.00
10,978,752.00
10,948,654.00
5,344,906.00
5,271,084.00
11,386,084.00
8,697,205.00
11,321,909.00
11,242,095.00
11,011,993.00
11,003,974.00
10,890,480.00
53,911,152.00

Series 2012C
Certificates
$3,236,450.00
6,736,450.00
6,741,450.00
6,739,250.00
6,738,000.00
6,742,400.00
6,738,400.00
6,743,000.00
6,739,750.00
6,740,250.00
6,738,750.00
6,739,750.00
6,737,500.00
6,741,500.00
6,735,750.00

$861,055.04

$6,812,310.00

$26,885,556.00

$33,606,000.00

$173,911,899.00

$97,588,650.00

Series 2014A
Certificates(3)
$5,513,208.00
5,515,736.22
5,390,944.55
8,443,380.00
15,675,874.00
15,584,785.50
15,626,439.32
15,605,194.00
15,584,444.00
15,567,228.37
15,493,923.67
15,504,392.00
15,482,172.00

Series 2014B
Certificates
$8,860,250.00
19,237,050.00
21,823,250.00
21,761,000.00
21,687,250.00
21,531,500.00
21,547,000.00
21,468,750.00
21,379,500.00
21,300,500.00
21,194,250.00

Series 2014C
Certificates
$1,673,244.44
1,664,000.00
1,664,000.00
1,664,000.00
1,664,000.00
1,664,000.00
1,664,000.00
1,664,000.00
1,664,000.00
1,664,000.00
1,664,000.00
1,664,000.00
1,664,000.00
9,554,000.00
9,554,500.00
9,555,250.00
8,825,250.00

$164,987,721.63 $221,790,300.00 $59,130,244.44

Based on a principal amount of $67,665,000 which will be due on the maturity date; includes sinking fund payments and assumes investments earnings thereon at a rate of
4.262% based on a Forward Delivery Agreement entered into by the School Board on March 31, 2011, which together are expected to equal the Principal Component due on
the Series 2010A Certificates at maturity. The School Board will receive a credit against sinking fund payments for interest income on amounts on deposit in the Series 2010A
Sinking Fund Account. Interest on the Series 2010A Certificates is calculated at 0.21% (the stated interest rate on the Series 2010A Certificates of 5.40%, less the Interest
Subsidy of 5.19%).
Payment requirements assume an interest rate of 4.71% (based on the 2002D Interest Rate Exchange Agreement (2005)) and reflect an estimated 0.75% interest rate spread
from privately placed floating rate Series 2012B Certificates. See "SECURITY FOR THE SERIES 2015B CERTIFICATES - Interest Rate Exchange Agreements - 2002D
Interest Rate Exchange Agreement (2005)" herein.
Payment requirements assume an interest rate of 4.68% (based on the 2014A Interest Rate Exchange Agreement) and reflect an estimated 0.46% interest rate spread from
privately placed floating rate Series 2014A Certificates. See "SECURITY FOR THE SERIES 2015B CERTIFICATES - Interest Rate Exchange Agreements - 2002B Interest
Rate Exchange Agreement" herein.

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COMBINED CERTIFICATE PAYMENT SCHEDULE

The estimated combined payment requirements on the Series 2015B Certificates and the Outstanding Certificates are as follows:

<table>
<thead>
<tr>
<th>Certificate Year Ending August 1</th>
<th>Series 2015B Certificates</th>
<th>Outstanding Certificates (1)</th>
<th>Total</th>
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<tbody>
<tr>
<td></td>
<td>Principal Component</td>
<td>Interest Component</td>
<td>Total</td>
</tr>
<tr>
<td></td>
<td>$3,981,999.31</td>
<td>$3,981,999.31</td>
<td>$145,683,858.64</td>
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<tr>
<td>2015</td>
<td>$6,745,000</td>
<td>14,021,750.00</td>
<td>144,439,198.08</td>
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<tr>
<td>2016</td>
<td>7,276,750.00</td>
<td>14,019,500.00</td>
<td>144,348,285.14</td>
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<tr>
<td>2017</td>
<td>7,435,000</td>
<td>14,020,500.00</td>
<td>141,164,418.71</td>
</tr>
<tr>
<td>2018</td>
<td>7,805,000</td>
<td>14,018,750.00</td>
<td>143,831,538.50</td>
</tr>
<tr>
<td>2019</td>
<td>8,200,000</td>
<td>14,023,500.00</td>
<td>143,532,824.71</td>
</tr>
<tr>
<td>2020</td>
<td>8,605,000</td>
<td>14,018,500.00</td>
<td>142,348,821.78</td>
</tr>
<tr>
<td>2021</td>
<td>9,040,000</td>
<td>14,023,250.00</td>
<td>142,621,202.91</td>
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<tr>
<td>2022</td>
<td>9,490,000</td>
<td>14,021,250.00</td>
<td>142,080,271.21</td>
</tr>
<tr>
<td>2023</td>
<td>9,965,000</td>
<td>14,020,750.00</td>
<td>141,141,822.16</td>
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<td>2024</td>
<td>10,460,000</td>
<td>14,018,500.00</td>
<td>146,219,371.00</td>
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<tr>
<td>2025</td>
<td>10,985,000</td>
<td>14,020,500.00</td>
<td>146,388,148.50</td>
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<tr>
<td>2026</td>
<td>11,535,000</td>
<td>14,023,500.00</td>
<td>145,808,677.79</td>
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<tr>
<td>2027</td>
<td>12,115,000</td>
<td>14,021,250.00</td>
<td>146,298,847.91</td>
</tr>
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<td>2028</td>
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<td>2029</td>
<td>13,355,000</td>
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<td>44,122,970.00</td>
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<td>146,219,371.00</td>
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<tr>
<td>Total</td>
<td>$145,535,000</td>
<td>$221,578,749.31</td>
<td>$2,351,362,493.66</td>
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</table>

(1) See "CERTIFICATE PAYMENT SCHEDULES I & II FOR OUTSTANDING CERTIFICATES."

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THE MASTER LEASE PROGRAM

In order to provide for the lease purchase financing and refinancing from time to time of Facilities, the School Board has authorized the execution and delivery of the Master Lease between the School Board and the Corporation. Facilities to be leased from time to time will be identified on separate Schedules to the Master Lease. Upon execution and delivery thereof, each Schedule, together with the provisions of the Master Lease, will constitute a separate Lease. See "APPENDIX D - CERTAIN LEGAL DOCUMENTS - The Master Lease."

The Series 2006A-1 Lease is one of the Leases entered into under the Master Lease and provides for the leasing of the Series 2006A-1 Facilities by the Corporation to the School Board. See "THE SERIES 2006A-1 LEASE" and "THE SERIES 2006A-1 FACILITIES." As noted above, the School Board has previously leased certain facilities pursuant to the Current Leases which were funded from the proceeds of the Outstanding Certificates. The School Board may arrange for one or more lease purchase financings of additional educational facilities under the Master Lease in future Fiscal Years. See "SECURITY FOR THE SERIES 2015B CERTIFICATES - Additional Leases" and "- Additional Certificates."

In addition, the School Board may, in the future, also enter into lease purchase arrangements upon terms and conditions other than those in the Master Lease. Failure to make payments under any such lease agreement, or an event of default under any such lease agreement, will not affect the Lease Term or cause the termination of the Series 2006A-1 Lease or any other Leases.

THE SERIES 2006A-1 LEASE

The following is a brief summary of certain provisions of the Series 2006A-1 Lease, which is not intended to be definitive. Reference is made in "APPENDIX D - CERTAIN LEGAL DOCUMENTS - The Master Lease" and "- Form of Schedule 2006A-1."

Authority

The Series 2006A-1 Lease is being entered into pursuant to the authority granted under Chapters 1001-1013, Florida Statutes, as amended, for the purpose of providing for the acquisition, construction and lease purchase financing and refinancing of the Series 2006A-1 Facilities.

Lease Term

Under the Series 2006A-1 Lease, the Corporation is leasing to the School Board, and the School Board is leasing from the Corporation, the Series 2006A-1 Facilities. The initial term of the Series 2006A-1 Lease commenced on May 25, 2006 and continued through and including June 30, 2006, has been automatically renewed annually to date and is automatically renewable annually through August 1, 2031, unless sooner terminated in accordance with the provisions of the Series 2006A-1 Lease. See "THE SERIES 2006A-1 LEASE - Termination of Lease Term."
Lease Payments

Subject to the conditions stated in the Series 2006A-1 Lease, the School Board has expressed its current intent to make all Lease Payments due under the Series 2006A-1 Lease; PROVIDED, HOWEVER, THAT NONE OF THE SCHOOL BOARD, THE DISTRICT, THE STATE OF FLORIDA, OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF, IS OBLIGATED TO PAY, EXCEPT FROM APPROPRIATED FUNDS, ANY SUMS DUE UNDER THE SERIES 2006A-1 LEASE FROM ANY SOURCE OF TAXATION, AND THE FULL FAITH AND CREDIT OF THE SCHOOL BOARD, THE DISTRICT, THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF IS NOT PLEDGED FOR PAYMENT OF SUCH SUMS DUE UNDER THE SERIES 2006A-1 LEASE, AND THE SUMS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE SCHOOL BOARD, THE DISTRICT, THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION. All Lease Payments due under the Series 2006A-1 Lease will be made from current or other funds authorized by law and regulations of the State of Florida Department of Education and appropriated for such purpose by the School Board.

On June 30, 2015, and thereafter on December 30 and June 30 of each year, the Lease Payment Dates preceding each Series 2015B Certificate Payment Date, the School Board is required to pay to the Trustee the Basic Lease Payment allocable to the Series 2015B Certificates due on such date, which amount corresponds to the amount due to Series 2015B Certificate holders on the next succeeding Series 2015B Certificate Payment Date. The School Board is also required to pay, when due, Additional Lease Payments, consisting of, among other things, payments under its Interest Rate Exchange Agreements (see "SECURITY FOR THE SERIES 2015B CERTIFICATES - Interest Rate Exchange Agreements") and Supplemental Payments, consisting of, among other things, the fees and expenses of the Trustee and the Corporation. Lease Payments due under the Series 2006A-1 Lease may be reduced, when applicable, by amounts credited as follows:

(a) The Trustee will deposit into the Lease Payment Accounts established with respect to the Series 2006A-1 Lease interest income in accordance with the Trust Agreement and apply such interest income as a credit against the next ensuing Lease Payment to the extent provided in the Trust Agreement.

(b) Upon termination of the Lease Term of the Series 2006A-1 Lease, with respect to the amounts, if any, remaining on deposit in the Acquisition Account thereunder shall be transferred to the Lease Payment Account to be applied to Basic Lease Payments next coming due under the Series 2006A-1 Lease.

(c) The Trustee will deposit in the Lease Payment Account or Acquisition Account, Net Proceeds realized in the event of damage, destruction or condemnation of the Series 2006A-1 Facilities to be applied to the prompt repair, restoration or replacement of such Series 2006A-1 Facilities; provided, however, if the School Board has determined that its operations have not been materially affected and that it is not in the best interest of the School Board to repair, restore or replace that portion of the Series 2006A-1 Facilities damaged, destroyed or
condemned, then the School Board shall not be required to comply with the provisions of the preceding clause. In such case, if the Net Proceeds are less than ten percent (10%) of the Remaining Principal Portion of the Basic Lease Payments relating to such Series 2006A-1 Facilities, then such Net Proceeds shall be deposited in the Series 2006A-1 Lease Payment Account to be credited against Basic Lease Payments next coming due under the Series 2006A-1 Lease. If the Net Proceeds are equal or greater than ten percent (10%) of the Remaining Principal Portion of the Basic Lease Payments relating to such Series 2006A-1 Facilities, then the pro rata portion of such Net Proceeds allocable to the Series 2015B Certificates shall either (1) be deposited to the Series 2006A-1 Acquisition Account and applied to pay the Costs of other Facilities, in which case such other Facilities shall become subject to the provisions of the Series 2006A-1 Lease as fully as if they were the originally leased Facilities or (2) at the direction of the School Board, upon delivery to the Trustee of a Favorable Opinion, such Net Proceeds shall be deposited in the Series 2006A-1 Lease Payment Account to be credited against Basic Lease Payments next coming due under the Series 2006A-1 Lease.

Assignment of Lease to Trustee

Pursuant to the Series 2006A Assignment, substantially all right, title and interest of the Corporation in and to the Series 2006A Ground Lease and in and to the Series 2006A-1 Lease, including the right to receive Basic Lease Payments thereunder, has been absolutely and unconditionally assigned by the Corporation to the Trustee for the benefit of the owners of the Series 2015B Certificates, the Unrefunded Series 2006A Certificates and any other Certificates representing an undivided proportionate interest in a portion of the Basic Lease Payments payable under the Series 2006A-1 Lease. The School Board has consented to such assignment.

Lease Covenants

Under the Series 2006A-1 Lease, the School Board is responsible for the acquisition, construction and installation of the Series 2006A-1 Facilities pursuant to the specifications of the School Board, including the letting of all contracts for the acquisition, construction and installation of the Series 2006A-1 Facilities. In the Series 2006A-1 Lease, the School Board covenants that it will: (i) maintain the Series 2006A-1 Facilities at all times during the Lease Terms in good repair and condition; (ii) pay applicable taxes, utility charges and other governmental charges; and (iii) provide applicable insurance coverage, including property and liability insurance, all in accordance with the terms and provisions relating to these requirements, contained in the Series 2006A-1 Lease.

Budget and Appropriation

The cost and expense of the performance by the School Board of its obligations under the Series 2006A-1 Lease, under the Current Leases and any Additional Leases and the incurrence of any liabilities of the School Board under the Series 2006A-1 Lease, the Current Leases and any Additional Leases including without limitation, the payment of all Lease Payments and all other amounts required to be paid by the School Board under all Leases, are subject to and dependent on appropriations being duly made from time to time by the School Board for such purposes. The School Board may not budget and appropriate available revenues to make Lease Payments selectively on a Lease by Lease basis, but must appropriate such revenues for all Leases or none
of them. Under no circumstances will the failure of the School Board to appropriate sufficient funds in any Fiscal Year constitute a default or require payment of a penalty, or in any way limit the right of the School Board to purchase or utilize educational facilities similar in function to those leased under any Lease including the Series 2006A-1 Lease.

Unless the School Board, at a public meeting held prior to the end of the then current Fiscal Year, gives notice of its intent not to appropriate the funds necessary to make the Lease Payments coming due in the following Fiscal Year under all Leases, the Superintendent will include in the Superintendent's tentative budget proposal, in a separate line item, the funds necessary to make such Lease Payments, and all Leases will be automatically renewed on June 30 of the current Fiscal Year, for the following Fiscal Year, subject to appropriation being made by the School Board in the final adopted budget. If Lease Payments are due during the period prior to the adoption of the School Board's final official budget for an ensuing Fiscal Year, the Lease Term of all Leases shall be deemed extended only if the tentative budget or extension of the prior budget (whether by School Board action or operation of law) makes available to the School Board monies which may be legally used to make the Lease Payments due under all Leases during such period. If no such appropriation is made in the budget as finally adopted or if no official budget is adopted as of the last day on which a final budget is required to have been adopted under applicable law and regulations, all Leases will terminate as of the date of adoption of the final official budget or the last date on which a final budget is required to have been adopted, whichever is earlier, and under which no appropriation has been made.

If the School Board declares its intent at such public meeting prior to the end of the then current Fiscal Year not to appropriate the funds necessary to make Lease Payments under all Leases, no Leases will be automatically renewed for the following Fiscal Year, but will terminate on June 30 of the current Fiscal Year. For a discussion of the effect of termination of the Lease Term of the Leases, see "THE SERIES 2006A-1 LEASE - Effect of Termination for Non-Appropriation or Default."

**Termination of Lease Term**

The Lease Term of each Lease, including the Series 2006A-1 Lease, will terminate upon the earliest of any of the following events:

(a) Each Lease will terminate on the latest Lease Payment Date set forth in any Lease;

(b) All Leases will terminate in the event of non-appropriation of funds for the payment of Lease Payments;

(c) All Leases will terminate upon a default by the School Board with respect to any Lease and the termination of the Lease Term of all Leases by the Trustee pursuant to the Master Lease; and

(d) A particular Lease will terminate upon payment by the School Board of the Purchase Option Price of the particular Facilities leased under such Lease by the School Board or upon provision for such payment pursuant to the Master Lease.
Effect of Termination for Non-Appropriation or Default

Upon termination of the Lease Term for the reasons referred to in (b) or (c) under "THE SERIES 2006A-1 LEASE - Termination of Lease Term" above, the School Board is required to immediately surrender and deliver possession of all the Facilities financed under all Leases (except for certain designated Facilities) to the Trustee in the condition, state of repair and appearance required under the Leases and in accordance with the Trustee's instructions. Upon such surrender, the Trustee (or other transferee) will attempt to sell or re-let its interest in such facilities in such manner and to such person or persons for any lawful purpose or purposes as it, in its sole discretion, determines to be appropriate. The Trustee will pursue such rights and remedies as directed by the Holders of a majority in aggregate principal amount of the Series 2015B Certificates, the Unrefunded Series 2006A Certificates and any other Certificates evidencing an interest in the Series 2006A-1 Lease. The proceeds derived from any such sale or reletting of the School Board's leasehold interest in such Facilities, if any, will be applied first to the payment of the fees and expenses of the Trustee, second to payment in full of the Series of Certificates relating to such Facilities and then to the payment of other outstanding amounts as described in said Lease(s). The proceeds of any such disposition of the Series 2006A-1 Facilities will be applied to the payment of the Series 2015B Certificates, equally and ratably with the Unrefunded Series 2006A Certificates, after payment of the expenses of the Trustee, in accordance with the terms of the Series 2006A-1 Lease. Under the Series 2006A-1 Lease, the School Board may not be dispossessed of any personal property financed or refinanced, in whole or in part, with the proceeds of the Series 2015B Certificates. See "RISK FACTORS - Limitation Upon Disposition; Ability to Sell or Relet." IN NO EVENT WILL OWNERS OF THE SERIES 2015B CERTIFICATES HAVE ANY INTEREST IN OR RIGHT TO ANY PROCEEDS OF THE DISPOSITION OF FACILITIES FINANCED OR REFINANCED WITH THE PROCEEDS OF ANOTHER SERIES OF CERTIFICATES EXCEPT FOR ANY CERTIFICATES ISSUED TO REFUND SERIES 2015B CERTIFICATES.

For a discussion of the remedies available to the Trustee if the School Board refuses or fails to voluntarily deliver possession of the Facilities to the Trustee, see "APPENDIX D - CERTAIN LEGAL DOCUMENTS - The Master Lease."

There can be no assurance that the remedies available to the Trustee upon any termination of the Lease Term of all Leases for non-appropriation or default and the disposition of the Series 2006A-1 Facilities will produce sufficient amounts to pay the Series 2015B Certificates. Federal income tax status of payments made to Series 2015B Certificate holders after such termination may also be adversely affected. See "TAX TREATMENT." Further, after such termination of the Lease Term of all Leases, transfer of Series 2015B Certificates may be subject to the registration provisions of applicable federal and state securities laws. Accordingly, there is no assurance that liquidity of the Series 2015B Certificates will not be impaired following termination of the Lease Term of the Leases. See "RISK FACTORS."
THE CORPORATION

The Palm Beach School Board Leasing Corp. (the "Corporation") is a Florida not-for-profit education corporation formed in October, 1994 for the purpose of acting as lessor under leases with the School Board. The sole member of the Corporation is the School Board. Upon dissolution, all of its assets will be distributed to the School Board. The Board of Directors of the Corporation consists of the members of the School Board and its officers are School Board members and employees.

There is no litigation pending against the Corporation.

Pursuant to the Series 2006A Assignment, the Corporation has made an absolute and unconditional assignment of substantially all of its right, title and interest under the Series 2006A-1 Lease to the Trustee, retaining its rights to indemnification, its right to hold title to certain of the Series 2006A-1 Facilities, and to receive notices under the Master Lease. In accordance therewith, the Trustee collects directly all of the Basic Lease Payments which are the primary source of and security for payment of the Series 2015B Certificates. The credit of the Corporation is not material to any of the transactions contemplated in this Offering Statement. No financial information concerning the Corporation has been included herein, nor is it contemplated that any such financial information will be included in any future Offering Statement relating to the sale of any Additional Certificates or other obligations of the School Board or the Corporation.

THE DISTRICT

General

The District is organized under Section 4, Article IX, of the Constitution of Florida and Chapter 1001, Florida Statutes. The District is the eleventh largest school district in the United States and the fifth largest in Florida as measured by student enrollment. The geographic boundaries of the District are coterminous with those of the County. The County, established in 1909, had a 2013 population of 1,372,171. It is the third largest county in Florida in terms of population and encompasses a land area of approximately 2,023 square miles. The District services the unincorporated areas of the County and all 38 incorporated municipalities within the boundaries of the County, including the municipalities of Palm Beach, West Palm Beach, Jupiter, Delray Beach and Boca Raton.

As of April 17, 2014, the District included 182 schools and had approximately 180,285 full time equivalent students, and as of June 30, 2014, had approximately 21,873 full-time and part-time employees, including approximately 15,481 instructional personnel. Management of the schools is independent of the County and the various municipal governments in the County. The Tax Collector collects ad valorem taxes for the District, but the County exercises no control over expenditures by the District. Additional information concerning the County is contained in "APPENDIX A – INFORMATION REGARDING PALM BEACH COUNTY, FLORIDA."
Certain Statistical Information

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

The School District of Palm Beach County, Florida
General Statistical and Demographic Data

<table>
<thead>
<tr>
<th>School Year</th>
<th>Number of Schools</th>
<th>Number of Instructional Personnel at Fiscal Year End</th>
<th>Average FTE Enrollment(^{(1)})</th>
<th>Expenditures per FTE Student(^{(2)})</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013-14</td>
<td>182</td>
<td>15,481</td>
<td>180,285(^{(3)})</td>
<td>$7,016</td>
</tr>
<tr>
<td>2012-13</td>
<td>182</td>
<td>14,874</td>
<td>177,793</td>
<td>6,605</td>
</tr>
<tr>
<td>2011-12</td>
<td>182</td>
<td>14,807</td>
<td>175,083</td>
<td>6,453</td>
</tr>
<tr>
<td>2010-11</td>
<td>182</td>
<td>14,449</td>
<td>172,831</td>
<td>7,218</td>
</tr>
<tr>
<td>2009-10</td>
<td>182</td>
<td>13,975</td>
<td>171,722</td>
<td>7,014</td>
</tr>
<tr>
<td>2008-09</td>
<td>181</td>
<td>14,031</td>
<td>169,554</td>
<td>8,815</td>
</tr>
<tr>
<td>2007-08</td>
<td>168</td>
<td>14,129</td>
<td>169,280</td>
<td>9,184</td>
</tr>
</tbody>
</table>

\(^{(1)}\) Unweighted.  
\(^{(2)}\) Excludes outgoing transfers. 
\(^{(3)}\) As of April 17, 2014 FEFP (Florida Education Finance Program) Fourth Calculation. 
Source: The School District of Palm Beach County, Florida.

FTE Growth

The Full-Time Equivalent (FTE) Enrollment for School Years 2009-10 through 2013-14 were as follows:

School District of Palm Beach County, Florida Profile of Enrollments
Unweighted Full-Time Equivalent Students\(^{(4)}\)
2009-10 - 2013-14

<table>
<thead>
<tr>
<th>Grades K-3</th>
<th>2009-10</th>
<th>2010-11</th>
<th>2011-12</th>
<th>2012-13</th>
<th>2013-14</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>45,052</td>
<td>44,729</td>
<td>45,516</td>
<td>46,724</td>
<td>49,192</td>
</tr>
<tr>
<td>Grades 4-8</td>
<td>60,903</td>
<td>61,652</td>
<td>62,089</td>
<td>62,330</td>
<td>63,254</td>
</tr>
<tr>
<td>Grades 9-12</td>
<td>44,943</td>
<td>45,161</td>
<td>46,120</td>
<td>49,702</td>
<td>47,369</td>
</tr>
<tr>
<td>Exceptional Ed.</td>
<td>1,337</td>
<td>1,423</td>
<td>1,505</td>
<td>1,490</td>
<td>1,356</td>
</tr>
<tr>
<td>Vocational Ed.</td>
<td>5,060</td>
<td>4,944</td>
<td>4,968</td>
<td>1,726</td>
<td>4,208</td>
</tr>
<tr>
<td>At Risk Programs</td>
<td>14,427</td>
<td>14,922</td>
<td>14,885</td>
<td>15,821</td>
<td>14,906</td>
</tr>
<tr>
<td>Total</td>
<td>171,722</td>
<td>172,831</td>
<td>175,083</td>
<td>177,793</td>
<td>180,285</td>
</tr>
</tbody>
</table>

Percentage Change

| 1.28% | 0.65% | 1.30% | 1.55% | 1.40% |

\(^{(4)}\) Enrollments are calculated on a full-time equivalent student basis for the number of students in grades kindergarten through twelve for the regular school term. A full-time equivalent (FTE) student is defined as equal to not less than 900 net hours of instruction time for grades 4-12 and not less than 720 net hours of instruction time for K-3. Figures as of FEFP Fourth Calculation.
The School 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:

<table>
<thead>
<tr>
<th>Name/Office</th>
<th>District</th>
<th>Term Expires</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chuck Shaw, Chairman</td>
<td>2</td>
<td>November 2016</td>
</tr>
<tr>
<td>Frank A. Barbieri, Jr., Esq., Vice Chairman</td>
<td>5</td>
<td>November 2016</td>
</tr>
<tr>
<td>Mike Murgio, Member</td>
<td>1</td>
<td>November 2016</td>
</tr>
<tr>
<td>Karen M. Brill, Member</td>
<td>3</td>
<td>November 2018</td>
</tr>
<tr>
<td>Erica Whitfield, Member</td>
<td>4</td>
<td>November 2018</td>
</tr>
<tr>
<td>Marcia Andrews, Member</td>
<td>6</td>
<td>November 2018</td>
</tr>
<tr>
<td>Debra L. Robinson, M.D., Member</td>
<td>7</td>
<td>November 2018</td>
</tr>
</tbody>
</table>

The Superintendent of Schools

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 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 according to the regulations set by 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.
Biographical Information for Certain Administrators

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

E. Wayne Gent, Superintendent, accepted the responsibilities of Superintendent of Schools for the District on February 16, 2012. Mr. Gent, a lifelong educator and leader dedicated to high standards, has served in the field of education for the past twenty-seven years as Teacher, Assistant Principal, Principal, appointed Principal in Residence by the Commissioner of Education, Area Superintendent, Assistant Superintendent of Curriculum and Chief Officer of Administration. Mr. Gent received his bachelor's degree from Mars Hill College, Master's of Education degree from the University of Georgia and completed postgraduate studies at Florida Atlantic University.

Michael Burke, Chief Operating 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.

Full Time 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, police officers and warehousemen. The total number of school personnel as of June 30, 2014 was 21,873, the largest number of employees of any one employer in the County.

Employee Relations

Approximately 59% 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 31% are represented by non-instructional collective bargaining agents and 10% are non-union represented staff.

As of June 30, 2014, the Board employed 21,873 full-time persons representing the following groups:

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Instructional</td>
<td>15,481</td>
</tr>
<tr>
<td>School and District Administrators</td>
<td>772</td>
</tr>
<tr>
<td>Clerical, Police, Secretarial, Professional Staff</td>
<td>2,222</td>
</tr>
<tr>
<td>Bus, Custodial, Maintenance and Mechanics</td>
<td>3,398</td>
</tr>
<tr>
<td>Total</td>
<td>21,873</td>
</tr>
</tbody>
</table>
Union members include both instructional and non-instructional personnel. Current union contracts expire as follows:

<table>
<thead>
<tr>
<th>Group</th>
<th>Expiration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Teachers</td>
<td>June 30, 2014*</td>
</tr>
<tr>
<td>Clerical</td>
<td>December 31, 2016</td>
</tr>
<tr>
<td>Police</td>
<td>December 31, 2016</td>
</tr>
<tr>
<td>Bus, Custodial, Maintenance and Mechanics</td>
<td>December 31, 2014</td>
</tr>
</tbody>
</table>

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

**Accreditation**

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

**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. The Superintendent, with input from staff, principals, the Budget Committee and interested community groups, prepares and submits to the Board a recommended budget. The Board adopts the recommended budget, with such modifications, as it deems necessary, as the tentative budget for the District. After public hearings on the tentative budget, the Board adopts a final budget and forwards it to the State of Florida Department of Education. When approved by the State of Florida Department of Education, the final budget is designated as the official budget and governs the general operations for the Fiscal Year, unless subsequently amended by the Board. After public hearings, the final budget for Fiscal Year 2014-15 was adopted by the School Board on September 10, 2014. 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 2014. No Certificates or other debt payable from the Local Option Millage Levy (as defined herein) is expected to be issued to fund the current five-year CIP.

**FINANCIAL RESULTS AND LIABILITIES OF THE DISTRICT**

The following briefly describes financial results of the District and certain District liabilities. For additional information concerning such matters see "APPENDIX B -
Financial Results

The financial and accounting procedures of the District are designed to conform with accounting principles generally accepted in the United States of America as applied to governmental units. The District's financial statements include the government-wide financial statements and the fund financial statements. The government-wide financial statements display information about the District as a whole, while the fund financial statements report detailed information about the District. The government-wide financial statements use the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred. The governmental funds use the modified accrual basis of accounting, whereby revenues are recognized when they become available and measurable and expenditures are recorded 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 and compensated absences which are recognized when due. Proprietary and fiduciary funds also use the accrual basis of accounting.

General Fund Revenue Sources

The following table sets forth general fund revenue sources for Fiscal Years 2008-2014.

<table>
<thead>
<tr>
<th>Fiscal Year Ended June 30</th>
<th>Federal Funds (2)</th>
<th>State Funds</th>
<th>Local Funds (3)</th>
<th>Total Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014 (4)</td>
<td>$8,477,000</td>
<td>$507,171,000</td>
<td>$873,155,000</td>
<td>$1,388,803,000</td>
</tr>
<tr>
<td>2013</td>
<td>7,194,000</td>
<td>427,605,000</td>
<td>858,732,000</td>
<td>1,293,531,000</td>
</tr>
<tr>
<td>2012</td>
<td>6,534,000</td>
<td>332,062,000</td>
<td>905,960,000</td>
<td>1,244,556,000</td>
</tr>
<tr>
<td>2011</td>
<td>6,325,000</td>
<td>351,647,000</td>
<td>922,888,000</td>
<td>1,280,860,000</td>
</tr>
<tr>
<td>2010</td>
<td>5,935,000</td>
<td>284,919,000</td>
<td>929,514,000</td>
<td>1,220,368,000</td>
</tr>
<tr>
<td>2009</td>
<td>6,407,000</td>
<td>327,883,000</td>
<td>949,599,000</td>
<td>1,283,889,000</td>
</tr>
<tr>
<td>2008</td>
<td>2,225,000</td>
<td>404,744,000</td>
<td>949,417,000</td>
<td>1,356,386,000</td>
</tr>
</tbody>
</table>

(1) Rounded.
(2) Includes direct federal funds and federal funds received through the State.
(3) Excludes transfers from other funds.
(4) Unaudited figures.
Source: The School District of Palm Beach County, Florida.
General Fund Operations

The following table summarizes results of operations for the general fund of the District for the Fiscal Years ended June 30, 2011 through June 30, 2013 (audited), June 30, 2014 (unaudited) and the budgeted figures for the Fiscal Year ending June 30, 2015.

![The School District of Palm Beach County, Florida Summary of Revenues and Expenditures - General Fund (In Millions)\(^{(1)}\)](image)

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Beginning Fund Balance:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenues:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local Sources and Other Financing Sources:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ad Valorem Taxes</td>
<td>$859.2</td>
<td>$846.7</td>
<td>$802.1</td>
<td>$809.9</td>
<td>$880.0</td>
</tr>
<tr>
<td>Interest Income and Other</td>
<td>8.7</td>
<td>3.4</td>
<td>3.1</td>
<td>3.5</td>
<td>3.7</td>
</tr>
<tr>
<td>Other Revenue</td>
<td>55.0</td>
<td>56.0</td>
<td>53.5</td>
<td>59.7</td>
<td>64.6</td>
</tr>
<tr>
<td>Transfers In</td>
<td>89.8</td>
<td>89.2</td>
<td>87.0</td>
<td>106.7</td>
<td>106.3</td>
</tr>
<tr>
<td>Total Local Sources and Other Financing Sources</td>
<td>$1,012.7</td>
<td>$995.3</td>
<td>$945.7</td>
<td>$979.8</td>
<td>$1,054.6</td>
</tr>
<tr>
<td>State Sources:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FL Educ. Finance Pro.</td>
<td>$123.9</td>
<td>$98.8</td>
<td>$187.3</td>
<td>$266.7</td>
<td>$236.2</td>
</tr>
<tr>
<td>Categorical Grants &amp; Lottery</td>
<td>206.2</td>
<td>211.7</td>
<td>217.0</td>
<td>220.3</td>
<td>219.4</td>
</tr>
<tr>
<td>Other</td>
<td>21.5</td>
<td>21.5</td>
<td>23.3</td>
<td>20.2</td>
<td>22.3</td>
</tr>
<tr>
<td>Total State Sources</td>
<td>$351.6</td>
<td>$332.0</td>
<td>$427.6</td>
<td>$507.2</td>
<td>$477.9</td>
</tr>
<tr>
<td>Federal Sources</td>
<td>$6.3</td>
<td>$6.5</td>
<td>$7.2</td>
<td>$8.5</td>
<td>$8.2</td>
</tr>
<tr>
<td>Total Revenues</td>
<td>$1,370.6</td>
<td>$1,333.8</td>
<td>$1,380.5</td>
<td>$1,495.5</td>
<td>$1,540.7</td>
</tr>
<tr>
<td>Adjustments to Fund Balance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Rev. &amp; Fund Balance</td>
<td>$1,467.7</td>
<td>$1,520.7</td>
<td>$1,547.2</td>
<td>$1,628.8</td>
<td>$1,654.2</td>
</tr>
</tbody>
</table>

| **Expenditures:** |       |       |       |       |       |
| Salaries           | $748.9| $842.7| $880.8| $908.7| $906.0|
| Employee Benefits  | 245.7 | 255.0 | 255.1 | 284.7 | 294.7 |
| Purchased Services and other | 286.1 | 256.3| 278.0 | 321.9 | 339.7 |
| Transfer Out       |       |       |       |       |       |
| Total Expenditures | $1,281.0| $1,354.0| $1,413.9| $1,515.3| $1,540.4|
| Excess of Revenues Over (Under) |       |       |       |       |       |
| Expenditures       | $89.6 | $(20.2)| $(33.4)| $(19.8)| $0.3  |

**Ending Fund Balance**

| Nonspendable | $12.5 | $5.7 | $11.3 | $9.6 | $9.8 |
| Restricted   | 17.1  | 23.3 | 27.8  | 28.2 | 23.7 |
| Committed    |       |       |       |       |       |
| Assigned     | 102.7 | 86.6 | 49.8  | 29.2 | 32.2 |
| Unassigned   | 54.6  | 51.1 | 44.4  | 46.5 | 48.2 |
| Total Fund Balance | $186.9| $166.7| $133.3| $113.5| $113.9|
| Total Expenditures & Fund Balance | $1,467.9| $1,520.7| $1,547.2| $1,628.8| $1,654.3|

\(^{(1)}\) Totals may not add due to rounding.
\(^{(2)}\) Budgeted figures.

Source: The School District of Palm Beach County, Florida.
Section 1011.051, Florida Statutes, entitled "Guidelines for general funds" requires that if a school district's General Fund balance not classified as restricted, committed or nonspendable in the approved operating budget is projected to fall below three percent (3%) of projected General Fund revenues, the Superintendent shall provide written notification to the district school board and the Commissioner of Education. The section further requires that if the General Fund balance not classified as restricted, committed or nonspendable is projected to fall below two percent (2%) of projected General Fund revenues, the Superintendent shall provide written notification to the district school board and the Commissioner of Education. Within 14 days after receiving such notification of a balance below two percent (2%), if the Commissioner determines that the district does not have a plan that is reasonably anticipated to avoid a financial emergency as determined pursuant to Florida Statutes pertaining thereto, the Commissioner shall appoint a financial emergency board that may take certain delineated steps to assist a district school board in complying with the General Fund requirements. In Fiscal Year 2012-13, the District's General Fund balance not classified as restricted, committed or nonspendable was 3.14% of General Fund Revenues and in Fiscal Year 2013-14 was 3.06% of General Fund Revenues. For Fiscal Year 2014-15, the District's General Fund balance not classified as restricted, committed or nonspendable is budgeted to be 3.00% of General Fund Revenues.
The School District of Palm Beach County, Florida
Summary of Capital Projects Fund Revenue and Expenditures
(Amount in Millions)

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014&lt;sup&gt;(1)&lt;/sup&gt;</th>
<th>Budget &lt;br&gt; 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Beginning Fund Balance:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beginning Fund Balance</td>
<td>$342.0</td>
<td>$383.6</td>
<td>$305.7</td>
<td>$217.2</td>
<td>$139.3</td>
</tr>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Local Sources:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ad Valorem Taxes</td>
<td>$205.8</td>
<td>$205.5</td>
<td>$215.9</td>
<td>$202.9</td>
<td>$216.2</td>
</tr>
<tr>
<td>Local Sales Tax</td>
<td>51.0</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Interest Income and other</td>
<td>7.2</td>
<td>0.7</td>
<td>0.5</td>
<td>2.1</td>
<td>17.9</td>
</tr>
<tr>
<td><strong>Total Local Sources</strong></td>
<td>$264.0</td>
<td>$206.2</td>
<td>$216.4</td>
<td>$205.0</td>
<td>$234.1</td>
</tr>
<tr>
<td><strong>Miscellaneous Federal Through State:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>State Sources:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Outlay distributed to District</td>
<td>$1.2</td>
<td>$1.0</td>
<td>$1.1</td>
<td>$1.2</td>
<td>$1.2</td>
</tr>
<tr>
<td>Public Education Capital Outlay</td>
<td>5.5</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3.4</td>
</tr>
<tr>
<td>Other</td>
<td>3.1</td>
<td>5.8</td>
<td>3.2</td>
<td>5.3</td>
<td>5.5</td>
</tr>
<tr>
<td><strong>Total State Sources</strong></td>
<td>$9.8</td>
<td>$6.8</td>
<td>$4.3</td>
<td>$6.5</td>
<td>$10.1</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>$273.8</td>
<td>$213.0</td>
<td>$220.7</td>
<td>$211.5</td>
<td>$244.2</td>
</tr>
<tr>
<td><strong>Adjustments to Fund Balance</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>7.6</td>
</tr>
<tr>
<td><strong>Total Revenues and Fund Balance</strong></td>
<td>$623.4</td>
<td>$596.6</td>
<td>$526.4</td>
<td>$428.7</td>
<td>$383.5</td>
</tr>
<tr>
<td><strong>Other Financing Sources (Uses):</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfers out</td>
<td>($226.6)</td>
<td>($226.1)</td>
<td>($237.3)</td>
<td>($236.9)</td>
<td>($244.5)</td>
</tr>
<tr>
<td>Transfers in</td>
<td>-</td>
<td>-</td>
<td>14.3</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Proceeds from Sale of Capital Assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Proceeds from Capital Leases</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>14.0</td>
<td>-</td>
</tr>
<tr>
<td>Proceeds from Insurance Loss Recoveries</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Proceeds from Issuance of Long-Term Debt</td>
<td>78.3</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Other Financing Sources (Uses)</strong></td>
<td>($148.3)</td>
<td>($226.1)</td>
<td>($223.0)</td>
<td>($222.9)</td>
<td>($244.5)</td>
</tr>
<tr>
<td><strong>Total Revenues, Other Financing Sources and Fund Balance</strong></td>
<td>$475.1</td>
<td>$370.5</td>
<td>$303.4</td>
<td>$205.8</td>
<td>$139.0</td>
</tr>
<tr>
<td><strong>Expenditures:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>$0.6</td>
<td>$1.4</td>
<td>-</td>
<td>-</td>
<td>$0.4</td>
</tr>
<tr>
<td>Buildings</td>
<td>51.1</td>
<td>32.0</td>
<td>$51.4</td>
<td>$36.6</td>
<td>32.0</td>
</tr>
<tr>
<td>Improvements</td>
<td>22.7</td>
<td>8.2</td>
<td>6.8</td>
<td>5.1</td>
<td>7.0</td>
</tr>
<tr>
<td>Other Capital Outlay</td>
<td>13.6</td>
<td>23.2</td>
<td>28.0</td>
<td>24.8</td>
<td>27.0</td>
</tr>
<tr>
<td>Debt Service</td>
<td>3.5</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td>$91.5</td>
<td>$64.8</td>
<td>$86.2</td>
<td>$66.5</td>
<td>$66.4</td>
</tr>
<tr>
<td><strong>Excess of Revenues Over (Under) Expenditures</strong></td>
<td>$182.3</td>
<td>$148.2</td>
<td>$134.5</td>
<td>$145.0</td>
<td>$177.8</td>
</tr>
<tr>
<td><strong>Excess of Revenues and Other Financing Sources Over (Under) Expenditures</strong></td>
<td>$34.0</td>
<td>($77.9)</td>
<td>($88.5)</td>
<td>($77.9)</td>
<td>($66.7)</td>
</tr>
<tr>
<td><strong>Ending Fund Balance:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$383.6</td>
<td>$305.7</td>
<td>$217.2</td>
<td>$139.3</td>
<td>$72.6</td>
</tr>
</tbody>
</table>

<sup>(1)</sup> Estimated and unaudited results as of June 30, 2014.

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

*Long Term Debt.* The following tables detail the outstanding indebtedness of the District and the County (the boundaries of which are coterminous with the District). Additionally, valuation and debt ratios for the District are provided herein.

**Selected Financial Information of**  
The School District of Palm Beach County, Florida  
and Palm Beach County, Florida  
**Direct and Overlapping Long-Term Debt Statement (in thousands)**  
June 30, 2014

<table>
<thead>
<tr>
<th></th>
<th>General Obligation</th>
<th>Non-Self Supporting Revenue Debt(1)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DIRECT DEBT</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State of Florida</td>
<td></td>
<td></td>
</tr>
<tr>
<td>State Board of Education Capital Outlay Bonds, Series 2005-A</td>
<td>$ 6,000</td>
<td></td>
</tr>
<tr>
<td>State Board of Education Capital Outlay Bonds, Series 2005-B</td>
<td>1,430</td>
<td></td>
</tr>
<tr>
<td>State Board of Education Capital Outlay Bonds, Series 2009-A</td>
<td>915</td>
<td></td>
</tr>
<tr>
<td>State Board of Education Capital Outlay Bonds, Series 2010-A</td>
<td>9,550</td>
<td></td>
</tr>
<tr>
<td>State Board of Education Capital Outlay Bonds, Series 2011-A</td>
<td>_______</td>
<td>3,990</td>
</tr>
<tr>
<td><strong>TOTAL DIRECT DEBT</strong></td>
<td>$ 0</td>
<td>$21,885</td>
</tr>
</tbody>
</table>

(1) Bonds are issued by the State of Florida on behalf of the District. Funds for debt service payment are withheld by the State from the District's allocation of Motor Vehicle License Fees which are a non-operating fund source.  
Source: School District of Palm Beach County, Florida.

[Remainder of page intentionally left blank]
## Selected Financial Information of
The School District of Palm Beach County, Florida
and Palm Beach County, Florida
Direct and Overlapping Long-Term Debt Statement (in thousands)

<table>
<thead>
<tr>
<th>Overlapping Debt (County)</th>
<th>Governmental Activities</th>
<th>Business-Type Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>General Obligation</td>
<td>Non-Ad Valorem Revenue Bonds</td>
</tr>
<tr>
<td>Total General Obligations Bonds</td>
<td>$187,210</td>
<td>$736,861</td>
</tr>
<tr>
<td>Total Non-Ad Valorem Revenue Bonds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Revenue Bonds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL COUNTY DIRECT DEBT</td>
<td>$187,210</td>
<td>$736,861</td>
</tr>
<tr>
<td>TOTAL DISTRICT DEBT</td>
<td>0</td>
<td>21,885</td>
</tr>
<tr>
<td>TOTAL DIRECT AND OVERLAPPING DEBT</td>
<td>$187,210</td>
<td>$758,746</td>
</tr>
</tbody>
</table>

### Palm Beach County, Florida
### Comparative Ratios of Bonded Debt
### To Taxable Assessed Valuation and Per Capita Indebtedness
### (Rounded)

   1,372,171

2. Net Taxable Valuation (2014 tax year)(1)  
   $150,103,001,478

3. Direct General Obligation Debt  
   a) As a Percent of Taxable Valuation  
      0%  
   b) Per Capita  
      $0

4. Direct and Overlapping General Obligation Debt  
   a) As a percent of Taxable Valuation  
      0.1247%  
   b) Per Capita  
      $136.43

5. Direct Non-Ad Valorem Revenue Bonds and Direct General Obligation Debt  
   a) As a percent of Taxable Valuation  
      0.0146%  
   b) Per Capita  
      $15.95

6. Direct and Overlapping General Obligation and Non-Ad Valorem Revenue Bonds  
   a) As a percent of Taxable Valuation  
      0.6302%  
   b) Per Capita  
      $686.47

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*(1) Preliminary certified figure as of July 1, 2014. Such figure is subject to adjustment. See "AD VALOREM TAXATION - Property Assessment."


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**Obligations Under Unrelated Lease Purchase Agreements.** The School Board may, in the future, enter into lease purchase agreements upon terms and conditions other than those in the Master Lease. Unless otherwise expressly provided in this Offering Statement, failure to make payments under any such lease purchase agreements, or an event of default under any such lease purchase agreement, will not affect the Lease Term or cause the termination of the Series 2006A-1 Lease or any other Leases.

**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, 2013 and June 30, 2014, the District contributed $50,191,000 and $74,277,000, 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, 2013 and June 30, 2014, the District contributed $10,000 and $10,000, respectively. See Note 12 to the District's audited financial statements for the Fiscal Year ended June 30, 2013 in "APPENDIX B – EXCERPTED INFORMATION FROM THE COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA FOR THE FISCAL YEAR ENDED JUNE 30, 2013" and Note 12 to the District's unaudited annual financial report for the Fiscal Year ended June 30, 2014 in "APPENDIX C - EXCERPTED INFORMATION FROM THE SUPERINTENDENT'S ANNUAL FINANCIAL REPORT (UNAUDITED) OF THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA FOR THE FISCAL YEAR ENDED JUNE 30, 2014" for additional information regarding the retirement plans.

During its 2011 regular session, the State Legislature adopted legislation that made significant changes to FRS with respect to employee contributions and employer contributions, among other items. Effective July 1, 2011, all members of FRS were required to contribute 3% of their gross compensation toward their retirement. In addition, the legislation reduced the required employer contribution rates for each membership class and subclass of the FRS. For Fiscal Year 2010-11, contribution rates ranged from 9.85% to 20.92% of annual covered payroll. Under the adopted legislation, employer contribution rates initially ranged from 4.91% to 14.10% of annual covered payroll and for Fiscal Year 2014-15 range from 7.37% to 21.14% of annual covered payroll. Additionally, the legislation eliminated the cost of living adjustment for all FRS employees for service earned on or after July 1, 2011, although the legislation does contemplate reinstatement of the adjustment in 2016 under certain conditions.

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

**Other Post Employment Benefit Program.** In addition to its contributions under the State's retirement plan described above, the District provides other postemployment benefits ("OPEB") for certain of its retired employees in the form of an implicit rate subsidy by providing access to health insurance plans requiring the use of a single "blended" or "common" rate for both active and retired employees. The offering of this health insurance coverage is required by Section 112.0801, Florida Statutes.
As with all governmental entities providing similar plans, the District implemented Governmental Accounting Standard's Board Statement No. 45 - Accounting and Financial Reporting by Employers for Postemployment Benefit Plans other than Pension Plans ("GASB 45") during the 2007-2008 fiscal year. The District had historically accounted for its OPEB contributions on a pay as you go basis. GASB 45 applies accounting methodology similar to that used for pension liabilities to OPEB and attempts to more fully reveal the costs of employment by requiring governmental units to include future OPEB costs in their financial statements. While GASB 45 requires recognition and disclosure of the unfunded OPEB liability, there is no requirement that the liability of such plan be funded. To comply with GASB 45, the District retained an actuary (the "Actuary") to review the District's OPEB liabilities and provide the District with a written valuation. The Actuary determined the District's actuarial accrued liability related to OPEB, which approximates the present value of all future expected postretirement life and medical premiums and administrative costs which are attributable to the past service of those retired and active employees, at $138.5 million (unaudited) as of June 30, 2014. The Actuary also determined the District's annual required contribution ("ARC"), which is the portion of the total accrued actuarial liability allocated to the current Fiscal Year needed to pay both normal costs (current and future benefits earned) and to amortize the unfunded accrued liability (past benefits earned, but not previously provided for), to be $13.4 million (unaudited) as of June 30, 2014. 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 $95.6 million (unaudited) as of June 30, 2014, which reflects the District's approximately $5.0 million contribution towards its OPEB liability during Fiscal Year 2013-14. For additional information on OPEB liability, including assumptions on which the calculation is based, see Note 13 and the Required Supplementary Information to the District's audited financial statements for the Fiscal Year ended June 30, 2013, which are attached hereto as Appendix B and Note 13 and the Required Supplementary Information to the District's unaudited annual financial report for the Fiscal Year ended June 30, 2014, which are attached hereto as Appendix C.

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

OPERATING REVENUES OF THE DISTRICT

The District derives its operating income from a variety of federal, state and local sources. Although Section 1013.15(2)(a), Florida Statutes, provides that Operational Funds may be specifically authorized by the School Board to make lease payments on multiple-year leases, the School Board has not previously authorized the use of Operating Funds to make Lease Payments. In addition, other restrictions applicable to the use of Operating Funds may conflict with the use of Operating Funds by the School Board to make Lease Payments under Section 1013.15(2)(a) and there can be no assurance that such Funds would be available to the School Board to make Lease Payments in the case of such conflicts. The major categories of
these income sources for the Operating Funds are briefly described below. Prospective purchasers should assume that Operating Funds will not be available to make Lease Payments and that such payments will be made solely from capital outlay funds. See "AVAILABLE REVENUES FOR CAPITAL OUTLAY PROJECTS."

**State Sources**

**Florida Education Finance Program.** The major portion of State support is distributed under the provisions of the Florida Education Finance Program, which was enacted by the State Legislature in 1973. Basic FEFP funds are provided on a weighted full-time equivalent ("FTE") student basis and through a formula that takes into account: (i) varying program costs; (ii) cost differentials between districts; (iii) differences in per-student costs due to the density of student population; and (iv) the required level of local support. Program cost factors are determined by the State Legislature each year. The amount of FEFP funds disbursed by the State is adjusted four times during each year to reflect changes in FTE and in other variables comprising the formula, as well as to compensate for increases or decreases in ad valorem tax revenue resulting from adjustments to the valuation of non-exempt property in each county. To participate in FEFP funding, the District must levy a minimum millage for operating purposes, which is set by the State Department of Education. The District's general fund receipts from the State for FEFP pursuant to the above formula for Fiscal Years 2012-13 and 2013-14 were $187,319,642 and $266,681,366, respectively, and were budgeted at $236,244,551 for Fiscal Year 2014-15.

FEFP categorical programs are lump sum appropriations from the State intended to supplement local school district revenues to enhance the delivery of educational and support services by each school district. In recent years, most categorical programs have been eliminated and the funds are now earmarked within the FEFP base student allocation. The only remaining categorical program is class size reduction. The allocation for class size reduction is based on a funding formula. The majority of the funds available require appropriation by the Board for the purposes for which they were provided. Total State categorical aid was $206,593,660 and $207,018,100 for Fiscal Years 2012-13 and 2013-14, respectively, and is budgeted at $209,078,665 for Fiscal Year 2014-15.

Student enrollment trends have changed over the past several years. Following five years of high growth of more than 5,000 students per year from Fiscal Year 2001 through Fiscal Year 2005 enrollment was flat in Fiscal Year 2006, and decreased by 3,000 students during Fiscal Year 2007. Enrollment was flat again during Fiscal Years 2008 and 2009, but have increased by an average of just over 2,000 for Fiscal Years 2010 through 2014. The District's current estimated enrollment for Fiscal Year 2015 is 181,380, which reflects an increase of approximately 1,200 students from Fiscal Year 2014. Future enrollment is projected to continue to increase slowly over the next four years.

FEFP funding is derived from two main sources: state sales tax revenues and local property taxes. The state determines the funding split between the two sources for each district. As a property rich county, Palm Beach County property taxes have increasingly shouldered much of the financial burden. For Fiscal Year 2014-15, local property taxes will provide 62.93% of the FEFP funds. 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. The District received approximately $10.44 million and $8.44 million in Florida School Recognition Program revenues for Fiscal Year 2012-13 and 2013-14, respectively. The District did not receive any Discretionary Lottery Revenues in Fiscal Year 2012-13 but received $1.9 million in Fiscal Year 2013-14, and is budgeted to receive $1.9 million in Fiscal Year 2014-15.

Local Sources

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

The Florida Constitution limits the non-voted millage rate that school boards may levy on an annual basis for operational funds to 10 mills ($10 per $1,000 of taxable real and personal property value). Chapter 1011, Florida Statutes, as amended, further limits the millage levy for operational purposes to an amount established each year by the State appropriations act and finally certified by the Commissioner of the State of Florida Department of Education. Within this operational limit, each school district desiring to participate in the State's allocation of FEFP funds for current operations must levy a non-voted millage rate that is determined annually by the State Legislature and certified by the Commissioner of the State of Florida Department of Education and is referred to as the district "required local effort." For Fiscal Year ending June 30, 2015, the District's required local effort is 5.084 mills. In addition to such required local effort millage for Fiscal Year 2014-15 the District levied a Prior Period Funding Adjustment Millage of 0.012 mills as required by Section 1011.62(4)(e), Florida Statutes. Such Prior Period millage is levied when the preliminary taxable value for the prior year is greater than the final taxable value for such year, thereby resulting in lower than expected revenues from the required local effort millage.

In addition to the "required local effort," school districts are entitled an additional non-voted current operating "discretionary millage" not to exceed an amount established annually by the Legislature and up to 1.5 mills for capital outlay and maintenance of school facilities. However, the District may levy up to .25 mills for capital outlay and maintenance of school facilities in lieu of operating discretionary millage. For Fiscal Year ending June 30, 2015, the District's discretionary operating millage is 0.748 mills. The District is not levying any capital outlay discretionary millage for the Fiscal Year ending June 30, 2015. See "AD VALOREM TAXATION - Millage Rates" and "- Historical Millages" herein.

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

The following table sets forth the District's operating millage levies for Fiscal Year 2014-15:

<table>
<thead>
<tr>
<th>Operating Millage</th>
<th>District Levy</th>
<th>Description</th>
<th>Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>Required Local Effort</td>
<td>5.084 mills</td>
<td>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</td>
<td>5.084 mills</td>
</tr>
<tr>
<td>Prior Period RLE Adjustment</td>
<td>0.012 mills</td>
<td>Non-voted; not to exceed amount established annually by the State</td>
<td>0.012 mills</td>
</tr>
<tr>
<td>Current Operating Discretionary Millage</td>
<td>0.748 mills</td>
<td>Non-voted; not to exceed amount established annually by the Legislature</td>
<td>0.748 mills</td>
</tr>
<tr>
<td>Additional Operating Millage (Voter Approved)</td>
<td>0.250 mills</td>
<td>School boards may, upon approval by voters in a local referendum or general election, levy an additional millage for operating needs up to an amount that when combined with non-voted millage does not exceed 10-mills. Such levy shall be for a maximum of four years.</td>
<td>0.250 mills</td>
</tr>
</tbody>
</table>

Budgeted revenues from ad valorem taxes are based on applying millage levies to ninety-six percent (96%) of the non-exempt assessed valuation of real and personal property within the County.

Federal Sources

The District receives certain Federal monies, both directly and through the State, substantially all of which are restricted for specific programs. Direct Federal revenue sources were $893,601 and $977,825 in Fiscal Years 2012-13 and 2013-14, respectively, and are budgeted at $807,000 for Fiscal Year 2014-15. Federal funds through the State totaled $6,300,427 and $7,499,004 in Fiscal Years 2012-13 and 2013-14, respectively, and are budgeted to be $7,200,000 in Fiscal Year 2014-15. Such funds are not available to make Lease Payments on the Leases.

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

Class Size Reduction

Amendment 9 to the State Constitution required the State Legislature provide funding for sufficient classrooms so 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 established constitutional class size maximums limiting students per class to no more than 18 for pre-kindergarten through 3rd grade, 22 for grades 4 through 8 and 25 for grades 9 through 12. Such legislation generally provided for a phased-in compliance which would be determined on a school-by-school basis through and including Fiscal Year 2009-10, with full compliance on an individual classroom basis beginning in Fiscal Year 2010-11. Beginning with Fiscal Year 2013-14, school districts could be measured at the school level average for schools of choice. In the event a school district was not in compliance with such requirements, the legislation provided that the State would reduce categorical funds due to such school district for operational purposes.

The Class Size Legislation further created an "Operating Categorical Fund for Class Size Reduction," the "Classroom for Kids Program," the "District Effort Recognition Grant Program" and the "Class Size Reduction Lottery Revenue Bond Program" to provide funding 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.

Through Fiscal Year 2009-10, the District complied with the requirements of the Class Size Legislation which was based on the average class size at each school. Beginning in Fiscal year 2010-11, the requirements were based on the number of students in each individual classroom. As of the October 2014 Survey, the week during which Department of Education determines compliance with class size maximums, the District had approximately 99.9% of the classrooms in compliance. The expected financial penalty related to the 0.1% non-compliance is projected to be approximately $200,000. The District estimates that the cost of complying with the class size requirements for such non-compliant classrooms would be approximately $4.8 million.

Pre-K Programs

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.

Reading Mandate

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

AVAILABLE REVENUES FOR CAPITAL OUTLAY PROJECTS

The School Board derives its revenues for capital outlay projects from certain State and local sources. The major categories of these revenue sources are briefly described below. In Fiscal Year 2013-14, the revenue sources for capital improvements, excluding any Certificate proceeds and existing fund balances, were approximately 0.23% from State revenues, 89.10% from local millage and 10.67% from other local sources.

State Sources

PECO. The primary source of state educational funding contributions to the School Board's capital outlay requirements is the Florida Public Education Capital Outlay Program (PECO). The method of allocation of funds to the district school boards is provided by state law based upon a statutory formula, components of which are the number of students in various districts and the proposed uses of the funds by the various districts. The Commissioner of Education administers the PECO program and allocates or reallocates funds as authorized by law. The School Board did not receive any PECO allocation in Fiscal Year 2012-13 or 2013-14, but is budgeted to receive $3,405,197 in PECO Funds for Fiscal Year 2014-15.

C.O. and D.S. Funds. The State Capital Outlay and Debt Service Funds ("C.O. and D.S.") also provides funds for the School Board's capital outlay requirements. C.O. and D.S. funds are derived from a portion of the revenues collected from motor vehicle license charges. The School Board received $1,159,000 in Fiscal Year 2012-13, $1,212,173 in Fiscal Year 2013-14 and is budgeted to receive approximately $1,212,173 in Fiscal Year 2014-15.

Capital Outlay Bond Issues. The School District participated in a bond sale held by the State of Florida in December 2011. Annually, the State offers to bond a portion of future C.O. and D.S. funds for school districts. The School District received $5.8 million from the bond sale.
Local Sources

Local revenue for school district support is derived primarily from real and tangible personal property taxes. See also "AD VALOREM TAXATION" herein.

School boards may levy non-voted millage (the "Local Option Millage Levy") for capital outlay and maintenance purposes, pursuant to Section 1011.71(2), Florida Statutes. In 2008, the maximum amount of Local Option Millage Levy was reduced to 1.75 mills (previously 2.00 mills) and in 2009, it was further reduced from 1.75 mills to 1.50 mills. Under certain circumstances, a school board may levy in excess of 1.50 mills for capital outlay purposes. See "AD VALOREM TAXATION - Recent Legislative Initiatives and Constitutional Amendments Concerning Ad Valorem Taxes." Revenues from the Local Option Millage Levy may be used to fund new construction, remodeling, site acquisition and improvement; maintenance and repair; school bus purchases; payments under lease purchase agreements and certain short-term loans. Prior to July 1, 2012, payments from this millage for lease purchase agreements for educational facilities and sites were not permitted to exceed three-fourths of the proceeds of the Local Option Millage Levy. However, effective July 1, 2012, the three-fourths limitation was waived for lease-purchase agreements originally entered into prior to June 30, 2009. The School Board is not required to levy any millage for capital outlay purposes in the future. Since revenues from the levy of the Local Option Millage Levy may be used for, but not pledged to, the payment of Lease Payments under the Leases, the failure of the School Board to levy all of the Local Option Millage Levy would have an adverse effect on Available Revenues from which the School Board may appropriate to make Lease Payments. SEE "AD VALOREM TAXATION – Recent Legislative Initiatives and Constitutional Amendments Concerning Ad Valorem Taxes" for information concerning recent legislation that may adversely affect the District's taxable assessed valuation, local option millage levy and the capital outlay millage available to make lease payments.
The following table sets forth the District's capital outlay levies for Fiscal Year 2014-15:

<table>
<thead>
<tr>
<th>Capital Outlay Millage</th>
<th>District Levy</th>
<th>Description</th>
<th>Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Option Millage</td>
<td>1.500(^{(1)}) mills</td>
<td>Non-voted millage for capital outlay and maintenance purposes.</td>
<td>1.500 mills</td>
</tr>
<tr>
<td>Capital Outlay Discretionary Millage</td>
<td>0.000 mills</td>
<td>If revenue from the Local Option Millage is insufficient to make payments due under a lease purchase agreement entered into prior to June 30, 2009, or to meet other critical school district fixed capital outlay needs, a school board may levy up to an additional .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 (i.e. Current Operating Discretionary Millage)</td>
<td>0.250 mills</td>
</tr>
</tbody>
</table>

\(^{(1)}\) See "AD VALOREM TAXATION - Recent Legislative Initiatives and Constitutional Amendments Concerning Ad Valorem Taxes - Legislation Waiving 75% Limitation on Use of Local Option Millage Levy" for information regarding legislation which waives the 75% limitation on use of the Local Option Millage revenues for lease-purchase agreements originally entered into prior to June 30, 2009.

See the table under "AD VALOREM TAXATION - Historical Millages" herein for a schedule of the millage actually assessed by the School Board over the past ten years. However, also see "AD VALOREM TAXATION – Recent Legislative Initiatives and Constitutional Amendments Concerning Ad Valorem Taxes." The School Board's total non-voted millage for Fiscal Year 2014-15 is 7.344 mills; the Florida Constitution imposes a cap of 10 mills, exclusive of certain voter approved millage levies.

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The following table sets forth the millage levy that would provide 1.00x coverage of the maximum annual payments represented by the Outstanding Certificates and the Series 2015B Certificates based on current law, assuming a 96% collection of the taxes levied:

**Anticipated Local Option Millage Levy* Required to Cover Lease Payments Represented by the Outstanding Certificates and the Series 2015B Certificates**

<table>
<thead>
<tr>
<th>Net Taxable Assessed Valuation (FY 2015)<strong>(1)</strong>:</th>
<th>$150,103,001,478</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Option Millage Levy (FY 2015)</td>
<td>1.500 mills</td>
</tr>
<tr>
<td>Tax Collection Rate</td>
<td>96.0%</td>
</tr>
<tr>
<td><strong>Total Revenue Generated by 1.500 mill Levy at 96% collection</strong></td>
<td>$216,148,322</td>
</tr>
</tbody>
</table>

**Millage Levy Required to Satisfy Lease Payments Represented by the Outstanding Certificates and the Series 2015B Certificates**

<table>
<thead>
<tr>
<th>Maximum Annual Lease Payments Represented by the Outstanding Certificates and the Series 2015B Certificates (FY 2027)<strong>(2)</strong></th>
<th>$146,388,149</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum Levy Required to Produce 1.00x Coverage of Maximum Annual Lease Payments Represented by the Outstanding Certificates**(3)**</td>
<td>1.016 mills</td>
</tr>
<tr>
<td>Remaining Millage Levy</td>
<td>0.484 mills</td>
</tr>
<tr>
<td>Revenue Produced by Remaining Millage Levy</td>
<td>$69,760,174</td>
</tr>
</tbody>
</table>

**(1)** Preliminary certified figure as of July 1, 2014. Such figure is subject to adjustment through the value adjustment board process. See "AD VALOREM TAXATION - Property Assessment" herein.

**(2)** Assumes the Outstanding Certificates have the financial arrangements, assumptions and accounting practices described in footnotes under "CERTIFICATE PAYMENT SCHEDULE I FOR OUTSTANDING CERTIFICATES" and "CERTIFICATE PAYMENT SCHEDULE II FOR OUTSTANDING CERTIFICATES." Reflects the refunding of the Refunded Certificates with proceeds of the Series 2015B Certificates.

**(3)** During the 2012 regular session of the Florida legislature, legislation was enacted which waives the 75% limitation on use of the Local Option Millage revenues for lease-purchase agreements originally entered into prior to June 30, 2009. Such legislation became effective on July 1, 2012. See "AD VALOREM TAXATION - Recent Legislative Initiatives and Constitutional Amendments Concerning Ad Valorem Taxes - Legislation Waiving 75% Limitation on Use of Local Option Millage Levy" herein. Following the effective date of such legislation, only the Lease Payments with respect to Leases originally entered into after June 30, 2009 are subject to the 75% limitation. Accordingly, as of the date of this Offering Statement, only the Lease Payments related to the Series 2010A Lease would be subject to such limitation.

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

Property Assessment

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

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

Real and personal property valuations are determined each year as of January 1 by the Property Appraiser's office. The Property Appraiser is required to physically inspect the real property every three (3) years. There is a limitation of the lesser of 3% or the increase in the consumer price index during the relevant year on the annual increase in assessed valuation of Homestead Property (defined below), except in the event of a sale of such property during such year, and except as to improvements to such property during that year. State law requires, with certain exceptions, that property be assessed at fair market value; provided, however, that $25,000 of the assessed valuation of a homestead is exempt from all taxation for a residence occupied by the owner on a permanent basis where such owner has filed for and received a homestead exemption ("Homestead Property" or "Homestead") and, with respect to Homestead Property, an additional exemption of up to $25,000 on the assessed valuation greater than $50,000 is exempt from taxation for all property tax levies other than school district levies. See "Property Tax Reform" below.

The Property Appraiser's office prepares the assessment roll and gives notice by mail to each taxpayer of the proposed property taxes and the assessed property value for the current year, and the dates, times and places at which budget hearings are scheduled to be held. The property owner then has the right to file an appeal with the value adjustment board, which considers petitions relating to assessments and exemptions. The value adjustment board may make adjustments to the assessment roll to reflect any reduction in the assessed value of property upon the completion of the appeals. The value adjustment board certifies the assessment roll upon completion of the hearing of appeals to it. Millage rates are then computed by the various taxing authorities and certified to the Property Appraiser, who applies the millage rates to the assessment roll. This procedure creates the tax roll, which is then certified and turned over to the Tax Collector.
Section 194.014, Florida Statutes, requires that taxpayers appealing the assessed value or assigned classification of their property must make a required partial payment of taxes (generally equal to 75% of the ad valorem taxes due, less the applicable statutory discount, if any) with respect to properties that will have a petition pending on or after the delinquency date (normally April 1). The new statute further provides that a taxpayer's failure to make the required partial payment before the delinquency date (normally April 1) will result in the denial of the taxpayer's petition.

Property Tax Reform

In 2007 the Florida Legislature enacted Chapter 2007-321, Laws of Florida (2007) (the "Rollback Law"). One component of the adopted legislation requires counties, cities and special districts to roll back their millage rates for the 2007-08 Fiscal Year to a level that, with certain adjustments and exceptions, will generate the same level of ad valorem tax revenue as in Fiscal Year 2006-07; provided, however, depending upon the relative growth of each local government's own ad valorem tax revenues from 2001 to 2006, such rolled back millage rates will be determined after first reducing 2006-07 ad valorem tax revenues by zero to nine percent (0% to 9%). In addition, the legislation limits how much the aggregate amount of ad valorem tax revenues may increase in future Fiscal Years. School districts are not required to comply with the particular provisions of the legislation relating to limitations on increases in future years.

Effective January 1, 2008, additional changes to Florida's property tax laws created a new formula for calculating assessed value of Homestead Property. "Assessed value" is the official value upon which real properties may be taxed in Florida. Under the new formula, if an owner of a Homestead purchases a new Homestead Property for greater value, the assessed value of the new Homestead would equal the purchase price of the new Homestead minus the difference between the purchase price of the previous Homestead and the assessed value of the previous Homestead, or $500,000, whichever is less. In addition, for Florida Homestead owners already receiving a property tax exemption of $25,000 on the assessed value of their homes, the new law creates an additional $25,000 exemption on the assessed value of Homestead Property greater than $50,000 for all property tax levies except school taxes. Also effective January 1, 2008, the first $25,000 of tangible personal property is exempt from taxation.

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

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

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

In addition to the millage levies for operating purposes, pursuant to Section 1011.71, Florida Statutes, school boards may set an additional non-voted millage known as the "Local Option Millage Levy" for capital outlay and maintenance purposes. In 2008, the Florida Legislature amended Section 1011.71, Florida Statutes, to provide that if the revenues generated from the reduced Local Option Millage Levy are insufficient to make payments under a lease-purchase agreement entered into prior to June 30, 2008, an amount equal to the revenue generated from 0.50 mills of the operating millage levy may be used to make such lease payments. In 2009, the Florida Legislature further amended Section 1011.71, Florida Statutes, to (i) reduce the maximum Local Option Millage Levy from 1.75 mills to 1.5 mills commencing in Fiscal Year 2009-10 for school districts and (ii) if the revenue from the 1.5 mills is insufficient to make payments due under a lease purchase agreement entered into prior to June 30, 2009, or to meet other critical school district fixed capital outlay needs, authorize a school board to levy an additional .25 mills of Local Option Millage Levy in addition to the 1.5 mills, in lieu of levying an equivalent amount of the discretionary mills for operations. In 2012, the Florida Legislature further amended Section 1011.71, Florida Statutes to waive the 75% limitation on the use of Local Option Millage Levy revenues for lease-purchase agreements originally entered into prior to June 30, 2009.

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

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

Procedures for Tax Collection and Distribution

All real and tangible personal property taxes are due and payable on November 1 of each year, or as soon thereafter as the tax roll is certified and delivered to the Tax Collector. The Tax...
Collector mails a notice to each property owner on the tax roll for the taxes levied by the County, the Board, municipalities within the County and other taxing authorities. Taxes may be paid upon receipt of such notice, with discounts at the rate of 4% if paid in the month of November; 3% if paid in the month of December; 2% if paid in the month of January and 1% if paid in the month of February. Taxes paid in the month of March are without discount. All unpaid taxes on real and personal property become delinquent on April 1 of the year following the year in which taxes were levied.

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

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

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

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

**The School District of Palm Beach County, Florida**

**Assessed Value of Taxable Property**

(in thousands)

<table>
<thead>
<tr>
<th>Fiscal Year Ended June 30</th>
<th>Gross Assessed Value⁽¹⁾</th>
<th>Total Taxable Value for Operating Millages</th>
<th>% Taxable to Total Assessed Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015⁽²⁾</td>
<td>$192,745,423</td>
<td>$150,103,002</td>
<td>77.87%</td>
</tr>
<tr>
<td>2014</td>
<td>171,884,068</td>
<td>138,661,345</td>
<td>80.67</td>
</tr>
<tr>
<td>2013</td>
<td>163,255,148</td>
<td>133,036,113</td>
<td>81.49</td>
</tr>
<tr>
<td>2012</td>
<td>163,642,421</td>
<td>132,258,526</td>
<td>80.82</td>
</tr>
<tr>
<td>2011</td>
<td>166,960,572</td>
<td>134,698,184</td>
<td>80.68</td>
</tr>
</tbody>
</table>

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

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


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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Required Local Effort</td>
<td>5.656</td>
<td>5.682</td>
<td>5.280</td>
<td>5.088</td>
<td>5.096</td>
</tr>
<tr>
<td>Discretionary⁽¹⁾</td>
<td>0.928</td>
<td>0.938</td>
<td>0.952</td>
<td>0.977</td>
<td>0.998</td>
</tr>
<tr>
<td>Debt Service</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
</tr>
<tr>
<td>Capital Improvement⁽²⁾</td>
<td>1.570</td>
<td>1.560</td>
<td>1.546</td>
<td>1.521</td>
<td>1.500</td>
</tr>
<tr>
<td>Total Millage Levy</td>
<td>8.154</td>
<td>8.180</td>
<td>7.778</td>
<td>7.586</td>
<td>7.594</td>
</tr>
</tbody>
</table>

⁽¹⁾ Inclusive of 0.25 mill voter approved levy.

⁽²⁾ Inclusive of discretionary capital outlay millage.

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

Pursuant to Article VII of the Constitution of the State of Florida, the Board may not levy ad valorem taxes, exclusive of voted taxes levied for the payment of debt service on bonds, in excess of 10 mills. The Board is levying 7.344 non-voted mills for Fiscal Year ending June 30, 2015.
In the November, 2010 general election, the voters of Palm Beach County approved a 0.25 mill operating property tax levy for a four-year period beginning with the 2011-12 Fiscal Year and continuing through the 2015-16 Fiscal Year. The primary purpose of the millage is to pay for teachers' salaries, as well as arts, music, physical education, career and academic programs.

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

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


[Remainder of page intentionally left blank]
The following table sets forth the amounts billed and collected for ad valorem property taxes levied by the District for the Fiscal Years 2008 through 2014.

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

<table>
<thead>
<tr>
<th>Fiscal Year Ended June 30</th>
<th>Property Taxes Levied</th>
<th>Current Tax Collections</th>
<th>Total Tax Collections</th>
<th>Percent of Current Tax Collected To Property Taxes Levied&lt;sup&gt;(1)&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>$839,635</td>
<td>$806,691</td>
<td>$810,669</td>
<td>96.08%</td>
</tr>
<tr>
<td>2013</td>
<td>827,754</td>
<td>795,917</td>
<td>802,185</td>
<td>96.15</td>
</tr>
<tr>
<td>2012</td>
<td>874,150</td>
<td>840,529</td>
<td>847,399</td>
<td>96.15</td>
</tr>
<tr>
<td>2011</td>
<td>893,948</td>
<td>848,596</td>
<td>859,191</td>
<td>94.92</td>
</tr>
<tr>
<td>2010</td>
<td>908,715</td>
<td>838,198</td>
<td>847,980</td>
<td>92.78</td>
</tr>
<tr>
<td>2009</td>
<td>922,611</td>
<td>846,495</td>
<td>848,999</td>
<td>91.75</td>
</tr>
<tr>
<td>2008</td>
<td>912,729</td>
<td>835,511</td>
<td>836,012</td>
<td>91.54</td>
</tr>
</tbody>
</table>

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

The following table contains the list of the County's ten largest taxpayers for the Fiscal Year ended September 30, 2013 as compared to September 30, 2004.

**Palm Beach County, Florida**  
**Principal Property Tax Payers**  
**Current Year and Nine Years Ago**  
**September 30, 2013**

<table>
<thead>
<tr>
<th>Taxpayer</th>
<th>Total Tax</th>
<th>Rank</th>
<th>% of Total Levied</th>
<th>Total Tax</th>
<th>Rank</th>
<th>% of Total Levied</th>
</tr>
</thead>
<tbody>
<tr>
<td>Florida Power &amp; Light</td>
<td>$76,320,223</td>
<td>1</td>
<td>8.88%</td>
<td>$21,946,476</td>
<td>1</td>
<td>3.48%</td>
</tr>
<tr>
<td>Town Center</td>
<td>7,142,931</td>
<td>2</td>
<td>0.83</td>
<td>4,298,889</td>
<td>4</td>
<td>0.68</td>
</tr>
<tr>
<td>BellSouth Telecommunications</td>
<td>5,753,841</td>
<td>3</td>
<td>0.67</td>
<td>11,584,078</td>
<td>2</td>
<td>1.84</td>
</tr>
<tr>
<td>U.S. Sugar Corporation</td>
<td>5,125,947</td>
<td>4</td>
<td>0.60</td>
<td>5,695,327</td>
<td>3</td>
<td>0.90</td>
</tr>
<tr>
<td>Gardens Venture LLC</td>
<td>4,740,004</td>
<td>5</td>
<td>0.55</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Breakers Palm Beach Inc.</td>
<td>4,328,181</td>
<td>6</td>
<td>0.50</td>
<td>4,043,244</td>
<td>6</td>
<td>0.64</td>
</tr>
<tr>
<td>Okeelanta Corporation</td>
<td>3,442,570</td>
<td>7</td>
<td>0.40</td>
<td>3,360,565</td>
<td>8</td>
<td>0.53</td>
</tr>
<tr>
<td>Comcast of Florida/Georgia LLC</td>
<td>3,376,057</td>
<td>8</td>
<td>0.39</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Panthers BRHC LTD</td>
<td>3,360,137</td>
<td>9</td>
<td>0.39</td>
<td>4,174,358</td>
<td>5</td>
<td>0.66</td>
</tr>
<tr>
<td>TJ Palm Beach Assoc LTD Partners</td>
<td>2,960,821</td>
<td>10</td>
<td>0.34</td>
<td>2,945,869</td>
<td>10</td>
<td>0.47</td>
</tr>
<tr>
<td>Landry, Lawrence L.</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3,324,010</td>
<td>9</td>
<td>0.53</td>
</tr>
<tr>
<td>West Palm Beach CRA Lessor</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3,851,908</td>
<td>7</td>
<td>0.61</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$116,550,712</strong></td>
<td><strong>13.55%</strong></td>
<td><strong>$65,224,724</strong></td>
<td><strong>10.34%</strong></td>
<td><strong>65,224,724</strong></td>
<td><strong>10.34%</strong></td>
</tr>
</tbody>
</table>


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

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

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

2. Permits owners of homestead property to transfer up to $500,000 of their "Save Our Homes" benefit to a new homestead property purchased within two years of the sale of their previous homestead property to which such benefit applied if the just value of the new homestead is greater than or equal to the just value of the prior homestead. If the just value of
the new homestead is less than the just value of the prior homestead, then owners of homestead property may transfer a proportional amount of their "Save Our Homes" benefit, such proportional amount equaling the just value of the new homestead divided by the just value of the prior homestead multiplied by the assessed value of the prior homestead. The Save Our Homes amendment generally limits annual increases in ad valorem tax assessments for those properties with homestead exemptions to the lesser of three percent (3%) or the annual rate of inflation. This exemption applies to all taxes, including school district taxes.

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

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

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

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

Reduction in Local Option Millage Levy. In 2008, Section 1011.71, Florida Statutes, was amended to reduce the maximum millage rate that school districts could levy for capital outlay and maintenance purposes (referred to in this Offering Statement as the Local Option Millage Levy) from 2.0 mills to 1.75 mills commencing in Fiscal Year 2008-09. In conjunction with such reduction, the State's Commissioner of Education increased the amount of the required local effort for each school district in the State, which resulted in a shift of the millage (and associated tax revenues) from capital outlay and maintenance purposes to operational purposes. However, if the revenues generated from the reduced Local Option Millage Levy are insufficient to make payments under a lease-purchase agreement entered into prior to June 30, 2008, an amount equal to the revenue generated from 0.50 mills of the operating millage levy may be used to make such lease payments. As further discussed in "AVAILABLE REVENUES FOR CAPITAL OUTLAY
PROJECTS - Local Sources" the Local Option Millage Levy constitutes the primary source of funds to make Basic Lease Payments with respect to the Series 2015B Certificates, as well as any other Certificates of Participation issued in connection with the Master Lease. Accordingly, such reduction reduces the funds available to make Basic Lease Payments under the Series 2006A-1 Lease and may adversely impact the District's ability to finance additional educational facilities under the Master Lease in the future.

Section 1011.71, Florida Statutes, was further amended in 2009, 2010 and 2011 to provide for the following: (i) a reduction of the maximum Local Option Millage Levy from 1.75 mills to 1.50 mills; (ii) a waiver of the three-fourths limit on use of proceeds from the Local Option Millage Levy for lease-purchase agreements entered into before June 30, 2009, for the 2009-10 Fiscal Year (however, see "-Legislation Waiving 75% Limitation on Use of Local Option Millage Levy" below for information regarding an amendment to the provision); (iii) if the revenue from 1.50 mills is insufficient to make the payments due under a lease-purchase agreement entered into prior to June 30, 2009, or to meet other critical fixed capital outlay needs, authorization for school districts to levy up to 0.25 mills for capital improvement needs in lieu of an equivalent amount of the discretionary mills for operations as provided in the State General Appropriation Act; and (iv) authorization for school boards, by a super majority vote, to levy an optional 0.25 mills for critical capital outlay needs or for critical operating needs. The authorization to levy the millage described in clause (iv) hereof expired on June 30, 2011. The reduction of the maximum permitted Local Option Millage Levy will directly reduce the amount of funds available to make Basic Lease Payments with respect to certificates of participation issued in connection with the Master Lease unless action is taken pursuant to clause (iii) to levy an additional 0.25 mills for capital purposes. The School Board is not levying the optional millage referred to in clause (iii) above and is no longer authorized to levy the optional millage referred to in clause (iv) above.

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

Other Constitutional Amendments and Legislation Affecting Ad Valorem Taxation

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

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

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

Each of the above described amendments was approved by the voters on November 6, 2012. At present, the impact of the amendments on the District's finances has been minimal. However, there can be no assurance that similar or additional legislative or other proposals will not be introduced or enacted in the future that would, or might apply to, or have a material adverse effect upon, the District's finances.

During its 2013 Regular Session, the Florida Legislature passed Senate Bill 1830 ("SB 1830"), which was signed into law by the Governor and creates a number of changes affecting ad valorem taxation which became effective as of July 1, 2013. First, SB 1830 provides long-term lessees the ability to retain their homestead exemption and related assessment limitations and exemptions in certain instances and extends the time for property owners to appeal value adjustment board decisions on transfers of assessment limitations to conform with general court filing time frames. Second, SB 1830 inserts the term "algaculture" in the definition of "agricultural purpose" and inserts the term "aquacultural crops" in the provision specifying the valuation of certain annual agricultural crops, nonbearing fruit trees and nursery stock. Third, SB 1830 allows for an automatic renewal for assessment reductions related to certain additions to homestead properties used as living quarters for a parent or grandparent and aligns related appeal and penalty provisions to those for other homestead exemptions. Fourth, SB 1830 deletes a statutory requirement that the owner of Florida real property permanently reside upon such property in order to qualify for a homestead exemption. This change conforms the statute at issue with the Florida Constitution by allowing non-resident owners of property to claim a homestead exemption if a person legally or naturally dependent upon the owner permanently resides on such property. Fifth, SB 1830 clarifies a drafting error regarding the property tax exemptions counties and cities may provide for certain low income persons age 65 and older. Sixth, SB 1830 removes a residency requirement that a senior disabled veteran must have been a Florida resident at the time they entered the service to qualify for certain property tax exemptions. Seventh, SB 1830 repeals the ability for limited liability partnerships with a general partner that is a charitable 501(c)(3) organization to qualify for the affordable housing property tax exemption. Finally, SB 1830 exempts from property taxes property used exclusively for educational purposes when the entities that own the property and the educational facility are owned by the same natural persons.
Also during the Florida Legislature’s 2013 Regular Session, the Florida Legislature passed House Bill 277 ("HB 277"), which was signed into law by the Governor. HB 277 provides that certain renewable energy devices are exempt from being considered when calculating the assessed value of residential property. HB 277 only applies to devices installed on or after January 1, 2013. HB 277 took effect on July 1, 2013.

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

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

Legislative Proposals Relating to Ad Valorem Taxation. During recent years, various other legislative proposals and constitutional amendments relating to ad valorem taxation have been introduced in the State Legislature. Many of these proposals provide for new or increased exemptions to ad valorem taxation, limit increases in assessed valuation of certain types of property or otherwise restrict the ability of local governments in the State to levy ad valorem taxes at recent, historical levels. There can be no assurance that similar or additional legislative or other proposals will not be introduced or enacted in the future that would, or might apply to, or have a material adverse effect upon, the District or its finances.

RISK FACTORS

Each purchaser of Series 2015B Certificates is subject to certain risks and each prospective purchaser of Series 2015B Certificates is encouraged to read this Offering Statement in its entirety. Particular attention should be given to the factors described below which, among others, could affect the market price of the Series 2015B Certificates to an extent that cannot be determined.

Annual Right of the School Board to Terminate the Series 2006A-1 Lease

Although the School Board has determined that the Series 2006A-1 Facilities are necessary to its operations and currently intends to continue the Series 2006A-1 Lease in force and effect for the Lease Term and has covenanted in the Series 2006A-1 Lease that the Superintendent will include a sufficient amount in the tentative budget to enable the School Board to make all Lease Payments due in each Fiscal Year, the School Board is not required to appropriate funds for Lease Payments due in each Fiscal Year. If for any Fiscal Year the School Board does not approve a final budget which appropriates sufficient funds from legally available revenues in a line item specifically identified for payment of its obligations under the Current Leases, the Series 2006A-1 Lease or any Additional Lease, or if no final budget is adopted as of the last day upon which a final budget is required to have been adopted under Florida law for payment of its obligations under the Series 2006A-1 Lease, the Master Lease shall terminate as of the date of adoption of the final official budget, or such last day, whichever is earlier.

Limitation Upon Disposition; Ability to Sell or Relet

Following an event of default under the Series 2006A-1 Lease or non-appropriation of funds, the Trustee as assignee of the Corporation may take possession of the Series 2006A-1 Facilities and sell or re-let the leasehold interests therein. The Trustee's ability to actually achieve such a disposition of such Series 2006A-1 Facilities is limited by its inability to convey fee simple title to the Series 2006A-1 Facilities and by the governmental nature of the Series 2006A-1 Facilities. Moreover, it is possible that a court of competent jurisdiction could enjoin the sale or re-letting of the Trustee's interest in the Series 2006A-1 Facilities because of the essential governmental nature thereof. There can be no assurance that the remedies available to the Trustee upon any such termination of the Lease Term of all Leases and the disposition of the Series 2006A-1 Facilities will produce sufficient amounts to make timely payments of the principal and interest portions due on the outstanding Series 2015B Certificates.

Tax Effect Upon Termination of Series 2006A-1 Lease

Upon termination of the Series 2006A-1 Lease there is no assurance that payments made by the Trustee with respect to the Series 2015B Certificates and designated as interest will be excludable from gross income for federal income tax purposes. See "TAX TREATMENT" herein.

Applicability of Securities Laws

After termination of the Series 2006A-1 Lease, the transfer of a Series 2015B Certificate may be subject to or conditioned upon compliance with the registration provisions of applicable federal and state securities laws. Accordingly, there is no assurance that liquidity of the Series 2015B Certificates will not be impaired following termination of the Series 2006A-1 Lease.

Local Option Millage Revenue

The amount which can be realized by the District derived from the Local Option Millage Levy can be affected by a variety of factors not within the control of the District or the School Board including, without limitation, fluctuations in the level of assessed valuation of property within the District. See "AVAILABLE REVENUES FOR CAPITAL OUTLAY PROJECTS." Moreover, the maximum Local Option Millage Levy that may be levied and used for Lease Payments is subject to legislative change. See "AD VALOREM TAXATION - Recent Legislative Initiatives and Constitutional Amendments Concerning Ad Valorem Taxes."
State Revenues

A large portion of the District's funding is derived from State sources. See "FINANCIAL RESULTS AND LIABILITIES OF THE DISTRICT." A significantly large percentage of such State revenues is generated from the levy of the State sales tax. The amounts budgeted for distribution from the State to the District are subject to change in the event that projected revenues are not realized.

On May 3, 2013, the Florida Legislature passed the State budget for Fiscal Year 2013-14. The adopted State budget provided for an approximately $1.05 billion increase in State funding for K-12 education, including a $480 million increase in salaries for school personnel, retirement rate increases and growth. As a result of the enacted budget, funding in the State for Fiscal Year 2013-14 was estimated to increase by approximately $400 per student or 6.5% over Fiscal Year 2012-2013. The District estimated a net increase of approximately $71.7 million in State revenues for Fiscal Year 2013-14 as compared to Fiscal Year 2012-13.

On May 2, 2014, the Florida Legislature passed the State budget for Fiscal Year 2014-15. The adopted State budget provided for an approximately $175 million increase in State funding for K-12 education. As a result of the enacted budget, funding in the State for Fiscal Year 2014-15 is estimated to increase by approximately $176 per student or 2.6% over Fiscal Year 2013-14. The District projects a net increase of approximately $36.4 million in State revenues for Fiscal Year 2014-2015 as compared to Fiscal Year 2013-14.

Additional Leases

Pursuant to the Master Lease, the School Board may enter into other Leases in addition to the Current Leases and the Series 2006A-1 Lease. Failure to appropriate funds to make Lease Payments under any such Lease will, and an event of default under any such Lease may, result in the termination of all Leases, including the Series 2006A-1 Lease. Upon any such termination of all Leases, the School Board must surrender certain Facilities, including the Series 2006A-1 Facilities but excluding certain designated facilities to the Trustee for sale or lease. The proceeds of any such disposition of the Facilities will be applied to the payment of the applicable Series of Certificates. In no event will owners of the Series 2015B Certificates have any interest in or right to any proceeds of the disposition of Facilities financed with the proceeds of another Series of Certificates except as described herein. There can be no assurance that the remedies available to the Trustee upon any such termination of all Leases and the disposition of the Series 2006A-1 Facilities will produce sufficient amounts to pay the outstanding Series 2015B Certificates.

Additional Indebtedness

The School Board may issue additional indebtedness from time to time other than in connection with the Master Lease secured by or payable from available revenues without the consent of the Owners of the Series 2015B Certificates. Incurring such additional indebtedness may adversely affect the School Board's ability to make Lease Payments under the Master Lease.
Legislative Changes

In recent years, legislation has been introduced that has reduced State funding for school districts, required that certain percentages of school district funding be spent on particular activities and imposed additional funding restrictions and other requirements on school districts. 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.

Effect of Sequestration on Lease Payments

Pursuant to the Balanced Budget and Emergency Deficit Control Act, as amended, the President of the United States ordered that certain automatic spending cuts be implemented pursuant to calculations provided by the United States Office of Management and Budget in its Report to the Congress on sequestration dated March 1, 2013. The cuts include mandatory reductions in the amounts scheduled to be paid by the federal government to issuers of Build America Bonds, Qualified Zone Academy Bonds, Qualified School Construction Bonds, New Clean Renewable Energy Bonds and Qualified Energy Conservation Bonds (collectively, "Direct-Pay Bonds") under Section 6431 of the Internal Revenue Code.

Payments to issuers of Direct-Pay Bonds from the budget accounts associated with these bonds were originally subject to an effective reduction of 8.7 percent of the amount budgeted for such payments on and after March 1, 2013 through September 30, 2013. For payments to issuers of Direct-Pay Bonds during federal fiscal year 2014, which ended September 30, 2014, the annual sequester rate was reduced to 7.2 percent. Subject to clarification and the possibility of Congressional action, issuers of Direct-Pay Bonds face reductions of up to 7.3 percent for payments during federal fiscal year 2015, which ends September 30, 2015. Unless otherwise resolved, sequestration may continue through the end of federal fiscal year 2024, with reductions in subsidy payments expected to vary between 5.5 percent and 7.3 percent of what would otherwise be received.

For its Fiscal Year 2014-15, the School Board anticipates its aggregate expected QSCB Issuer Subsidy of $1,755,907 to be reduced by 7.3% (which equates to a $270,410 reduction), resulting in a corresponding increase in interest costs for the District that must be paid from other revenue sources.

Failed Remarketing or Refunding of Certain Term Rate or Floating Rate Certificates

Market dislocation or other unusual market conditions could adversely impact the ability of the District to remarket or refund certain Term Rate or Floating Rate Certificates on their respective mandatory tender dates (which mandatory tender dates are generally separated by at least six months). The District has approximately $290.57 million aggregate principal amount of outstanding Certificates subject to such remarketing risk, which represents approximately 17.9% of the District's outstanding Certificates of Participation; provided, however, the School Board is expected to authorize the refunding of approximately $67 million aggregate principal amount of such Certificates at its December 10, 2014 meeting. In the event any Series of such Certificates cannot be remarkeeted or refunded on their respective mandatory tender dates, the interest portion
of the Basic Lease Payments represented by such Certificates will increase to rates generally up to 11% per annum, which could adversely affect the financial position of the District if such Certificates are not able to be remarketed for a prolonged period of time.

**Risks Related to Interest Rate Exchange Agreements**

The School Board is subject to certain risks under the 2014A Interest Rate Exchange Agreement, 2002D Interest Rate Exchange Agreements (2005) and 2003B Interest Rate Exchange Agreement. Under certain circumstances, such interest rate exchange agreements are terminable at the option of the related counterparty thereto (Citi or UBS). In the event Citi or UBS exercises its option to terminate the interest rate exchange agreements, the School Board may be obligated to pay a termination payment or termination payments with respect thereto, which could be a substantial amount. While the School Board's scheduled payments under the 2014A Interest Rate Exchange Agreement and 2002D Interest Rate Exchange Agreement (2005) are guaranteed by the applicable Swap Policies, such swap policies do not guarantee termination payments under the related interest rate exchange agreements unless such termination is at the direction of the insurer thereof. In the event the School Board is required to pay a termination payment under any such agreement, its ability to make Lease Payments may be adversely affected. The 2003B Interest Rate Exchange Agreement has a Swap Policy issued by Ambac. Pursuant to actions taken by the Commissioner of Insurance for the State of Wisconsin, such Swap Policy has been deposited to a 'segregated account.' Pursuant to a Plan of Rehabilitation in connection with any Swap Policy in the segregated account, 25% of the permitted claim will be paid in cash and 75% in surplus notes bearing interest at the rate of 5.1% per year with a scheduled maturity on June 7, 2020. In addition, the District would be exposed to credit risk if an interest rate exchange agreement has a positive fair market value and the Counterparty is downgraded which could result in required collateralization of the value of the swap and put financial pressure on the Counterparty. Further, the intended benefit of an interest rate exchange agreement may not be realized because the floating rate the District receives under such interest rate exchange agreement may be less than the floating rate payable by the District on the applicable Certificates. See "SECURITY FOR THE SERIES 2015B CERTIFICATES - Interest Rate Exchange Agreements" herein.

**Property Insurance**

Principal as a result of the substantial property damage caused by hurricanes and other storms in Florida and other parts of the United States over the last few years, property insurance premiums have risen dramatically for Florida property owners. It has become impossible or economically impracticable for many school districts within the State, including the District, to obtain property insurance with the level of coverage they have historically secured. The property insurance requirements contained within the Master Lease provisions require the District to obtain certain levels of property insurance coverage to the extent available at commercially reasonable rates. The School Board has requested that the insurers and other credit facility issuers for all of the outstanding Certificates acknowledge the level of insurance which the School Board has been able to secure given its budget constraints and the increased rates and deductibles of the available insurance. The District's Insurance Consultant believes the School Board's insurance program is reasonable. In the event the District suffers substantial damage to
its property that is not covered by its current insurance or is not eligible for Federal reimbursement, the District's financial condition could be adversely impacted.

**Certain Constitutional Amendments**

See "AD VALOREM TAXATION – Recent Legislative Initiatives and Constitutional Amendments Concerning Ad Valorem Taxes" for information concerning certain amendments to the Florida Constitution and other legislative proposals that could materially adversely affect the School Board's financial situation.

**LITIGATION**

There is no litigation now pending or threatened: (i) to restrain or enjoin the issuance or sale of the Series 2015B Certificates; (ii) questioning or affecting the validity of the Series 2006A-1 Lease or the obligation of the School Board to make Lease Payments; or (iii) questioning or affecting the validity of any of the proceedings for the authorization, sale, execution or delivery of the Series 2015B Certificates.

The District is involved in certain other litigation and disputes incidental to its operations. Upon the basis of information presently available, the Office of General Counsel of the District believes that there are substantial defenses to such litigation and disputes and that, in any event, any ultimate liability in excess of its sovereign immunity limitations, or self-insured funds, or applicable insurance coverage, if any, resulting therefrom will not materially adversely affect the financial position or results of operations of the District.

**RATINGS**

Moody's Investors Service ("Moody's") and Fitch Ratings ("Fitch") have assigned ratings of "Aa3" and "AA-" (stable outlook), respectively, to the Series 2015B Certificates. An explanation of the rating given by Moody's may be obtained from Moody's at 7 World Trade Center, 250 Greenwich Street, 23rd Floor, New York, New York 10007, (212) 553-0501. An explanation of the rating and outlook given by Fitch may be obtained from Fitch at One State Street Plaza, New York 10004, (212) 908-0500. Certain information and materials concerning the Series 2015B Certificates, the School Board and the District were furnished to Moody's and Fitch by the District. If in its judgment circumstances so warrant, any rating service may raise, lower or withdraw its rating or outlook. If a downward change or withdrawal occurs, it could have an adverse effect on the resale price of the Series 2015B Certificates.

**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. The District is not and has not since December 31, 1975, been in default as to payment of principal and interest on its bonds or other debt obligations.
CERTAIN LEGAL MATTERS

Legal matters incident to the authorization, execution, delivery and sale of the Series 2015B Certificates are subject to the approving legal opinion of Greenberg Traurig, P.A., Miami, Florida, and Edwards & Associates, P.A., Miami, Florida, Co-Special Tax Counsel. The proposed form of such opinion is included herein as Appendix E. Certain legal matters relating to disclosure will be passed upon for the School Board by Nabors, Giblin & Nickerson, P.A., Tampa, Florida, Disclosure Counsel. Certain legal matters will be passed upon for the School Board and the Corporation by the Office of General Counsel of the District. Certain legal matters will be passed upon for the Underwriters by Moskowitz, Mandell, Salim & Simowitz, P.A., Fort Lauderdale, Florida, Underwriters' Counsel. Co-Special Tax Counsel, Disclosure Counsel and Underwriters' Counsel will receive fees for services provided in connection with the issuance of the Series 2015B Certificates, which fees are contingent upon the issuance of the Series 2015B Certificates.

Co-Special Tax Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on factual representations made to Co-Special Tax Counsel as of the date thereof. Co-Special Tax Counsel assume no duty to update or supplement the opinions to reflect any facts or circumstances that may thereafter come to Co-Special Tax Counsel's attention, or to reflect any changes in law that may thereafter occur or become effective. Moreover, Co-Special Tax 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 Co-Special Tax Counsel's professional judgment based on review of existing law, and in reliance on the representations and covenants deemed relevant to such opinion.

UNDERWRITING

The Series 2015B Certificates are being purchased by Merrill Lynch, Pierce, Fenner & Smith Incorporated and the other underwriters listed on the cover page hereof (collectively, the "Underwriters") at an aggregate purchase price of $172,036,072.07 which represents the $145,535,000.00 aggregate principal amount of the Series 2015B Certificates, plus bond premium of $26,760,286.60 and less an underwriters' discount of $259,214.53. The Underwriters' obligations are subject to certain conditions precedent, and they will be obligated to purchase all of the Series 2015B Certificates if any Series 2015B Certificates are purchased. The Series 2015B Certificates may be offered and sold to certain dealers at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriters.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the District, for which they received or will receive customary fees and expenses.
In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the District.

The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, one of the Underwriters of the Series 2015B Certificates, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2015B Certificates.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association. Wells Fargo Bank, National Association ("WFBNA"), one of the Underwriters of the Series 2015B Certificates, has entered into an agreement (the "Distribution Agreement") with its affiliate, Wells Fargo Advisors, LLC ("WFA"), for the distribution of certain municipal securities offerings, including the Series 2015B Certificates. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Series 2015B Certificates with WFA. WFBNA also utilizes the distribution capabilities of its affiliates, Wells Fargo Securities, LLC ("WFSLLC") and Wells Fargo Institutional Securities, LLC ("WFIS"), for the distribution of municipal securities offerings, including the Series 2015B Certificates. In connection with utilizing the distribution capabilities of WFSLLC, WFBNA pays a portion of WFSLLC’s expenses based on its municipal securities transactions. WFBNA, WFSLLC, WFIS, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company. Certain subsidiaries of Wells Fargo & Company (parent company of Wells Fargo Bank, National Association, one of the Underwriters for the Series 2015B Certificates) have provided, from time to time, investment banking services, commercial banking services or advisory services to the School Board, for which they have received customary compensation. Wells Fargo & Company or its subsidiaries may, from time to time, engage in transactions with and perform services for the School Board in the ordinary course of their respective businesses.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the Series 2015B Certificates, has entered into a negotiated dealer agreement (a "Dealer Agreement") with Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings, including the Series 2015B Certificates, at the original issue prices. Pursuant to the Dealer Agreement, CS&Co. will purchase Series 2015B Certificates from JPMS at the original issue
price less a negotiated portion of the selling concession applicable to any Series 2015B Certificates that CS&Co. sells.

Citigroup Global Markets Inc., an Underwriter of the Series 2015B Certificates, has entered into a retail distribution agreement with each of TMC Bonds L.L.C. ("TMC") and UBS Financial Services Inc. ("UBSFS"). Under these distribution agreements, Citigroup Global Markets Inc. may distribute municipal securities to retail investors through the financial advisor network of UBSFS and the electronic primary offering platform of TMC. As part of this arrangement, Citigroup Global Markets Inc. may compensate TMC (and TMC may compensate its electronic platform member firms) and UBSFS for their selling efforts with respect to the Series 2015B Certificates.

**TAX TREATMENT**

The Internal Revenue Code of 1986, as amended (the "Code"), includes requirements which the School Board must continue to meet after the issuance of the Series 2015B Certificates in order that the interest portion of the Basic Lease Payments represented by the Series 2015B Certificates be and remain excludable from gross income of the holders thereof for Federal income tax purposes. The School Board's failure to meet these requirements may cause the interest portion of the Basic Lease Payments designated and paid as interest to the Series 2015B Certificate holders to be included in gross income for Federal income tax purposes retroactively to the date of execution and delivery of the Series 2015B Certificates. The School Board has covenanted to take the actions required by the Code in order to maintain the excludability from gross income for Federal income tax purposes of the interest portion of the Basic Lease Payments designated and paid as interest to the Series 2015B Certificate holders and not to take any actions that would adversely affect that excludability. Co-Special Tax Counsel expects to deliver opinions at the time of issuance of the Series 2015B Certificates substantially in the form set forth in Appendix E.

In the opinion of Co-Special Tax Counsel, assuming continuing compliance by the School Board with the tax covenants referred to above and the accuracy of certain representations of the School Board, under existing statutes, regulations, rulings and court decisions, the interest portion of the Basic Lease Payments represented by the Series 2015B Certificates will be excludable from gross income for Federal income tax purposes. The interest portion of the Basic Lease Payments represented by the Series 2015B Certificates will not be an item of tax preference for purposes of the Federal alternative minimum tax imposed on individuals and corporations; however, the interest portion of the Basic Lease Payments represented by the Series 2015B Certificates will be taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. No opinion is expressed with respect to the Federal income tax consequences of any payments received with respect to the Series 2015B Certificates following termination of the Master Lease as a result of non-appropriation of funds or the occurrence of an event of default thereunder.

Co-Special Tax Counsel is further of the opinion that the Series 2015B Certificates and the portion of the Basic Lease Payments designated and paid as interest to the owners of the
Series 2015B Certificates 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 therein; provided, however, that no opinion is expressed with respect to tax consequences under the laws of the State of Florida of any payments received with respect to the Series 2015B Certificates following termination of the Master Lease as a result of non-appropriation of funds or the occurrence of an event of default thereunder.

Except as described above, Co-Special Tax Counsel will express no opinion regarding the Federal or State income tax consequences resulting from the receipt or accrual of the interest portion of the Basic Lease Payments designated and paid as interest to the Series 2015B Certificate holders or the ownership or disposition of the Series 2015B Certificates. Prospective purchasers of Series 2015B Certificates should be aware that the ownership of Series 2015B Certificates 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 Series 2015B Certificates or, in the case of a financial institution, that portion of the owner's interest expense allocable to the interest portion of the Basic Lease Payments represented by the Series 2015B Certificates, (ii) the reduction of the loss reserve deduction for property and casualty insurance companies by fifteen percent (15%) of certain items, including the interest portion of the Basic Lease Payments represented by the Series 2015B Certificates, (iii) the inclusion of the interest portion of the Basic Lease Payments represented by the Series 2015B Certificates 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 portion of the Basic Lease Payments represented by the Series 2015B Certificates 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 by recipients of certain Social Security and Railroad Retirement benefits of receipts and accrual of the interest portion of the Basic Lease Payments represented by the Series 2015B Certificates in determining whether a portion of such benefits are included in gross income for Federal income tax purposes.

From time to time, there are legislative proposals suggested, debated, introduced or pending in Congress that, if enacted into law, could alter or amend one or more of the federal tax matters described above including, without limitation, the excludability from gross income of the interest portion of Basic Lease Payments represented by the Series 2015B Certificates, adversely affect the market price or marketability of the Series 2015B Certificates, or otherwise prevent the holders from realizing the full current benefit of the status of the interest represented thereby. It cannot be predicted whether or in what form any such proposal may be enacted, or whether, if enacted, any such proposal would apply to the Series 2015B Certificates. If enacted into law, such legislative proposals could affect the market price or marketability of the Series 2015B Certificates. Prospective purchasers of the Series 2015B Certificates should consult their tax advisors as to the impact of any proposed or pending legislation.

The discussion of tax matters in this Offering Statement applies only in the case of purchasers of the Series 2015B Certificates at their original issuance and at the respective prices indicated on the inside cover page of this Offering Statement. It does not address any other tax consequences, such as, among others, the consequence of the existence of any market discount to subsequent purchasers of the Series 2015B Certificates. Purchasers of the Series 2015B
Certificates should consult their own tax advisers regarding their particular tax status or other tax considerations resulting from ownership of the Series 2015B Certificates.

**Information Reporting and Backup Withholding**

Interest paid on tax-exempt bonds such as the Series 2015B Certificates is subject to information reporting to the Internal Revenue Service in a manner similar to interest paid on taxable obligations. This reporting requirement does not affect the excludability of interest on the Series 2015B Certificates from gross income for federal income tax purposes. However, in conjunction with that information reporting requirement, the Code subjects certain non-corporate owners of Series 2015B Certificates, under certain circumstances, to "backup withholding" at the rates set forth in the Code, with respect to payments on the Series 2015B Certificates and proceeds from the sale of Series 2015B Certificates. Any amount so withheld would be refunded or allowed as a credit against the federal income tax of such owner of Series 2015B Certificates. This withholding generally applies if the owner of Series 2015B Certificates (i) fails to furnish the payor such owner's social security number or other taxpayer identification number ("TIN"), (ii) furnished the payor an incorrect TIN, (iii) fails to properly report interest, dividends, or other "reportable payments" as defined in the Code, or (iv) under certain circumstances, fails to provide the payor or such owner's securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such owner is not subject to backup withholding. Prospective purchasers of the Series 2015B Certificates may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

**BOND PREMIUM**

The Series 2015B Certificates as indicated on the inside cover of this Offering Statement ("Premium Certificates") were offered and sold to the public at a price in excess of their stated redemption price (the principal amount) at maturity. That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Certificate, based on the yield to maturity of that Premium Certificate (or, in the case of a Premium Certificate callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Premium Certificate), compounded semiannually (or over a shorter permitted compounding interval selected by the owner). No portion of that bond premium is deductible by the owner of a Premium Certificate. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Certificate, the owner's tax basis in the Premium Certificate is reduced by the amount of bond premium that accrues during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Certificate for an amount equal to or less than the amount paid by the owner for that Premium Certificate. A purchaser of a Premium Certificate in the initial public offering at the price for that Premium Certificate stated on the inside cover of this Offering Statement who holds that Premium Certificate to maturity (or, in the case of a callable Premium Certificate, to its earlier call date that results in the lowest yield on that Premium Certificate) will realize no gain or loss upon the retirement of that Premium Certificate.
Owners of Premium Certificates should consult their own tax advisers as to the determination for federal income tax purposes of the amount of bond premium properly accruable in any period with respect to the Premium Certificates and as to other federal tax consequences and the treatment of bond premium for purposes of state and local taxes on, or based on, income.

**FINANCIAL ADVISOR**

Public Financial Management, Inc., Orlando, Florida, is serving as Financial Advisor to the School Board. The Financial Advisor assisted in matters relating to the planning, structuring, execution and delivery of the Series 2015B Certificates and provided other advice. The Financial Advisor is not obligated to undertake and has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Offering Statement. The Financial Advisor did not engage in any underwriting activities with regard to the sale of the Series 2015B Certificates. The fees of the Financial Advisor are contingent upon the issuance of the Series 2015B Certificates.

**BASIC FINANCIAL STATEMENTS**

Excerpted information from the comprehensive annual financial report of the District for the Fiscal Year ended June 30, 2013, included in this Offering Statement have been audited by Ernst & Young LLP, independent certified public accountants, as stated in their report appearing in Appendix B. Ernst & Young LLP has not performed any examinations or audits in connection with the issuance of the Series 2015B Certificates.

Also attached as Appendix C are excerpted pages from the Superintendent's Annual Financial Report (Unaudited) for the Fiscal Year ended June 30, 2014. The figures in such report are subject to change during the auditing process. The comprehensive annual financial report of the District for the Fiscal Year ended June 30, 2014, including the report of the independent auditors thereof, is not available as of the date of this Offering Statement. However, the District expects such comprehensive annual financial report to be finalized and approved by the School Board in the near future and will post it on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System (described under "CONTINUING DISCLOSURE" below) once available. Notwithstanding the foregoing, the District does not anticipate any material changes to the unaudited figures set forth in this Offering Statement as a result of the auditing process.

**CONTINUING DISCLOSURE**

The School Board has covenanted and undertaken for the benefit of the Series 2015B Certificate holders to execute and deliver a Disclosure Dissemination Agent Agreement (the "Disclosure Agreement") on the date of initial issuance of the Series 2015B Certificates. Pursuant to the Disclosure Agreement, the School Board will agree to provide certain financial information and operating data relating to the District and the Series 2015B Certificates in each year (the "Annual Report"), and to provide notices of the occurrence of certain enumerated
events. Such covenant shall only apply so long as the Series 2015B Certificates remain Outstanding under the Series 2006A-1 Lease, the Series 2006A-1 Lease has not been terminated or there has not occurred an event of non-appropriation resulting in a termination. The agreement shall also terminate upon the termination of the continuing disclosure requirements of Rule 15c2-12(b)(5), as amended (the "Rule") of the Securities and Exchange Commission pursuant to the Securities and Exchange Act of 1934, as amended, by legislative, judicial or administration action. The Annual Report will be filed by the School Board with the Municipal Securities Rulemaking Board (the "MSRB") via its Electronic Municipal Market Access System described in the Disclosure Agreement attached hereto as Appendix F. The notices of material events will be filed by the School Board, or its dissemination agent, if any, with the MSRB. The specific nature of the information to be contained in the Annual Report and the notices of material events are described in "APPENDIX F - FORM OF DISCLOSURE DISSEMINATION AGENT AGREEMENT" to be dated and delivered at the time of issuance of the Series 2015B Certificates. These undertakings have been made in order to assist the Underwriters in complying with the Rule. Failure of the School Board to comply with the Disclosure Agreement is not considered an event of default under the Series 2006A-1 Lease, the Trust Agreement or the Disclosure Agreement; however, any Series 2015B Certificate holder may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the School Board to comply with its obligations under the Disclosure Agreement.

With respect to the Series 2015B Certificates, no party other than the School Board is obligated to provide, nor is expected to provide, any continuing disclosure information with respect to the aforementioned Rule. The School Board is current in all of its electronic filings with the MSRB required by the Rule. However, for the fiscal years ending June 30, 2009 and 2010, the School Board filed its Annual Reports with the previously approved nationally recognized municipal securities information repositories and did not timely file the reports electronically with the MSRB as required by certain amendments to the Rule that became effective on July 1, 2009. The School Board is current in its required filings of material event notices, although from June 26, 2008 until mid-2012, the School Board had ceased filing material event notices of rating changes related to downgrades of municipal bond insurers insuring certain of the School Board's Outstanding Certificates. The School Board is current in its required filings of defeasance notices of refunded Certificates, although due to an inadvertent administrative oversight it had not done so in a timely fashion for two series of Certificates that were refunded in November, 2011. The School Board intends to fully comply with all current and future continuing disclosure undertakings. In furtherance thereof, the School Board retained Digital Assurance Certification, L.L.C. as its dissemination agent in order to ensure such ongoing and future compliance with its obligations under the Rule.

**MISCELLANEOUS**

The information contained above is neither guaranteed as to accuracy or completeness nor to be construed as representation by the Underwriters. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Offering 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 School Board from the date hereof.

This Offering 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 in this Offering Statement involving matters of opinion, whether or not expressly so stated are intended as such and not as representations of fact. This Offering Statement is not to be construed as a contract or agreement between the District and the purchasers or the holders of any of the Series 2015B Certificates.

This Offering Statement has been duly executed and delivered by the authority of the School Board.

THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA

By: /s/ Chuck Shaw  
Chairman

By: /s/ E. Wayne Gent  
Superintendent of Schools
APPENDIX A

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

There are 38 incorporated municipalities within the County encompassing a total of 324 square miles, or approximately 16% of the County’s area. An estimated 56% of the County’s population resides within the municipalities. The City of West Palm Beach is the County seat and is the largest city in the County. The County had a 2013 population of 1,372,171.

Population

In 2013, Palm Beach County was the third largest county in the State in terms of population. Its population increased 65.3% from 1970 - 1980, 49.7% from 1980 - 1990, 31.0% from 1990 - 2000, 14.4% from 2001 to 2010 and 3.9% from 2010 to 2013.

### Population Growth 2004 - 2013

<table>
<thead>
<tr>
<th>Year</th>
<th>Palm Beach County</th>
<th>Florida</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Population</td>
<td>Change</td>
<td>Population</td>
</tr>
<tr>
<td>2004</td>
<td>1,252,223</td>
<td>2.8</td>
<td>17,415,318</td>
</tr>
<tr>
<td>2005</td>
<td>1,278,380</td>
<td>2.1</td>
<td>17,842,038</td>
</tr>
<tr>
<td>2006</td>
<td>1,284,489</td>
<td>0.5</td>
<td>18,166,990</td>
</tr>
<tr>
<td>2007</td>
<td>1,286,586</td>
<td>0.2</td>
<td>18,367,842</td>
</tr>
<tr>
<td>2008</td>
<td>1,294,938</td>
<td>0.6</td>
<td>18,527,305</td>
</tr>
<tr>
<td>2009</td>
<td>1,307,371</td>
<td>1.0</td>
<td>18,652,644</td>
</tr>
<tr>
<td>2010</td>
<td>1,320,134</td>
<td>1.0</td>
<td>18,801,310</td>
</tr>
<tr>
<td>2011</td>
<td>1,336,867</td>
<td>1.3</td>
<td>19,083,482</td>
</tr>
<tr>
<td>2012</td>
<td>1,335,759</td>
<td>1.4</td>
<td>19,320,749</td>
</tr>
<tr>
<td>2013</td>
<td>1,372,171</td>
<td>1.2</td>
<td>19,552,860</td>
</tr>
</tbody>
</table>

Income

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

Per Capita Personal Income
2004-2013

<table>
<thead>
<tr>
<th>Year</th>
<th>Palm Beach County</th>
<th>Florida % of</th>
<th>U.S. % of</th>
<th>Florida Dollars</th>
<th>U.S. % of</th>
<th>U.S. Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>$48,798</td>
<td>143.2%</td>
<td>142.3%</td>
<td>$34,068</td>
<td>99.3%</td>
<td>$34,300</td>
</tr>
<tr>
<td>2005</td>
<td>51,975</td>
<td>143.3%</td>
<td>144.8%</td>
<td>36,274</td>
<td>101.1%</td>
<td>35,888</td>
</tr>
<tr>
<td>2006</td>
<td>56,487</td>
<td>146.0%</td>
<td>149.1%</td>
<td>38,712</td>
<td>101.5%</td>
<td>38,127</td>
</tr>
<tr>
<td>2007</td>
<td>59,315</td>
<td>148.9%</td>
<td>149.0%</td>
<td>39,838</td>
<td>100.1%</td>
<td>39,804</td>
</tr>
<tr>
<td>2008</td>
<td>57,520</td>
<td>144.8%</td>
<td>140.7%</td>
<td>39,736</td>
<td>97.2%</td>
<td>40,873</td>
</tr>
<tr>
<td>2009</td>
<td>50,860</td>
<td>136.2%</td>
<td>129.2%</td>
<td>37,340</td>
<td>94.9%</td>
<td>39,357</td>
</tr>
<tr>
<td>2010</td>
<td>51,251</td>
<td>133.1%</td>
<td>127.6%</td>
<td>38,493</td>
<td>95.8%</td>
<td>40,163</td>
</tr>
<tr>
<td>2011</td>
<td>53,871</td>
<td>135.0%</td>
<td>127.4%</td>
<td>39,896</td>
<td>94.3%</td>
<td>42,298</td>
</tr>
<tr>
<td>2012</td>
<td>55,628</td>
<td>135.6%</td>
<td>127.2%</td>
<td>41,012</td>
<td>93.8%</td>
<td>43,735</td>
</tr>
<tr>
<td>2013</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>41,692</td>
<td>93.6%</td>
<td>44,543</td>
</tr>
</tbody>
</table>

N/A = Not available.
Source: Florida Research and Economic Information Database Application.

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

Palm Beach County
Population Distribution by Age Group
2010-2012

<table>
<thead>
<tr>
<th>Age Group</th>
<th>2010</th>
<th>2011*</th>
<th>2012*</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-19</td>
<td>300,186</td>
<td>299,704</td>
<td>299,997</td>
</tr>
<tr>
<td>20-44</td>
<td>386,375</td>
<td>387,177</td>
<td>388,416</td>
</tr>
<tr>
<td>45-64</td>
<td>348,418</td>
<td>350,280</td>
<td>354,374</td>
</tr>
<tr>
<td>65+</td>
<td>285,155</td>
<td>288,597</td>
<td>292,628</td>
</tr>
</tbody>
</table>

Source: Bureau of Economic and Business Research, University of Florida.
* Estimated figures.
Employment

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

Palm Beach County, Florida
Average Monthly Employment Covered by Unemployment Compensation
2011-2012

<table>
<thead>
<tr>
<th>Industry</th>
<th>Average Monthly Employment</th>
<th>Percent of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2011</td>
<td>2012</td>
</tr>
<tr>
<td>All Industries</td>
<td>433,631</td>
<td>446,427</td>
</tr>
<tr>
<td>Agriculture</td>
<td>6,579</td>
<td>6,566</td>
</tr>
<tr>
<td>Mining</td>
<td>189</td>
<td>186</td>
</tr>
<tr>
<td>Utilities</td>
<td>1,388</td>
<td>1,414</td>
</tr>
<tr>
<td>Construction</td>
<td>22,679</td>
<td>23,598</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>14,694</td>
<td>15,259</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>18,674</td>
<td>18,714</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>67,335</td>
<td>68,859</td>
</tr>
<tr>
<td>Transportation and Warehousing</td>
<td>7,179</td>
<td>7,305</td>
</tr>
<tr>
<td>Information</td>
<td>8,832</td>
<td>8,874</td>
</tr>
<tr>
<td>Finance</td>
<td>21,543</td>
<td>21,692</td>
</tr>
<tr>
<td>Real Estate</td>
<td>13,200</td>
<td>13,863</td>
</tr>
<tr>
<td>Professional Services</td>
<td>33,899</td>
<td>36,183</td>
</tr>
<tr>
<td>Management Companies</td>
<td>7,884</td>
<td>8,354</td>
</tr>
<tr>
<td>Administrative and Waste Services</td>
<td>38,444</td>
<td>39,630</td>
</tr>
<tr>
<td>Education</td>
<td>8,400</td>
<td>9,146</td>
</tr>
<tr>
<td>Health Care</td>
<td>72,084</td>
<td>72,408</td>
</tr>
<tr>
<td>Arts, Entertainment and Recreation</td>
<td>15,112</td>
<td>7,751</td>
</tr>
<tr>
<td>Accommodation and Food Services</td>
<td>54,328</td>
<td>56,854</td>
</tr>
<tr>
<td>Other Services</td>
<td>21,078</td>
<td>21,640</td>
</tr>
</tbody>
</table>


Note: Percentages may not equal due to rounding.
Palm Beach County
Annual Average Labor Force and Unemployment Estimates
2004-2013

<table>
<thead>
<tr>
<th>Year</th>
<th>Civilian Labor Force</th>
<th>Palm Beach County</th>
<th>Florida</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>593,714</td>
<td>5.1</td>
<td>4.7</td>
<td>5.5</td>
</tr>
<tr>
<td>2005</td>
<td>599,884</td>
<td>4.2</td>
<td>3.8</td>
<td>5.1</td>
</tr>
<tr>
<td>2006</td>
<td>612,009</td>
<td>3.6</td>
<td>3.3</td>
<td>4.6</td>
</tr>
<tr>
<td>2007</td>
<td>628,310</td>
<td>4.2</td>
<td>4.0</td>
<td>4.6</td>
</tr>
<tr>
<td>2008</td>
<td>627,739</td>
<td>6.5</td>
<td>6.3</td>
<td>5.8</td>
</tr>
<tr>
<td>2009</td>
<td>615,291</td>
<td>10.5</td>
<td>10.4</td>
<td>9.3</td>
</tr>
<tr>
<td>2010</td>
<td>616,568</td>
<td>11.4</td>
<td>11.3</td>
<td>9.6</td>
</tr>
<tr>
<td>2011</td>
<td>624,712</td>
<td>10.5</td>
<td>10.3</td>
<td>8.9</td>
</tr>
<tr>
<td>2012</td>
<td>640,434</td>
<td>8.9</td>
<td>8.6</td>
<td>8.1</td>
</tr>
<tr>
<td>2013</td>
<td>648,891</td>
<td>7.3</td>
<td>7.2</td>
<td>7.4</td>
</tr>
</tbody>
</table>

Source: Florida Research and Economic Information Database Application.

Largest Employers

The following table shows employment at the ten principal employers in the County in 2013.

<table>
<thead>
<tr>
<th>No. of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Palm Beach County School Board .......................................................... 20,810</td>
</tr>
<tr>
<td>Palm Beach County Government .............................................................. 11,000</td>
</tr>
<tr>
<td>Tenet Healthcare Corp ................................................................. 6,100</td>
</tr>
<tr>
<td>NextEra Energy (Florida Power &amp; Light) ........................................... 3,804</td>
</tr>
<tr>
<td>G4S (Wackenhut Corp) .................................................................... 3,000</td>
</tr>
<tr>
<td>Florida Atlantic University ......................................................... 2,980</td>
</tr>
<tr>
<td>Hospital Corporation of America .................................................... 2,714</td>
</tr>
<tr>
<td>Veterans Health Administration ....................................................... 2,700</td>
</tr>
<tr>
<td>Bethesda Memorial Hospital ............................................................ 2,643</td>
</tr>
<tr>
<td>Boca Raton Regional Hospital ......................................................... 2,250</td>
</tr>
</tbody>
</table>

Tourism

The County government is making a concentrated and continuing effort to increase the number of visitors to the area each year, which is expected to generate a 4% increase in revenues in fiscal year 2014. There are an estimated 70,800 people employed in jobs related to the tourism industry, with direct spending from visitors contributing $1.57 billion annually to the County’s economy. During fiscal year 2013, bed tax revenues increased by approximately 11% over the previous year.

Aerospace

The County is a recognized national leader in the aviation and aerospace industry. The area employs more than 20,000 people through approximately 600 businesses associated with the industry. Those businesses include B/E Aerospace, a leading manufacturer of passenger-cabin interior products for commercial jet aircraft. Lockheed Martin also has a presence in the County as a global security and information technology giant. Also located within the County is Pratt & Whitney; a world leader in the design, manufacture and service of aircraft engines, industrial gas turbines, and space propulsion systems. Sikorsky Aircraft Corporation, a sister company of Pratt & Whitney and world leader in the design, manufacture and service of military and commercial helicopters, is also located in the northern area of the County and now has over 1,100 employees. Sikorsky has also begun construction of a $9 million, 35,000 square foot building at the complex it shares with Pratt & Whitney.

Agriculture

The County agricultural acreage has remained stable for the last five years. The County still leads the state of Florida, and all counties east of the Mississippi River, in agricultural proceeds. The County leads the nation in the production of sugarcane, bell peppers and fresh sweet corn. It leads the state in the production of rice, lettuce, radishes, Chinese vegetables, specialty leaf produce, and celery. The 459,865 acres dedicated to agriculture represent 36% of the County’s total land mass. It ranks third in Florida in nursery production with estimated sales at $279 million, and leads the state in agricultural wages and salary with over $316 million. The industry currently uses bagasse, a sugarcane by-product, in conjunction with other waste wood products as the fuel source for the largest agriculturally based biomass co-generation plant in the United States for electricity generation. Several crops are currently grown as potential sources for ethanol production. Equestrian acreage in western the County continues to expand, currently ranking it as the second largest equine county in the state, behind Marion County.

Bioscience

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

During fiscal year 2013, the total volume for permits increased by 20% compared to fiscal year 2012. The Building Permit fee revenue increased 26% from $11.9 million to $15 million. In residential construction, there were 1,131 single unit permit starts and 52 multi-unit permit starts representing 585 units as compared to 928 single unit permits and 23 multi-unit permit starts representing 404 units as previously reported for fiscal year 2012. The total value for these residential permit starts were $544.7 million, as compared to $340.3 million as reported in fiscal year 2012. Overall permitting activity in both residential and commercial continues to improve.

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

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

<table>
<thead>
<tr>
<th>Calendar Year</th>
<th>Single and Multi-Family</th>
<th>Residential Valuation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>5,184</td>
<td>$1,011,437</td>
</tr>
<tr>
<td>2005</td>
<td>4,414</td>
<td>1,191,043</td>
</tr>
<tr>
<td>2006</td>
<td>7,806</td>
<td>1,068,926</td>
</tr>
<tr>
<td>2007</td>
<td>2,264</td>
<td>504,192</td>
</tr>
<tr>
<td>2008</td>
<td>1,196</td>
<td>340,385</td>
</tr>
<tr>
<td>2009</td>
<td>634</td>
<td>186,886</td>
</tr>
<tr>
<td>2010</td>
<td>768</td>
<td>215,254</td>
</tr>
<tr>
<td>2011</td>
<td>1,049</td>
<td>278,202</td>
</tr>
<tr>
<td>2012</td>
<td>1,580</td>
<td>411,211</td>
</tr>
<tr>
<td>2013</td>
<td>1,961</td>
<td>521,065</td>
</tr>
</tbody>
</table>


[Remainder of page intentionally left blank]
Banking

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

### Total Bank Deposits (in thousands)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Commercial Banks</th>
<th>Federal Savings and Loan Associations</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>20,201,000</td>
<td>14,270,000</td>
</tr>
<tr>
<td>2006</td>
<td>21,335,000</td>
<td>15,858,000</td>
</tr>
<tr>
<td>2007</td>
<td>25,313,000</td>
<td>12,603,000</td>
</tr>
<tr>
<td>2008</td>
<td>26,760,000</td>
<td>9,501,000</td>
</tr>
<tr>
<td>2009</td>
<td>31,813,000</td>
<td>7,217,000</td>
</tr>
<tr>
<td>2010</td>
<td>32,093,000</td>
<td>6,499,000</td>
</tr>
<tr>
<td>2011</td>
<td>32,136,000</td>
<td>5,773,000</td>
</tr>
<tr>
<td>2012</td>
<td>33,720,000</td>
<td>3,296,000</td>
</tr>
<tr>
<td>2013</td>
<td>36,761,000</td>
<td>2,362,000</td>
</tr>
<tr>
<td>2014</td>
<td>38,274,000</td>
<td>2,295,000</td>
</tr>
</tbody>
</table>

Source: Federal Deposit Insurance Corporation internet address www2.fdic.gov/sod.
APPENDIX B

EXCERPTED INFORMATION FROM THE COMPREHENSIVE FINANCIAL STATEMENTS OF THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA FOR THE FISCAL YEAR ENDED JUNE 30, 2013
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COMPREHENSIVE ANNUAL FINANCIAL REPORT

The School District of Palm Beach County, Florida

for the

Fiscal Year Ended June 30, 2013

Issued by:

E. Wayne Gent, Superintendent of Schools
Michael J. Burke, Chief Operating Officer

Prepared by:

Division of Financial Management
Heather Knust, C.P.A., Director of Accounting

The School District of Palm Beach County
3300 Forest Hill Boulevard
West Palm Beach, Florida 33406
Report of Independent Certified Public Accountants

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of The School District of Palm Beach County, Florida (The District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund and other special revenue fund for the year then ended in conformity with U.S. generally accepted accounting principles.
The School District of Palm Beach County, Florida's (the "District") discussion and analysis is designed to provide an objective and easy to read analysis of the District's financial activities for the fiscal year ended June 30, 2013, based on currently known facts, decisions or conditions. It is intended to provide a broad overview using a short-term and long-term analysis of the District's activities based on information presented in the financial report and fiscal policies that have been adopted by the seven elected members of the school board (the "Board"). Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the District's financial activity, and identify changes in the District's financial position (its ability to address the next and subsequent year challenges), identify any material deviations from the financial plan (the approved budget) and identify individual fund issuers or concerns. 

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

FINANCIAL HIGHLIGHTS

- The net position of the District decreased $82.7 million from $2.086 billion to $2.003 billion as expected. The District used foresight to set aside funds accumulated in fiscal year 2011 from Education Jobs funds to minimize the impact of the anticipated loss of State funding in fiscal year 2012 and 2013 due to the slow recovery from the economic downturn.
- The District's total long-term debt decreased by $107.9 million or 5.4% primarily due to debt repayments of $60.8 million, refunding/defeased transactions (discussed in Note 10), and a decrease in negative fair value of hedging derivative instruments of $43.7 million.
- Total revenues increased by $52.1 million or 3.1%, from $1.676 billion to $1.728 billion when compared to the prior year. 
  - General revenue accounted for $1.2 billion, or 69.4%, of all revenues and increased $45.2 million or 3.9%. This increase is primarily attributed to additional funding from the Florida Education Finance Planning (PEFP) revenue of $87.7 million, a $44.4 million increase in impact fees, offset in part by a decrease in property taxes of $46.2 million due to a decrease in the millage rate from 8.180 in fiscal year 2012 to 7.778 in fiscal year 2013 as well as non-recurring revenue from prior year interfund transfer of $6.7 million related to the closure of maintenance internal service fund.
  - Program specific revenue in the form of charges for services, grants and contributions accounted for $528.0 million, or 30.6% of all revenues and increased $6.9 million or 1.3%. The increase is primarily attributed to $3.9 million additional funding for class size reduction and $3.1 million additional funding for school recognition.
- Total expenses increased $55.8 million from $1.735 billion to $1.811 billion. The increase in expenditures is due primarily to an increase in salary and benefits as a result of negotiated employee raises and onetime bonus totaling $38.1 million and the costs to provide an additional hour of reading for sixteen Palm Beach County Schools determined to be in the low 100 in the state for reading performance totaling $5.8 million, additional increase of $3.4 million in interest on long term debts and an increase in food services expense of $4.0 million as a result of an expansion of the free breakfast program.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

- The District’s governmental funds reported combined fund balances of $486.2 million.
  - General Fund (the primary operating fund), reflected on a current financial resources basis, ended the year with a fund balance of $133.3 million. Of this amount, $44.4 million is classified as unassigned that is available to cover unanticipated financial needs and includes the Board approved contingency, $49.7 million is classified as assigned, $27.8 million is classified as restricted and $11.3 million is classified as nonspendable. During the current year, General Fund expenditures exceeded revenues (including other financing sources) by $33.4 million.
  - The General Fund ended the year with a fund balance of $131.2 million and is restricted or assigned to fund existing and future capital projects.
  - Debt Service funds ended the year with a fund balance of $110.8 million and is restricted to cover debt service payments.
  - Capital Project funds ended the year with a fund balance of $217.2 million and is restricted or assigned to fund existing and future capital projects.
  - Special Revenue funds ended the year with a fund balance of $24.9 million, of which $20.9 million is restricted to child nutrition costs, $2.9 million is nonspendable inventory, and $1.1 million is committed to The Education Network Program.
The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

<table>
<thead>
<tr>
<th>Major Features of Government-Wide and Fund Financial Statements</th>
<th>Government-wide Statements</th>
<th>Fund Financial Statements</th>
<th>Fiduciary Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope</td>
<td>Entire District (except fiduciary funds)</td>
<td>Activities the District operates similar to private-sector businesses: health internal service fund</td>
<td>Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities merica</td>
</tr>
<tr>
<td>Required financial statements</td>
<td>Statement of net position</td>
<td>Statement of net position</td>
<td>Statement of net position</td>
</tr>
<tr>
<td></td>
<td>Statement of activities</td>
<td>Statement of revenue, expenses, and changes in fund balances</td>
<td>Statement of revenue, expenses, and changes in fund net position</td>
</tr>
<tr>
<td>Accounting basis and measurement focus</td>
<td>Accrual accounting and economic resources focus</td>
<td>Accrual accounting and economic resources focus</td>
<td>Accrual accounting and economic resources focus</td>
</tr>
</tbody>
</table>

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

**Government-wide Statements**

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

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

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

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

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

**Proprietary funds** – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements. There are two types of proprietary funds:

- **Enterprise funds** – The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that it is properly using certain revenues (like federal grants).

The District has three kinds of funds:

- **Governmental funds** – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, the District provides additional information with the governmental funds statements that explain the relationship (or differences) between them.

- **Proprietary funds** – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements. There are two types of proprietary funds:
  - **Enterprise funds** account for goods and services provided to those outside the District, generally on a user-charge basis. Currently, the District has no enterprise funds.
  - **Internal service funds** report activities that provide supplies and services for the District's other programs and activities.

- **Fiduciary funds** – The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong.

The District excludes these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

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

**Other Information** – In addition to the basic financial statements and accompanying notes, this report also provides certain required supplementary information, as well as combining and individual fund statements and schedules beginning on page 66.

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

The District's net position was $2.0 billion at June 30, 2013. The largest portion of the District's net position, $1.8 billion or 89.6%, reflect its investment in capital assets (i.e., land, buildings, equipment), less any related debt used to acquire those assets that is still outstanding. The District
uses these capital assets to provide services to students; consequently, these assets are not available for
future spending. Although the District’s investment in its capital assets is reported net of related debt,
it should be noted that the resources needed to repay this debt must be provided from other sources,
since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of
the District’s net position ($391.1 million) represents resources that are subject to external restrictions
on how they may be used.

Capital assets (net) decreased $45.2 million or 1.2% compared to prior year and primarily reflects the
impact of current year depreciation exceeding capital spending. See Note 7 of the Notes to the Financial
Statements for more information on capital assets.

The analyses in Table 1, below, and Table 2 on page 8, focus on the summary of net position and
summary of changes in net position for the District’s governmental activities.

### Summary of Net Position

![Summary of Net Position](image)

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2013</th>
<th>June 30, 2012</th>
<th>Decrease</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current and other assets</td>
<td>$ 727,329</td>
<td>$ 816,027</td>
<td>($89,698)</td>
<td>(11.1%)</td>
</tr>
<tr>
<td>Capital assets (net)</td>
<td>3,581,926</td>
<td>3,627,119</td>
<td>(45,193)</td>
<td>(1.2%)</td>
</tr>
<tr>
<td>Total assets</td>
<td>4,309,255</td>
<td>4,453,146</td>
<td>(133,891)</td>
<td>(3.1%)</td>
</tr>
<tr>
<td>Deferred Outflows of Resources</td>
<td>94,966</td>
<td>138,619</td>
<td>(43,653)</td>
<td>(31.5%)</td>
</tr>
<tr>
<td>Current and other liabilities</td>
<td>288,061</td>
<td>287,897</td>
<td>11,664</td>
<td>4.2%</td>
</tr>
<tr>
<td>Long-term liabilities</td>
<td>2,113,151</td>
<td>2,221,664</td>
<td>(108,513)</td>
<td>(4.9%)</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>2,401,212</td>
<td>2,499,561</td>
<td>(98,349)</td>
<td>(3.9%)</td>
</tr>
<tr>
<td>Net position:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net investment in Capital Assets</td>
<td>1,794,798</td>
<td>1,825,814</td>
<td>(31,016)</td>
<td>(1.7%)</td>
</tr>
<tr>
<td>Restricted</td>
<td>301,111</td>
<td>334,924</td>
<td>(33,813)</td>
<td>(10.1%)</td>
</tr>
<tr>
<td>Unrestricted (deficit)</td>
<td>(92,902)</td>
<td>(75,034)</td>
<td>(17,868)</td>
<td>(23.8%)</td>
</tr>
<tr>
<td>Total net position</td>
<td>$ 2,085,007</td>
<td>$ 2,085,007</td>
<td>(0.0%)</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

The results of this year’s operations for the District as a whole are reported in the Statement of
Activities. Table 2, on page 8, takes the information from that statement and rearranges them slightly
so the reader can see the total revenues for the current year compared to fiscal year 2012.

As reported in the Statement of Activities, the cost of all of the governmental activities this year was $1.8
billion. Some costs were paid by those who benefited from the programs ($462.6 million), or by other
governments and organizations who subsidized certain programs with grants and contributions ($481.7
million). The District paid for the remaining “public benefit” portion of the governmental activities with
$1.0 billion in property taxes, $144.8 million in grants and contributions not restricted to specific
programs, $1.2 million in investment earnings, and $53.0 million in other general revenue.

### Summary of Changes in Net Position

![Summary of Changes in Net Position](image)

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2013</th>
<th>June 30, 2012</th>
<th>Decrease</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current and other assets</td>
<td>$ 727,329</td>
<td>$ 816,027</td>
<td>($89,698)</td>
<td>(11.1%)</td>
</tr>
<tr>
<td>Capital assets (net)</td>
<td>3,581,926</td>
<td>3,627,119</td>
<td>(45,193)</td>
<td>(1.2%)</td>
</tr>
<tr>
<td>Total assets</td>
<td>4,309,255</td>
<td>4,453,146</td>
<td>(133,891)</td>
<td>(3.1%)</td>
</tr>
<tr>
<td>Deferred Outflows of Resources</td>
<td>94,966</td>
<td>138,619</td>
<td>(43,653)</td>
<td>(31.5%)</td>
</tr>
<tr>
<td>Current and other liabilities</td>
<td>288,061</td>
<td>287,897</td>
<td>11,664</td>
<td>4.2%</td>
</tr>
<tr>
<td>Long-term liabilities</td>
<td>2,113,151</td>
<td>2,221,664</td>
<td>(108,513)</td>
<td>(4.9%)</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>2,401,212</td>
<td>2,499,561</td>
<td>(98,349)</td>
<td>(3.9%)</td>
</tr>
<tr>
<td>Net position:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net investment in Capital Assets</td>
<td>1,794,798</td>
<td>1,825,814</td>
<td>(31,016)</td>
<td>(1.7%)</td>
</tr>
<tr>
<td>Restricted</td>
<td>301,111</td>
<td>334,924</td>
<td>(33,813)</td>
<td>(10.1%)</td>
</tr>
<tr>
<td>Unrestricted (deficit)</td>
<td>(92,902)</td>
<td>(75,034)</td>
<td>(17,868)</td>
<td>(23.8%)</td>
</tr>
<tr>
<td>Total net position</td>
<td>$ 2,085,007</td>
<td>$ 2,085,007</td>
<td>(0.0%)</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

Operating grants and contributions increased $10.5 million or 2.3%, which is primarily attributed to the
an increase in School Food Service reimbursements of $4.3 million as a result of the expansion of the
breakfast program, and an increase in class size reduction revenue of $3.9 million, and an increase in
school recognition funds of $3.1 million.

Capital grants and contributions decreased $2.5 million and 20.3% primarily due to reduction in FEMA
revenue received. Funds received in fiscal year 2013 are for Hurricane Isaac and the funds received in

fiscal year 2012 were the remaining funds related to Hurricane Francis, Jeanne and Wilma (storms in fiscal year 2005 and 2006).

Property taxes decreased $46.2 million or 4.4%, which is primarily attributed to the decrease in the maximum property tax lev from 8.180 to 7.778 offset by a slight increase in property values.

Grants and contributions not restricted increased $89.2 million or 160.4%, which is primarily related to an increase of $87.7 million in PFP revenue partly due to the decrease in property tax.

Investment earnings decreased $3.0 million and 72.5% and is primarily attributed to non-recurring gain on sale of SWAP of $1.9 million (in fiscal year 2012), and a decrease in investment revenue resulting from lower cash balances and lower interest rates.

The pie chart below represents total expenditures from Governmental Funds classifed by function.
Beach Elementary in its continuing effort to provide state-of-the-art facilities for all of its students. Future school renovations and replacements will be scheduled based upon the availability of funding.

### Table 3

Capital Assets at Year End

<table>
<thead>
<tr>
<th>Governmental Activities (in thousands)</th>
<th>June 30, 2013</th>
<th>June 30, 2012</th>
<th>Increase (Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>341,459</td>
<td>$341,463</td>
<td>$4</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>60,224</td>
<td>16,281</td>
<td>43,943</td>
</tr>
<tr>
<td>Improvements other than buildings</td>
<td>55,630</td>
<td>53,665</td>
<td>1,965</td>
</tr>
<tr>
<td>Buildings and fixed equipment</td>
<td>4,058,975</td>
<td>4,055,510</td>
<td>3,465</td>
</tr>
<tr>
<td>Furniture, fixtures and equipment</td>
<td>136,980</td>
<td>130,127</td>
<td>6,853</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>97,253</td>
<td>97,526</td>
<td>(273)</td>
</tr>
<tr>
<td>Audio visual materials and computer</td>
<td>58,273</td>
<td>61,785</td>
<td>(3,512)</td>
</tr>
<tr>
<td>Total capital assets, net</td>
<td>(1,226,868)</td>
<td>(1,129,238)</td>
<td>(97,630)</td>
</tr>
</tbody>
</table>

### Long-term Debt

As shown in Table 4, below, at the end of this year, the District had $1.9 billion in debt outstanding which is comparable to $2.0 billion last year. The $107.9 million decrease in outstanding debt is due to the $43.7 million decrease in negative fair value of hedging derivative instruments, debt repayments of $60.8 million and the impact of refunding transactions and regular amortization. See Notes 10 and 11 of the Notes to the Financial Statements for more information on long-term liabilities and derivatives.

### Table 4

Long-term Debt Outstanding at Year End

<table>
<thead>
<tr>
<th>Governmental Activities (in thousands)</th>
<th>June 30, 2013</th>
<th>June 30, 2012</th>
<th>Increase (Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital outlay bond issues</td>
<td>$26,370</td>
<td>$30,650</td>
<td>(4,280)</td>
</tr>
<tr>
<td>Certificates of participation</td>
<td>1,771,333</td>
<td>1,832,003</td>
<td>(60,670)</td>
</tr>
<tr>
<td>Borrowing-Swap Upfront Payment</td>
<td>8,017</td>
<td>8,522</td>
<td>(505)</td>
</tr>
<tr>
<td>Derivative Instruments - Hedging</td>
<td>94,964</td>
<td>138,619</td>
<td>(43,655)</td>
</tr>
<tr>
<td>Plus: issuance premiums</td>
<td>40,020</td>
<td>35,339</td>
<td>4,681</td>
</tr>
<tr>
<td>Less: deferred amounts</td>
<td>(36,768)</td>
<td>(33,315)</td>
<td>(3,453)</td>
</tr>
<tr>
<td>Total</td>
<td>$1,903,936</td>
<td>$2,011,818</td>
<td>$107,882</td>
</tr>
</tbody>
</table>

The District’s certificates of participation are rated Aa3 by Moody’s Investors Service, and AA- by Standard and Poor’s Corporation, and AA- by Fitch Ratings Services.
CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

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

Visit our website at:

http://www.palmbeachschools.org/

View an electronic copy of our CAFR at:

http://www.palmbeachschools.org/accounting/
### THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA

#### STATEMENT OF NET POSITION

**JUNE 30, 2013**

(amounts expressed in thousands)

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>Primary Government Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash, cash equivalents and investments</td>
<td>$626,963</td>
</tr>
<tr>
<td>Derivative instrument investments</td>
<td>507</td>
</tr>
<tr>
<td>Taxes receivable</td>
<td>22,465</td>
</tr>
<tr>
<td>Accounts, deposits and interest receivable</td>
<td>1,138</td>
</tr>
<tr>
<td>Due from other agencies</td>
<td>42,866</td>
</tr>
<tr>
<td>Inventories</td>
<td>14,184</td>
</tr>
<tr>
<td>Restricted assets (cash with fiscal agent)</td>
<td>3,252</td>
</tr>
<tr>
<td>Other assets</td>
<td>15,074</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td><strong>4,309,255</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>DEFERRED OUTFLOWS OF RESOURCES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Accumulated decreases in Fair Value of Hedging Derivatives</td>
<td>94,964</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts and contracts payable</td>
<td>32,603</td>
</tr>
<tr>
<td>Accrued payroll and payroll deductions</td>
<td>100,773</td>
</tr>
<tr>
<td>Retainage payable on contracts</td>
<td>2,036</td>
</tr>
<tr>
<td>Deposits payable</td>
<td>184</td>
</tr>
<tr>
<td>Interest payable</td>
<td>44,729</td>
</tr>
<tr>
<td>Unearned revenue</td>
<td>1,116</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Noncurrent liabilities</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Portion due or payable within one year:</td>
<td></td>
</tr>
<tr>
<td>Bonds payable</td>
<td>4,465</td>
</tr>
<tr>
<td>Liability for compensated absences</td>
<td>16,155</td>
</tr>
<tr>
<td>Certificates of participation payable</td>
<td>63,865</td>
</tr>
<tr>
<td>Borrowing-swap upfront payment</td>
<td>708</td>
</tr>
<tr>
<td>Estimated claims</td>
<td>21,407</td>
</tr>
<tr>
<td>Portion due or payable after one year:</td>
<td></td>
</tr>
<tr>
<td>Bonds payable</td>
<td>23,565</td>
</tr>
<tr>
<td>Liability for compensated absences</td>
<td>104,675</td>
</tr>
<tr>
<td>Certificates of participation payable</td>
<td>1,709,040</td>
</tr>
<tr>
<td>Borrowing-swap upfront payment</td>
<td>7,309</td>
</tr>
<tr>
<td>Derivative instrument - Hedging</td>
<td>94,964</td>
</tr>
<tr>
<td>Estimated claims</td>
<td>26,298</td>
</tr>
<tr>
<td>Other post-employment benefits obligation</td>
<td>87,297</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td><strong>2,401,212</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NET POSITION</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Investment in capital assets</td>
<td>1,794,798</td>
</tr>
<tr>
<td>Restricted for:</td>
<td></td>
</tr>
<tr>
<td>Categorical carryover programs</td>
<td>2,250</td>
</tr>
<tr>
<td>Debt service</td>
<td>66,050</td>
</tr>
<tr>
<td>Capital projects</td>
<td>180,706</td>
</tr>
<tr>
<td>School food service</td>
<td>23,784</td>
</tr>
<tr>
<td>Other purposes</td>
<td>28,321</td>
</tr>
<tr>
<td><strong>UNRESTRICTED (MKR)</strong></td>
<td><strong>82,802</strong></td>
</tr>
<tr>
<td><strong>TOTAL NET POSITION</strong></td>
<td><strong>2,053,007</strong></td>
</tr>
</tbody>
</table>

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, 2013
(amounts expressed in thousands)

<table>
<thead>
<tr>
<th>Functions/Programs</th>
<th>Expenses</th>
<th>Charges for Services</th>
<th>Operating Grants and Services</th>
<th>Capital Grants and Services</th>
<th>Net (Expense)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Primary government:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Governmental activities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Instruction</td>
<td>949,936</td>
<td>2,783</td>
<td>306,067</td>
<td>2,992</td>
<td>(638,994)</td>
</tr>
<tr>
<td>Instructional support services</td>
<td>161,937</td>
<td>-</td>
<td>61,721</td>
<td>-</td>
<td>(100,216)</td>
</tr>
<tr>
<td>Board</td>
<td>5,495</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(5,495)</td>
</tr>
<tr>
<td>General administration</td>
<td>9,887</td>
<td>-</td>
<td>6,979</td>
<td>-</td>
<td>(5,837)</td>
</tr>
<tr>
<td>School administration</td>
<td>92,887</td>
<td>-</td>
<td>6,979</td>
<td>-</td>
<td>(85,908)</td>
</tr>
<tr>
<td>Facilities acquisition and construction</td>
<td>29,525</td>
<td>-</td>
<td>1,256</td>
<td>-</td>
<td>(28,199)</td>
</tr>
<tr>
<td>Fiscal services</td>
<td>5,726</td>
<td>-</td>
<td>21</td>
<td>-</td>
<td>(5,705)</td>
</tr>
<tr>
<td>Food services</td>
<td>70,710</td>
<td>15,024</td>
<td>57,379</td>
<td>-</td>
<td>1,693</td>
</tr>
<tr>
<td>Central services</td>
<td>13,550</td>
<td>-</td>
<td>595</td>
<td>-</td>
<td>(12,955)</td>
</tr>
<tr>
<td>Pupil transportation services</td>
<td>46,955</td>
<td>2,576</td>
<td>25,872</td>
<td>-</td>
<td>(18,507)</td>
</tr>
<tr>
<td>Operation of plant</td>
<td>123,343</td>
<td>-</td>
<td>4,525</td>
<td>-</td>
<td>(118,818)</td>
</tr>
<tr>
<td>Maintenance of plant</td>
<td>63,694</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(63,694)</td>
</tr>
<tr>
<td>Administrative technology services</td>
<td>7,260</td>
<td>-</td>
<td>60</td>
<td>-</td>
<td>(7,191)</td>
</tr>
<tr>
<td>Community services</td>
<td>33,897</td>
<td>25,858</td>
<td>4,283</td>
<td>-</td>
<td>(3,756)</td>
</tr>
<tr>
<td>Interest on long-term debt</td>
<td>84,780</td>
<td>-</td>
<td>-</td>
<td>5,639</td>
<td>(79,141)</td>
</tr>
<tr>
<td>Unallocated depreciation expense</td>
<td>109,590</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(109,590)</td>
</tr>
<tr>
<td>Amortization expense</td>
<td>1,596</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(1,596)</td>
</tr>
<tr>
<td>Total primary governmental activities</td>
<td>1,810,768</td>
<td>46,241</td>
<td>471,831</td>
<td>9,887</td>
<td>(1,282,809)</td>
</tr>
</tbody>
</table>

General revenues:

Taxes:
- Property taxes, levied for general purposes: 802,052
- Property taxes, levied for capital projects: 199,078
- Grants and entitlements not restricted to specific programs: 144,821
- Investment earnings: 1,155
- Miscellaneous: 53,006

Total general revenues: 1,200,112

Change in net position: (82,897)

Net Position—beginning: 2,085,704

Net Position—ending: $ 2,003,007

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

**The School District of Palm Beach County, Florida**

**Governmental Funds**

**June 30, 2013**

**Assets**

<table>
<thead>
<tr>
<th>Fund</th>
<th>General</th>
<th>Special</th>
<th>Cops</th>
<th>Non-Major</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash, cash equivalents and investments</td>
<td>$265,071</td>
<td>$298</td>
<td>$109,569</td>
<td>$45,027</td>
<td>$194,403</td>
</tr>
<tr>
<td>Taxes receivable</td>
<td>17,999</td>
<td>-</td>
<td>-</td>
<td>4,466</td>
<td>22,465</td>
</tr>
<tr>
<td>Accounts and interest receivable</td>
<td>1,134</td>
<td>-</td>
<td>4</td>
<td>-</td>
<td>1,138</td>
</tr>
<tr>
<td>Due from other agencies</td>
<td>7,909</td>
<td>19,342</td>
<td>-</td>
<td>14,985</td>
<td>42,236</td>
</tr>
<tr>
<td>Due from other funds</td>
<td>7,500</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>7,500</td>
</tr>
<tr>
<td>Inventories</td>
<td>11,312</td>
<td>-</td>
<td>-</td>
<td>2,872</td>
<td>14,184</td>
</tr>
<tr>
<td>Other assets</td>
<td>-</td>
<td>177</td>
<td>-</td>
<td>-</td>
<td>177</td>
</tr>
<tr>
<td>Cash with fiscal agent</td>
<td>1,592</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,592</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>252,517</td>
<td>19,817</td>
<td>109,573</td>
<td>49,493</td>
<td>212,260</td>
</tr>
</tbody>
</table>

**Liabilities**

<table>
<thead>
<tr>
<th>Fund</th>
<th>General</th>
<th>Special</th>
<th>Cops</th>
<th>Non-Major</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts and contracts payable</td>
<td>14,050</td>
<td>3,269</td>
<td>23</td>
<td>4,549</td>
<td>10,057</td>
</tr>
<tr>
<td>Accrued payroll and payroll deductions</td>
<td>99,032</td>
<td>6,817</td>
<td>-</td>
<td>2,611</td>
<td>108,460</td>
</tr>
<tr>
<td>Due to other funds</td>
<td>-</td>
<td>7,500</td>
<td>-</td>
<td>-</td>
<td>7,500</td>
</tr>
<tr>
<td>Retainage payable on contracts</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>195</td>
<td>1,841</td>
</tr>
<tr>
<td>Deposits payable</td>
<td>184</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>184</td>
</tr>
<tr>
<td>Deferred/Unearned revenue</td>
<td>5,977</td>
<td>1,116</td>
<td>-</td>
<td>-</td>
<td>249</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>119,243</td>
<td>18,702</td>
<td>23</td>
<td>4,744</td>
<td>14,758</td>
</tr>
</tbody>
</table>

**Fund Balances**

<table>
<thead>
<tr>
<th>Fund</th>
<th>General</th>
<th>Special</th>
<th>Cops</th>
<th>Non-Major</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nonspendable</td>
<td>11,312</td>
<td>-</td>
<td>-</td>
<td>2,872</td>
<td>14,184</td>
</tr>
<tr>
<td>Restricted</td>
<td>27,816</td>
<td>-</td>
<td>109,550</td>
<td>44,749</td>
<td>133,452</td>
</tr>
<tr>
<td>Committed</td>
<td>-</td>
<td>1,115</td>
<td>-</td>
<td>1,115</td>
<td>1,115</td>
</tr>
<tr>
<td>Assigned</td>
<td>49,746</td>
<td>-</td>
<td>-</td>
<td>61,178</td>
<td>110,924</td>
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<tr>
<td>Unassigned</td>
<td>44,400</td>
<td>-</td>
<td>-</td>
<td>44,400</td>
<td>44,400</td>
</tr>
<tr>
<td><strong>Total Fund Balances</strong></td>
<td>133,274</td>
<td>1,115</td>
<td>109,550</td>
<td>44,749</td>
<td>197,502</td>
</tr>
</tbody>
</table>

**Total Liabilities and Fund Balances**

<table>
<thead>
<tr>
<th></th>
<th>General</th>
<th>Special</th>
<th>Cops</th>
<th>Non-Major</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Liabilities and Fund Balances</strong></td>
<td>$252,517</td>
<td>$19,817</td>
<td>109,573</td>
<td>49,493</td>
<td>$212,260</td>
</tr>
</tbody>
</table>

The notes to the financial statements are an integral part of this statement.
Total Fund Balances - Governmental Funds $ 466,190

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

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

Cost of the assets 4,808,794
Accumulated depreciation (1,226,868)
Total capital assets, net of depreciation 3,581,926

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 position. 10,801

Expenditures for insurance extending over more than one accounting period not allocated between or among accounting periods, but accounted for as expenditures of the period of acquisition in the funds. 4,096

Deferred outflow of resources are reported at the fair values of corresponding hedging derivative instruments in the statement of net position. 94,964

Derivative instruments - investment assets reported on the statement of net position. 307

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 position.

Assets 75,965
Liabilities 13,553
Net position 62,412

Revenues that have been deferred or unearned in the governmental funds but are recognized as revenues in the governmental-wide financial statements. 6,226

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 28,050
Certificates of participation payable 1,772,905
Borrowing-swap upfront payment 8,017
Hedging derivative instruments 94,964
Compensated absences 172,996
Long-term claims payable 35,005
Other post employment benefits 87,249
Accrued interest on long-term debt 44,728 (2,243,815)

Total Net Position - Governmental Activities $ 2,003,007

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, 2013**

(amounts expressed in thousands)

<table>
<thead>
<tr>
<th></th>
<th>GENERAL FUND</th>
<th>OTHER SPECIAL REVENUE</th>
<th>COPS DEBT SERVICE</th>
<th>CAPITAL IMPROVEMENT</th>
<th>OTHER NON-MAJOR GOVERNMENTAL FUNDS</th>
<th>TOTAL GOVERNMENTAL FUNDS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Local sources:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ad valorem taxes</td>
<td>$ 802,052</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2013</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income and other</td>
<td>523</td>
<td>-</td>
<td>79</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<td>School age child care fees</td>
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<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Food service sales</td>
<td>234</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Impact fees</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Local grants and other</td>
<td>30,065</td>
<td>-</td>
<td>6,579</td>
<td>15</td>
<td>4,681</td>
<td>3,994</td>
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<tr>
<td>Total local sources</td>
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<td>6,579</td>
<td>94</td>
<td>203,965</td>
<td>1,001,130</td>
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<td>State sources:</td>
<td></td>
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<tr>
<td>Florida education finance program</td>
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<td>-</td>
<td>-</td>
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<td>187,320</td>
<td>187,320</td>
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<tr>
<td>Capital outlay and debt service</td>
<td>102</td>
<td>-</td>
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<tr>
<td>Food service</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<td>-</td>
</tr>
<tr>
<td>Class size reduction</td>
<td>206,594</td>
<td>-</td>
<td>-</td>
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<tr>
<td>State grants and entitlements</td>
<td>33,589</td>
<td>403</td>
<td>-</td>
<td>-</td>
<td>2,992</td>
<td>30,994</td>
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<tr>
<td>Total state sources</td>
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<td>10,795</td>
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<tr>
<td>Federal sources:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal grants and entitlements</td>
<td>7,194</td>
<td>115,357</td>
<td>-</td>
<td>-</td>
<td>5,995</td>
<td>128,546</td>
</tr>
<tr>
<td>National school lunch act</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>56,431</td>
<td>56,431</td>
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<tr>
<td>Total federal sources</td>
<td>7,194</td>
<td>115,357</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>128,546</td>
</tr>
<tr>
<td><strong>TOTAL REVENUES</strong></td>
<td>1,293,531</td>
<td>120,339</td>
<td>94</td>
<td>120,985</td>
<td>203,965</td>
<td>1,723,023</td>
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<td></td>
</tr>
<tr>
<td><strong>EXPENDITURES:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current:</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Instruction</td>
<td>906,203</td>
<td>59,030</td>
<td>-</td>
<td>-</td>
<td>2,057</td>
<td>964,140</td>
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<tr>
<td>Instructional support services</td>
<td>106,931</td>
<td>56,520</td>
<td>-</td>
<td>-</td>
<td>202</td>
<td>163,653</td>
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<td>5,417</td>
<td>50</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>5,467</td>
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<tr>
<td>General administration</td>
<td>5,509</td>
<td>4,154</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>9,653</td>
</tr>
<tr>
<td>School administration</td>
<td>92,535</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>93,665</td>
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<tr>
<td>Facilities acquisition and construction</td>
<td>499</td>
<td>-</td>
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<td>499</td>
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<td>Fiscal services</td>
<td>5,554</td>
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<td>5,576</td>
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<td>Food services</td>
<td>37</td>
<td>-</td>
<td>-</td>
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<td>37</td>
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<td>Central services</td>
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<td>698</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>13,721</td>
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<td>Pupil transportation services</td>
<td>45,908</td>
<td>1,902</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>47,810</td>
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<td>Operation of plant</td>
<td>128,609</td>
<td>45</td>
<td>-</td>
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<td>128,654</td>
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<td>Maintenance of plant</td>
<td>64,252</td>
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<td>-</td>
<td>64,252</td>
</tr>
<tr>
<td>Administrative technology services</td>
<td>7,446</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>7,446</td>
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<tr>
<td>Community services</td>
<td>33,912</td>
<td>327</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>34,239</td>
</tr>
<tr>
<td>Total Current Expenditures</td>
<td>1,412,826</td>
<td>119,697</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,602,523</td>
</tr>
</tbody>
</table>

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

(Continued)
<table>
<thead>
<tr>
<th></th>
<th>GENERAL FUND</th>
<th>OTHER SPECIAL REVENUE</th>
<th>COPS DEBT SERVICE</th>
<th>CAPITAL IMPROVEMENT</th>
<th>OTHER NON-MAJOR GOVERNMENTAL FUNDS</th>
<th>TOTAL GOVERNMENTAL FUNDS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital outlay</td>
<td>1,038</td>
<td>817</td>
<td>-</td>
<td>38,036</td>
<td>54,000</td>
<td>93,991</td>
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<tr>
<td>Debt service:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retirement of principal</td>
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<td>-</td>
<td>56,535</td>
<td>-</td>
<td>4,280</td>
<td>60,815</td>
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<tr>
<td>Interest</td>
<td>53</td>
<td>-</td>
<td>79,742</td>
<td>-</td>
<td>5,085</td>
<td>84,827</td>
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<tr>
<td>Fiscal charges</td>
<td>-</td>
<td>-</td>
<td>656</td>
<td>-</td>
<td>43</td>
<td>699</td>
</tr>
<tr>
<td>TOTAL EXPENDITURES</td>
<td>1,413,917</td>
<td>120,514</td>
<td>136,933</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Excess (Deficiency) of Revenues Over (Under) Expenditures</td>
<td>(120,386)</td>
<td>(175)</td>
<td>(136,839)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OTHER FINANCING SOURCES (USES):</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfers in</td>
<td>83,171</td>
<td>-</td>
<td>140,178</td>
<td>-</td>
<td>14,288</td>
<td>237,637</td>
</tr>
<tr>
<td>Transfers out</td>
<td>(287)</td>
<td>-</td>
<td>-</td>
<td>(197,633)</td>
<td>(39,717)</td>
<td>(237,637)</td>
</tr>
<tr>
<td>Issuance of long-term and refunded debt</td>
<td>-</td>
<td>-</td>
<td>67,145</td>
<td>-</td>
<td>-</td>
<td>67,145</td>
</tr>
<tr>
<td>Net premium (discount) from issuance of long-term and refunded debt</td>
<td>-</td>
<td>-</td>
<td>10,990</td>
<td>-</td>
<td>-</td>
<td>10,990</td>
</tr>
<tr>
<td>Payments to refunded debt escrow agent</td>
<td>-</td>
<td>-</td>
<td>(77,969)</td>
<td>-</td>
<td>-</td>
<td>(77,969)</td>
</tr>
<tr>
<td>Proceeds of loss recovery</td>
<td>4,109</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4,109</td>
</tr>
<tr>
<td>Sale of capital assets and other</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>TOTAL OTHER FINANCING SOURCES (USES)</td>
<td>86,993</td>
<td>-</td>
<td>140,344</td>
<td>(197,633)</td>
<td>56</td>
<td>(233,385)</td>
</tr>
<tr>
<td>NET CHANGE IN FUND BALANCES</td>
<td>31,704</td>
<td>(175)</td>
<td>56</td>
<td>(51,245)</td>
<td>(56,618)</td>
<td>(118,385)</td>
</tr>
<tr>
<td>FUND BALANCES, JULY 1, 2012</td>
<td>166,667</td>
<td>1,290</td>
<td>106,045</td>
<td>76,453</td>
<td>254,120</td>
<td>486,575</td>
</tr>
<tr>
<td>FUND BALANCES, JUNE 30, 2013</td>
<td>$ 135,274</td>
<td>$ 1,118</td>
<td>$ 109,550</td>
<td>$ 44,749</td>
<td>$ 197,502</td>
<td>$ 486,190</td>
</tr>
</tbody>
</table>

The notes to the financial statements are an integral part of this statement.
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, 2013 (amounts expressed in thousands)

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
OTHER SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2013
(amounts expressed in thousands)

<table>
<thead>
<tr>
<th>Revenues</th>
<th>Budgeted Amounts</th>
<th>Actual</th>
<th>Variances - Positive (Negative)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Original Basis</td>
<td>Final Basis</td>
<td>Original to Final</td>
</tr>
<tr>
<td>Local sources</td>
<td>$842</td>
<td>$6,161</td>
<td>$4,579</td>
</tr>
<tr>
<td>State sources</td>
<td>292</td>
<td>409</td>
<td>403</td>
</tr>
<tr>
<td>Federal sources</td>
<td>113,069</td>
<td>133,622</td>
<td>115,357</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td><strong>114,203</strong></td>
<td><strong>140,192</strong></td>
<td><strong>120,339</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenditures</th>
<th>Budgeted Amounts</th>
<th>Actual</th>
<th>Variances - Positive (Negative)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Instruction</td>
<td>48,850</td>
<td>62,204</td>
<td>56,479</td>
</tr>
<tr>
<td>Instructional support services</td>
<td>54,518</td>
<td>69,086</td>
<td>57,070</td>
</tr>
<tr>
<td>Board</td>
<td>50</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>General administration</td>
<td>4,325</td>
<td>5,005</td>
<td>4,154</td>
</tr>
<tr>
<td>School administration</td>
<td>41</td>
<td>51</td>
<td>52</td>
</tr>
<tr>
<td>Facilities Acquisition and Construction</td>
<td>-</td>
<td>70</td>
<td>70</td>
</tr>
<tr>
<td>Fiscal services</td>
<td>-</td>
<td>22</td>
<td>22</td>
</tr>
<tr>
<td>Central services</td>
<td>1,481</td>
<td>909</td>
<td>1,351</td>
</tr>
<tr>
<td>Pupil transportation services</td>
<td>2,195</td>
<td>2,109</td>
<td>1,919</td>
</tr>
<tr>
<td>Operation of plant</td>
<td>4</td>
<td>215</td>
<td>213</td>
</tr>
<tr>
<td>Maintenance of plant</td>
<td>3</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Community services</td>
<td>56</td>
<td>622</td>
<td>365</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td><strong>111,533</strong></td>
<td><strong>140,343</strong></td>
<td><strong>121,745</strong></td>
</tr>
</tbody>
</table>

**Excess (Deficiency) of Revenues Over (Under) Expenditures**

**Net Change in Fund Balance**

FUND BALANCE, JULY 1, 2012 (GAAP BASIS)

FUND BALANCE, JUNE 30, 2013 (BUDGETARY BASIS)

Adjustment To Conform With GAAP:

Elimination of encumbrances

FUND BALANCE, JUNE 30, 2013 (GAAP BASIS)

The notes to the financial statements are an integral part of this statement.
THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2013
(amounts expressed in thousands)

Governmental Activities

<table>
<thead>
<tr>
<th>Internal Service Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>OPERATING REVENUES:</td>
</tr>
<tr>
<td>Premium revenue</td>
</tr>
<tr>
<td>Other operating revenue</td>
</tr>
<tr>
<td>TOTAL OPERATING REVENUES</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>INTERNAL SERVICE FUND</th>
</tr>
</thead>
<tbody>
<tr>
<td>OPERATING EXPENSES:</td>
</tr>
<tr>
<td>Salaries</td>
</tr>
<tr>
<td>Benefits</td>
</tr>
<tr>
<td>Purchased services</td>
</tr>
<tr>
<td>Other expenses</td>
</tr>
<tr>
<td>TOTAL OPERATING EXPENSES</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>INTERNAL SERVICE FUND</th>
</tr>
</thead>
<tbody>
<tr>
<td>OPERATING INCOME</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NONOPERATING REVENUES:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest and other income</td>
</tr>
<tr>
<td>TOTAL NONOPERATING REVENUES</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>INTERNAL SERVICE FUND</th>
</tr>
</thead>
<tbody>
<tr>
<td>CHANGE IN NET POSITION</td>
</tr>
<tr>
<td>26,954</td>
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<table>
<thead>
<tr>
<th>INTERNAL SERVICE FUND</th>
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</thead>
<tbody>
<tr>
<td>NET POSITION - Beginning of year</td>
</tr>
<tr>
<td>NET POSITION - End of year</td>
</tr>
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The notes to the financial statements are an integral part of this statement.

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2013
(amounts expressed in thousands)

Governmental Activities

<table>
<thead>
<tr>
<th>Internal Service Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>CASH FLOWS FROM OPERATING ACTIVITIES:</td>
</tr>
<tr>
<td>Cash receipts from customers and interfund services provided</td>
</tr>
<tr>
<td>Cash payments to suppliers for goods and services</td>
</tr>
<tr>
<td>Cash payments for salaries and benefits</td>
</tr>
<tr>
<td>Other receipts</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>INTERNAL SERVICE FUND</th>
</tr>
</thead>
<tbody>
<tr>
<td>CASH FLOWS FROM INVESTING ACTIVITIES:</td>
</tr>
<tr>
<td>Interest and other income</td>
</tr>
<tr>
<td>Net cash provided by investing activities</td>
</tr>
<tr>
<td>Net increase in cash and cash equivalents</td>
</tr>
<tr>
<td>Cash and cash equivalents, beginning of year</td>
</tr>
<tr>
<td>Cash and cash equivalents, end of year*</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>INTERNAL SERVICE FUND</th>
</tr>
</thead>
<tbody>
<tr>
<td>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</td>
</tr>
<tr>
<td>Operating Income</td>
</tr>
<tr>
<td>Adjustments to reconcile operating income to net cash provided by operating activities:</td>
</tr>
<tr>
<td>Changes in assets and liabilities:</td>
</tr>
<tr>
<td>Increase in accounts receivable</td>
</tr>
<tr>
<td>Increase in salaries and benefits payable</td>
</tr>
<tr>
<td>Decrease in accounts payable</td>
</tr>
<tr>
<td>Decrease in Estimated Unpaid claims</td>
</tr>
<tr>
<td>Total adjustments</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
</tr>
</tbody>
</table>

*Includes Restricted Cash
The notes to the financial statements are an integral part of this statement.
### Private-Purpose Trust Fund

<table>
<thead>
<tr>
<th>Assets</th>
<th>Florida Future Educators of America</th>
<th>School Internal Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash, cash equivalents and investments</td>
<td>$424</td>
<td>$16,514</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>-</td>
<td>$1,045</td>
</tr>
<tr>
<td>Interest receivable</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>424</td>
<td><strong>17,560</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>Florida Future Educators of America</th>
<th>School Internal Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>-</td>
<td>$563</td>
</tr>
<tr>
<td>Due to student organizations</td>
<td>-</td>
<td>$16,997</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>-</td>
<td><strong>17,560</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net Position</th>
<th>Florida Future Educators of America</th>
<th>School Internal Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Held in trust for scholarships</td>
<td>424</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Net Position</strong></td>
<td>$424</td>
<td>-</td>
</tr>
</tbody>
</table>

The notes to the financial statements are an integral part of this statement.
1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School District of Palm Beach County, Florida (the "District") have been prepared in conformity 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 1011 of Florida Statutes. The District's boundaries are coterminous with those of Palm Beach County. Management of the School District is independent of county and city governments. The membership of the governing board of the District (the 'Board') consists of seven members elected from single member districts for overlapping four-year terms. The Superintendent is appointed by the Board to act as executive officer of the District.

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

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

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

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

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for Fiduciary Funds. 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.
financed in a manner similar to those found in the private sector. The measurement focus is upon the
determination of net income. The only Proprietary Funds that the District has are Internal Service Funds.
Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating
revenues and expenses generally result from providing services and producing and delivering goods in
connection with a Proprietary Fund’s principal ongoing operations. Operating expenses for Internal Service
Funds include salaries, benefits, administrative expenses, and claims paid. All items not meeting this
definition are reported as nonoperating revenues and expenses.

Internal Service Fund
Internal Service Fund is used to account for the financing of goods and services provided by one department
to another on a cost reimbursement basis. The District has one Internal Service Fund 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. The Fiduciary Funds are prepared under the
economic resources measurement focus and the accrual basis of accounting.

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

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

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

Modified Accrual
Under the modified accrual basis, revenues are recognized in the accounting period in which they become
susceptible to accrual, i.e., both available and measurable. "Measurable" means the amount of the
transaction can be determined and "available" means collectible within the current period or soon enough
thereafter to be used to pay liabilities of the current period. Significant revenues susceptible to accrual
include ad valorem taxes, reimbursable-type grants and interest on investments. The District considers all
revenues (with the exception of the expenditure-driven grants) as available if they are collected within sixty
(60) days after year-end. The expenditure driven grants are considered available if received within one year
from the balance sheet date. Current year property tax revenue is recognized when taxes are received,
except at year end when revenue is recognized for taxes received by the District within sixty (60) days
subsequent to fiscal year end. Expenditures are recognized in the accounting period in which the liability is
incurred. However, exceptions include the amount of unmatured principal and interest on general long-
term debt, compensated absences, 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,
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 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 inter fund budget amendments between major functional areas within each fund are submitted to the Board for approval. Federal and State grant budget amendments which require State approval prior to processing are also submitted to the Board for approval with monthly amendments.

Unreserved appropriations are cancelled at the end of the fiscal year. However, encumbered appropriations for funds do not lapse at the end of the fiscal year. Restricted, committed and assigned fund balances at June 30, 2013 for funds under budgetary control have been re-appropriated for the fiscal year 2014 operating budget within the appropriate fund. Programs restricted for carryover include all State categorical grants required to be expended on specific programs and District approved carryover programs.

D. Encumbrances

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

E. Cash, Cash Equivalents and Investments

The District maintains a Treasurer's pool for the District's cash and investments. Each fund's portion of the pool is presented on the financial statements. Investments are stated at fair value, based on quoted market prices or recognized pricing sources. Investments consist of direct obligations of the United States Treasury, U.S. Government Agency Securities, U.S. Government sponsored agencies, money market funds investing in U.S. Treasury Securities, AAA rated local government investment pools, corporate notes, U.S. Government Supported Corporate Debt, and other investments allowable by the District's investment policy. All money market mutual funds are AAA rated by the various rating agencies and each fund is registered as a 2a-7 fund with the SEC. Rule 2a-7 of the Investment Company Act of 1940, comprises the rules governing money market funds. For purposes of the statement of cash flows, cash equivalents are considered to be the money market funds and all highly liquid investments with a maturity of three months or less when purchased.

F. Inventories

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

G. Prepaid Items

Expenditures for insurance and similar services extending over more than one accounting period are not allocated between or among accounting periods in the governmental funds and are instead accounted for as expenditures in the period of acquisition (Purchase method).

H. Capital Assets

Capital assets represent the cumulative amount of capital assets owned by the District. Purchased assets are recorded as expenditures in the fund financial statements and are capitalized at cost on the government-wide statement of net position. Gifts or contributions are recorded at fair value at the time received.

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

<table>
<thead>
<tr>
<th>Description</th>
<th>Estimated Lives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Furniture, Fixtures and Equipment</td>
<td>3 – 18 years</td>
</tr>
<tr>
<td>Motor Vehicles</td>
<td>5 – 10 years</td>
</tr>
<tr>
<td>Audio/Video Materials &amp; Software</td>
<td>3 – 5 years</td>
</tr>
<tr>
<td>Buildings and Improvements</td>
<td>15 – 50 years</td>
</tr>
<tr>
<td>Improvements Other Than Buildings</td>
<td>15 years</td>
</tr>
<tr>
<td>Intangibles</td>
<td>5 years</td>
</tr>
</tbody>
</table>

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 position. Bond premiums/discounts and issuance cost are amortized over the life of the bonds while deferred loss on advance refunding are amortized over the shorter of the remaining life of the refunded bonds or the life of the new bonds both 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 is reflected on the government wide financial statements (See Notes 10 and 11).

J. Self Insurance

The District is self insured for portions of its general and automobile liability insurance and workers' compensation. Claim activity (expenses 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 an insurance claims incurred but not reported (See Note 8). 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, it 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. The estimated liability for self-insured risks represents an estimate of
the amount to be paid on insurance claims reported and on insurance claims incurred but not reported (see Note 8). Consistent with GAAP guidelines, in the Proprietary Fund financial statements, the liability for self insured risks is recorded under the accrual basis of accounting.

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 are payable to employees upon termination or retirement at the current rate of pay on the date of termination or retirement.

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

L. 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.

M. Impact of Recently Issued Accounting Principles

Recently Issued and Adopted Accounting Pronouncements

In November 2010, the GASB issued Statement 61, The Financial Reporting Entity: Omnibus on amendment of GASB Statements No. 14 and No. 34. GASB 61 provides additional criteria for classifying entities as component units to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. This statement is effective for periods beginning after June 15, 2012.

Based on assessing the criteria for classifying entities as component units under GASB 61, charter schools no longer qualify as part of the District’s Reporting Entity and should not be reported as discretely presented component units to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. This statement is effective for periods beginning after June 15, 2012.

The impact on the District’s financial statements is to exclude charter schools from the District’s Reporting Entity as defined in Note 1.A. and to exclude the charter school financial information that was previously included on both the Statement of Net Position and Statement of Activities.

Consistent with GASB 61, the District will exclude the charter schools from the District’s Reporting Entity and the related financials as the charter schools are not fiscally dependent on the District. Charter schools also fail to meet the definition of presentation component units. The District is not financially accountable for charter schools since charter schools no longer qualify as part of the District’s Reporting Entity and should not be reported as discretely presented component units to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. This statement is effective for periods beginning after June 15, 2012.

In January 2013, the GASB issued Statement 69, Government Combinations and Disposals of Government Operations. GASB statement 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This Statement is effective for fiscal years beginning after December 15, 2013. The adoption of GASB 69 does not have any impact on the District’s financial statements.

In April 2013, the GASB issued Statement 70, Accounting and Financial Reporting for Nonspecial Governmental Pensions—an amendment of GASB Statement 27. GASB 70 improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2014. Management is currently evaluating the impact of the adoption of this statement on the District’s financial statements.

In June 2012, the GASB issued Statement 67, Financial Reporting for Pension Plans—an amendment of GASB Statement 25. GASB 67 improves financial reporting by state and local governmental pension plans. The requirements of this Statement will improve financial reporting for pension plans primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by the pension plans that are within its scope. This Statement is effective for financial statements for fiscal years beginning after June 15, 2013. This Statement will not impact the District’s financial statements.

In June 2013, the GASB issued Statement 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement 27. GASB 68 improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2014. Management is currently evaluating the impact of the adoption of this statement on the District’s financial statements.

In April 2013, the GASB issued Statement 70, Accounting and Financial Reporting for Nonspecial Governmental Pensions—an amendment of GASB Statement 27. GASB 70 improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2014. Management is currently evaluating the impact of the adoption of this statement on the District’s financial statements.

3. 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 7.778 mills and the total assessed value on which the 2012-13
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 depositors resulting from insolvency are covered by applicable deposit insurance, sale of securities pledged as collateral and, if necessary, assessment against other qualified public depositories of the same type as the depository in default. All bank balances of the District are fully insured or collateralized. At June 30, 2013, the carrying amount of the District's cash deposits was approximately $263.8 million and the bank balance was approximately $273.5 million. The carrying amount of the Agency Fund - School Internal 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.

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 cash deposits, amounts invested in Money Markets, Florida Education Investment Trust Fund (FEITF) and Florida State Board of Administration (SBA).

Investments

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

Interest Rate Risk

To limit exposure to fair value losses resulting from increases in interest rates, the District's Investment Policy limits operating funds to maturities of two years or less. Investments of reserves, project funds, debt proceeds and other non-operating funds ("core funds") shall have a term appropriate to the need for funds and in accordance with debt covenants, but in no event shall exceed five (5) years and the average duration of the funds as a whole may not exceed three (3) years. The District's investment in the Federal Home Loan Mortgage Corporation matures between August, 2014 and September, 2014. The District's investments in the Federal National Mortgage Association mature between March, 2015 and March, 2016. The District's investments in the Freddie Mac Global mature between September, 2014 and August, 2015. As of June 30, 2013, the District held approximately $3.6 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.

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, 2013, the District held $108 million of corporate notes of which had an S&P rating between AA- and AA+. All investments in the Federal Home Loan Mortgage Corporation and Federal National Mortgage Association were rated AA+ by S&P. All other rated investments were rated between AA and AA+ by S&P. As of June 30, 2013, the Local Government Investment Pool was rated AAAm by S&P. As of June 30, 2013, 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 U.S. Government securities, 80% may be invested in Federal Instrumentalities (US government sponsored agencies, and 50% may be invested in mortgage related securities.
agencies) with no more than 50% with a single issuer and 50% may be invested in US government agencies with no more than 25% with a single issuer. Corporate Notes are limited to 15% of the portfolio with no more than 5% with a single issuer.

<table>
<thead>
<tr>
<th>PORTFOLIO / INVESTMENTS</th>
<th>CARRYING VALUE (in thousands)</th>
<th>PERCENTAGE OF INVESTMENT BALANCE</th>
<th>S&amp;P / MOODY’S RATING</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Deposits</td>
<td>$263,770</td>
<td>42.07%</td>
<td></td>
</tr>
<tr>
<td>Money Market Funds</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dreyfus Treasury and Agency</td>
<td>63,128</td>
<td>10.07%</td>
<td>AA-Am/AAA-mf</td>
</tr>
<tr>
<td>Federated Government Obligation</td>
<td>25,179</td>
<td>4.02%</td>
<td>AA-Am/AAA-mf</td>
</tr>
<tr>
<td>Fidelity Institutional Government Fund</td>
<td>16,709</td>
<td>2.67%</td>
<td>AA-Am/AAA-mf</td>
</tr>
<tr>
<td>Goldman Sachs Government Fund</td>
<td>5,001</td>
<td>0.80%</td>
<td>AA-Am/AAA-mf</td>
</tr>
<tr>
<td>Morgan Stanley US Government</td>
<td>5,000</td>
<td>0.80%</td>
<td>AA-Am/AAA-mf</td>
</tr>
<tr>
<td>Florida Education Investment Trust Fund (FEITF)</td>
<td>87,377</td>
<td>13.94%</td>
<td>AAAm</td>
</tr>
<tr>
<td>Florida State Board of Administration (SBA)</td>
<td>10</td>
<td>0.00%</td>
<td>AAAm</td>
</tr>
<tr>
<td>Investments in Fixed Income Securities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>US Treasury - Notes/Bill</td>
<td>113,720</td>
<td>18.14%</td>
<td>AA+/Aaa</td>
</tr>
<tr>
<td>Toyota Motor Corporation</td>
<td>2,008</td>
<td>0.32%</td>
<td>AA-/Aa3</td>
</tr>
<tr>
<td>Berkshire Hathaway</td>
<td>624</td>
<td>0.10%</td>
<td>AA-/Aa2</td>
</tr>
<tr>
<td>General Electric Capital Corporation</td>
<td>3,745</td>
<td>0.60%</td>
<td>AA+/A1</td>
</tr>
<tr>
<td>Wal-Mart</td>
<td>567</td>
<td>0.09%</td>
<td>AA/Aa2</td>
</tr>
<tr>
<td>Apple</td>
<td>891</td>
<td>0.14%</td>
<td>AA+/Aa1</td>
</tr>
<tr>
<td>IBM</td>
<td>2,466</td>
<td>0.39%</td>
<td>AA-/Aa3</td>
</tr>
<tr>
<td>Chevron</td>
<td>531</td>
<td>0.08%</td>
<td>AA/Aa1</td>
</tr>
<tr>
<td>Fannie Mae</td>
<td>11,326</td>
<td>1.81%</td>
<td>AA+/Aaa</td>
</tr>
<tr>
<td>Farmer Mac</td>
<td>376</td>
<td>0.06%</td>
<td>AA+/Aaa</td>
</tr>
<tr>
<td>Freddie Mac</td>
<td>13,107</td>
<td>2.09%</td>
<td>AA+/Aaa</td>
</tr>
<tr>
<td>Federal Home Loan Mortgage Corporation</td>
<td>4,877</td>
<td>0.78%</td>
<td>AA+/Aaa</td>
</tr>
<tr>
<td>Municipal Bonds</td>
<td>2,520</td>
<td>0.40%</td>
<td>AA/Aa2</td>
</tr>
</tbody>
</table>

**TOTAL** $626,963 100.00%

As of June 30, 2013, all District investments were in compliance with the District’s Investment Policy or Debt Management Policy and did not exceed portfolio allocation or issuer maximums.
6. INTERFUND ACTIVITIES

Due to/from other funds consisted of the following balances at June 30, 2013 (amounts in thousands):

<table>
<thead>
<tr>
<th>Fund</th>
<th>Interfund Receivables</th>
<th>Interfund Payables</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>$7,500</td>
<td>$7,500</td>
</tr>
<tr>
<td>Other Special Revenue Fund</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Interfund</td>
<td>$7,500</td>
<td>$7,500</td>
</tr>
</tbody>
</table>

The amount payable by the Other Special Revenue Fund to the General Fund is to cover temporary cash shortages related to sequestration and timing of receipts.

Interfund transfers for the year ended June 30, 2013 were as follows (amounts in thousands):

<table>
<thead>
<tr>
<th>Transfer from:</th>
<th>Transfer to:</th>
<th>General Fund</th>
<th>Debt</th>
<th>Governmental Fund</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Improvement</td>
<td>Other Non-Major</td>
<td>$120,862</td>
<td>$53</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Fund</td>
<td></td>
<td>197,633</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Non-Major Governmental</td>
<td></td>
<td>13,996</td>
<td>39,717</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>357,744</td>
<td>401,683</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

7. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013 is as follows (amounts in thousands):

<table>
<thead>
<tr>
<th>Source/Use</th>
<th>June 30, 2012</th>
<th>Transfer In</th>
<th>Transfers Out</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Depreciable Assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>$341,463</td>
<td>$4</td>
<td>$341,459</td>
<td></td>
</tr>
<tr>
<td>Construction in Progress</td>
<td>16,281</td>
<td>51,385</td>
<td>7,442</td>
<td>60,224</td>
</tr>
<tr>
<td>Total Non-Depreciable Assets</td>
<td>357,744</td>
<td>51,385</td>
<td>7,442</td>
<td>401,683</td>
</tr>
</tbody>
</table>

Depreciable Assets:

<table>
<thead>
<tr>
<th>Source/Use</th>
<th>June 30, 2012</th>
<th>Transfer In</th>
<th>Transfers Out</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improvements Other Than Buildings</td>
<td>53,665</td>
<td>1,965</td>
<td>(20,318)</td>
<td></td>
</tr>
<tr>
<td>Buildings and Improvements</td>
<td>4,055,510</td>
<td>5,755</td>
<td>(979,104)</td>
<td></td>
</tr>
<tr>
<td>Furniture, Fixtures &amp; Equipment</td>
<td>130,127</td>
<td>12,326</td>
<td>(512,001)</td>
<td></td>
</tr>
<tr>
<td>Motor Vehicles</td>
<td>97,526</td>
<td>328</td>
<td>(73,846)</td>
<td></td>
</tr>
<tr>
<td>Audio/Video Materials &amp; Software</td>
<td>61,785</td>
<td>389</td>
<td>(51,099)</td>
<td></td>
</tr>
<tr>
<td>Total Depreciable Assets</td>
<td>4,398,613</td>
<td>20,763</td>
<td>(1,226,868)</td>
<td></td>
</tr>
</tbody>
</table>

Loss Depreciation For:

<table>
<thead>
<tr>
<th>Source/Use</th>
<th>June 30, 2012</th>
<th>Transfer In</th>
<th>Transfers Out</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improvements Other Than Buildings</td>
<td>(16,667)</td>
<td>(5,651)</td>
<td>(20,318)</td>
<td></td>
</tr>
<tr>
<td>Buildings and Improvements</td>
<td>(895,811)</td>
<td>(2,290)</td>
<td>(979,104)</td>
<td></td>
</tr>
<tr>
<td>Furniture, Fixtures &amp; Equipment</td>
<td>(66,560)</td>
<td>(5,179)</td>
<td>(102,001)</td>
<td></td>
</tr>
<tr>
<td>Motor Vehicles</td>
<td>(87,903)</td>
<td>(602)</td>
<td>(73,846)</td>
<td></td>
</tr>
<tr>
<td>Audio/Video Materials &amp; Software</td>
<td>(52,297)</td>
<td>(3,889)</td>
<td>(51,099)</td>
<td></td>
</tr>
<tr>
<td>Total Accumulated Depreciation</td>
<td>(1,129,238)</td>
<td>(11,960)</td>
<td>(1,226,868)</td>
<td></td>
</tr>
<tr>
<td>Capital Assets, Net</td>
<td>$3,627,116</td>
<td>$7,442</td>
<td>$3,581,926</td>
<td></td>
</tr>
</tbody>
</table>

Depreciation expense for the year ended June 30, 2013 of approximately $109.6 million was not allocated to specific functions. The District's capital assets essentially serve all functions and as such the depreciation expense is included as a separate line item in the statement of activities.

8. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; administrative errors and omissions; injuries to employees, students and guests; as well as natural disasters. The District is self-insured for portions of its general and automobile liability insurance, workers compensation and health insurance. Losses involving auto and general liability claims are limited (generally) by provisions of the Florida State Statute 768.28. These self-insured funds are administered by a third party. The District purchases commercial insurance for other risks including property, construction and other miscellaneous risks.

The employee health insurance claims liability is based on an analysis performed by management, which is based on historical trends. The remaining claims liability is based on an actuarial evaluation performed by an independent actuary as of June 30, 2013 using a discounted rate factor of 3.5%. The liability consists of claims reported and payable, as well as an estimate for claims incurred but not reported. At June 30, 2013, the liability for insurance claims consisted of approximately $12.7 million, $6.8 million and $28.2 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 (amounts in thousands):

<table>
<thead>
<tr>
<th>From Prior Year</th>
<th>From above</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal Year Ended</td>
<td>Fiscal Year Ended</td>
</tr>
<tr>
<td>June 30, 2012</td>
<td>June 30, 2013</td>
</tr>
<tr>
<td>Beginning Balance</td>
<td>$57,314</td>
</tr>
<tr>
<td>Additions:</td>
<td></td>
</tr>
<tr>
<td>Current year claims and changes in estimates</td>
<td>172,824</td>
</tr>
<tr>
<td>Reductions:</td>
<td></td>
</tr>
<tr>
<td>Claim payments</td>
<td>(177,460)</td>
</tr>
<tr>
<td>Ending Balance</td>
<td>$52,678</td>
</tr>
</tbody>
</table>

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, 2011, 2012 and 2013. A total of $62.4 million is designated to cover health claims incurred during the off contract period (summer break) and for future catastrophic claims.

9. SHORT-TERM DEBT

Short-term debt activity for the year ended June 30, 2013 was as follows (amounts in thousands):

<table>
<thead>
<tr>
<th>Tax anticipation notes</th>
<th>Total short-term debt</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Balance</td>
<td>$</td>
</tr>
<tr>
<td>July 1, 2012</td>
<td>115,000</td>
</tr>
<tr>
<td>Issued</td>
<td></td>
</tr>
<tr>
<td>Redeemed</td>
<td></td>
</tr>
<tr>
<td>Ending Balance</td>
<td>115,000</td>
</tr>
<tr>
<td>June 30, 2013</td>
<td></td>
</tr>
</tbody>
</table>

The compensated absences, claims and judgments (other than health) and post employment benefits are generally liquidated by the general fund. Health insurance claims are liquidated by health internal service 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 range from 2.00 percent to 5.00 percent. Interest is payable semianually on January 1 and July 1. The bonds are redeemable at par.

10. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2013, is as follows (amounts in thousands):

<table>
<thead>
<tr>
<th>Governmental Activities:</th>
<th>June 30, 2012</th>
<th>Additions</th>
<th>Reductions</th>
<th>June 30, 2013</th>
<th>Due Within</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds and Leases Payable:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Outlay Bond Issue</td>
<td>$30,650</td>
<td></td>
<td>$4,280</td>
<td>$26,370</td>
<td>$4,485</td>
</tr>
<tr>
<td>Certificates of Participation</td>
<td>1,832,003</td>
<td>67,145</td>
<td>(127,815)</td>
<td>1,771,333</td>
<td>63,865</td>
</tr>
<tr>
<td>Borrowing-Swap Upfront Payment</td>
<td>8,522</td>
<td>12</td>
<td>(517)</td>
<td>8,017</td>
<td>708</td>
</tr>
<tr>
<td>Derivative Instruments-Hedging</td>
<td>138,619</td>
<td></td>
<td>(43,655)</td>
<td>94,964</td>
<td>-</td>
</tr>
<tr>
<td>Total Governmental Activities</td>
<td>2,009,794</td>
<td>67,157</td>
<td>(176,267)</td>
<td>1,900,684</td>
<td>69,058</td>
</tr>
<tr>
<td>Total Bonds and Leases Payable</td>
<td>2,011,818</td>
<td>71,459</td>
<td>(189,963)</td>
<td>1,903,935</td>
<td>37,562</td>
</tr>
</tbody>
</table>

Other Liabilities:

| Compensated Absences | 178,053 | 18,059 | (15,279) | 180,833 | 16,155 |
| Claims and Judgments: | | | | |
| Insurance Claims | 52,678 | 165,629 | (170,602) | 47,705 | 21,407 |
| Post Employment Benefits | 78,701 | 12,678 | (4,082) | 87,297 | - |
| Total Other Liabilities | 309,432 | 196,366 | (189,963) | 315,835 | 37,562 |
| Total Governmental Activities | 2,321,250 | 267,825 | (369,304) | 2,219,771 | 106,620 |

The compensated absences, claims and judgments (other than health) and post employment benefits are generally liquidated by the general fund. Health insurance claims are liquidated by health internal service fund.

The school district of palm beach county, florida

Notes to the financial statements

For the year ended June 30, 2013

B-26
A summary of bond terms are presented as follows (amounts in thousands):

<table>
<thead>
<tr>
<th>Capital Outlay Bond Issuance</th>
<th>Date of Issuance</th>
<th>Amount Issued</th>
<th>Interest Rate (Percent)</th>
<th>Final Maturity Date</th>
<th>Outstanding Debt as of June 30, 2013</th>
<th>Debt Issued as of June 30, 2013</th>
<th>Debt Matured/Refunded as of June 30, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>COBI 2005-A (1)</td>
<td>7/15/2013</td>
<td>6,050</td>
<td>5.00%</td>
<td>1/1/2013</td>
<td>260</td>
<td>-</td>
<td>260</td>
</tr>
<tr>
<td>COBI 2005-A</td>
<td>5/1/2005</td>
<td>21,200</td>
<td>5.50%</td>
<td>1/1/2017</td>
<td>10,770</td>
<td>-</td>
<td>2,510</td>
</tr>
<tr>
<td>COBI 2005-B</td>
<td>7/1/2005</td>
<td>2,767</td>
<td>5.00%</td>
<td>1/1/2020</td>
<td>1,940</td>
<td>-</td>
<td>250</td>
</tr>
<tr>
<td>COBI 2009-A</td>
<td>9/10/2009</td>
<td>1,665</td>
<td>5.00%</td>
<td>1/1/2019</td>
<td>1,220</td>
<td>-</td>
<td>150</td>
</tr>
<tr>
<td>COBI 2010-A</td>
<td>10/14/2010</td>
<td>9,700</td>
<td>3.50% to 5.00%</td>
<td>1/1/2030</td>
<td>8,850</td>
<td>-</td>
<td>425</td>
</tr>
<tr>
<td>COBI 2010-A</td>
<td>10/14/2010</td>
<td>1,790</td>
<td>4.00% to 5.00%</td>
<td>1/1/2022</td>
<td>1,790</td>
<td>-</td>
<td>115</td>
</tr>
<tr>
<td>COBI 2011-A</td>
<td>12/17/2011</td>
<td>5,820</td>
<td>3.00% to 5.00%</td>
<td>1/1/2023</td>
<td>5,820</td>
<td>-</td>
<td>770</td>
</tr>
</tbody>
</table>

(1) Advance refund by COBI 2011-A

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

<table>
<thead>
<tr>
<th>Year Ended June 30</th>
<th>Principal Capital Outlay Bonds</th>
<th>Interest</th>
<th>Total Principal and Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>$ 4,485</td>
<td>$ 1,244</td>
<td>$ 5,729</td>
</tr>
<tr>
<td>2015</td>
<td>$ 4,220</td>
<td>$ 1,020</td>
<td>$ 5,240</td>
</tr>
<tr>
<td>2016</td>
<td>$ 4,185</td>
<td>$ 809</td>
<td>$ 4,994</td>
</tr>
<tr>
<td>2017</td>
<td>$ 1,970</td>
<td>$ 600</td>
<td>$ 2,570</td>
</tr>
<tr>
<td>2018</td>
<td>$ 1,525</td>
<td>$ 501</td>
<td>$ 2,026</td>
</tr>
<tr>
<td>2019-2023</td>
<td>$ 6,170</td>
<td>$ 1,515</td>
<td>$ 7,685</td>
</tr>
<tr>
<td>2024-2028</td>
<td>$ 2,675</td>
<td>$ 542</td>
<td>$ 3,217</td>
</tr>
<tr>
<td>2029-2030</td>
<td>$ 1,140</td>
<td>$ 69</td>
<td>$ 1,209</td>
</tr>
<tr>
<td>Total</td>
<td>$ 26,370</td>
<td>$ 6,300</td>
<td>$ 32,670</td>
</tr>
</tbody>
</table>

The District is subject to State Board of Education Administrative Rule 6A-1037(2) that limits the amount of State Board of Education Capital Outlay Bond Issues outstanding to 10% of the non-exempt assessed valuation. At June 30, 2013, the statutory limit for the District was approximately $13.3 billion, providing additional debt capacity of approximately $13.2 billion.

Certificates of Participation

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

The District also sold Certificates of Participation Qualified Zone Academy Bonds ("QZAB"). The QZAB program is a financial instrument that provides a different form of subsidy from traditional tax-exempt bonds. Interest on QZABs is paid by the Federal government in the form of an annual tax credit to an eligible financial institution that holds the QZAB. The QZAB issuer is responsible for repayment upon maturity. The tax credits and bonding authority are made available by the Federal government to support innovative school partnerships, enhance reform initiatives, including augmenting Federal education programs, technology and vocational equipment; and development of curriculum or better teacher training to promote market driven technology. To be eligible, a school must:

1. Be located in an Empowerment Zone or an Enterprise Community or have 35 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 District deposits funds annually in an escrow, which when coupled with interest earnings will be sufficient to pay off the principal at maturity.

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

<table>
<thead>
<tr>
<th>Certification</th>
<th>Date of Issue</th>
<th>Amount Issued</th>
<th>Remaining Interest Basis Rate (Percent)</th>
<th>Final Maturity Date</th>
<th>Debt Outstanding June 30, 2012</th>
<th>Debt Issued FY 12-13</th>
<th>Debt Maturity FY 12-13</th>
<th>Debt Refunded/Deferred</th>
<th>Debt Outstanding June 30, 2013</th>
<th>Ground Lease Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Series 2022A (1)</td>
<td>2/1/2002</td>
<td>$115,280</td>
<td>4.29% to 5.375%</td>
<td>8/1/2013</td>
<td>$15,135</td>
<td>-</td>
<td>$7,425</td>
<td>-</td>
<td>$7,710</td>
<td>9/1/2018</td>
</tr>
<tr>
<td>Series 2022C (2)</td>
<td>5/15/2002</td>
<td>$161,090</td>
<td>-</td>
<td>8/1/2012</td>
<td>3,990</td>
<td>-</td>
<td>7,365</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Series 2022E (3)</td>
<td>9/1/2002</td>
<td>$93,350</td>
<td>4.00% to 5.375%</td>
<td>8/1/2016</td>
<td>48,010</td>
<td>-</td>
<td>10,515</td>
<td>-</td>
<td>37,495</td>
<td>6/30/2016</td>
</tr>
<tr>
<td>Series 2003A (4)</td>
<td>6/26/2003</td>
<td>$60,865</td>
<td>5.00% to 5.90%</td>
<td>8/1/2015</td>
<td>14,080</td>
<td>-</td>
<td>3,365</td>
<td>-</td>
<td>10,715</td>
<td>9/1/2017</td>
</tr>
<tr>
<td>Series 2004A (13)</td>
<td>5/1/2004</td>
<td>$105,375</td>
<td>3.62% to 5.00%</td>
<td>8/1/2029</td>
<td>84,345</td>
<td>-</td>
<td>3,050</td>
<td>71,280</td>
<td>10,015</td>
<td>8/1/2029</td>
</tr>
<tr>
<td>Series 2005A (6)</td>
<td>3/22/2005</td>
<td>$124,630</td>
<td>3.60% to 5.00%</td>
<td>8/1/2022</td>
<td>123,505</td>
<td>-</td>
<td>210</td>
<td>-</td>
<td>123,295</td>
<td>8/1/2029</td>
</tr>
<tr>
<td>Series 2006A</td>
<td>5/25/2006</td>
<td>$222,615</td>
<td>4.00% to 5.50%</td>
<td>8/1/2031</td>
<td>193,400</td>
<td>-</td>
<td>6,045</td>
<td>-</td>
<td>187,355</td>
<td>9/1/2031</td>
</tr>
<tr>
<td>Series 2007A</td>
<td>2/28/2007</td>
<td>$248,345</td>
<td>3.75% to 5.50%</td>
<td>8/1/2031</td>
<td>228,175</td>
<td>-</td>
<td>11,155</td>
<td>-</td>
<td>217,020</td>
<td>9/1/2031</td>
</tr>
<tr>
<td>Series 2007B (7)</td>
<td>3/22/2007</td>
<td>$182,210</td>
<td>4.00% to 5.00%</td>
<td>8/1/2027</td>
<td>190,350</td>
<td>-</td>
<td>775</td>
<td>-</td>
<td>189,575</td>
<td>9/1/2031</td>
</tr>
<tr>
<td>Series 2007E</td>
<td>10/31/2007</td>
<td>$147,060</td>
<td>3.70% to 5.00%</td>
<td>8/1/2032</td>
<td>143,310</td>
<td>-</td>
<td>4,240</td>
<td>-</td>
<td>139,070</td>
<td>8/1/2032</td>
</tr>
<tr>
<td>Series 2011B (9)</td>
<td>6/29/2011</td>
<td>$186,270</td>
<td>1.9% to 5.32%</td>
<td>8/1/2027</td>
<td>166,270</td>
<td>-</td>
<td>1,025</td>
<td>-</td>
<td>165,245</td>
<td>6/30/2025</td>
</tr>
<tr>
<td>Series 2012A (10)</td>
<td>7/13/2011</td>
<td>$112,425</td>
<td>4.00% to 5.00%</td>
<td>8/1/2022</td>
<td>112,425</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>112,425</td>
<td>9/1/2022</td>
</tr>
<tr>
<td>Series 2012C (12)</td>
<td>11/15/2011</td>
<td>$25,065</td>
<td>2.4%</td>
<td>8/1/2021</td>
<td>20,665</td>
<td>-</td>
<td>-</td>
<td>20,665</td>
<td>-</td>
<td>9/1/2021</td>
</tr>
<tr>
<td>Series 2012D (13)</td>
<td>5/15/2012</td>
<td>$20,085</td>
<td>5.00%</td>
<td>8/1/2028</td>
<td>20,085</td>
<td>-</td>
<td>-</td>
<td>20,085</td>
<td>-</td>
<td>9/1/2028</td>
</tr>
<tr>
<td>Series 2012E (14)</td>
<td>6/29/2012</td>
<td>$116,555</td>
<td>5.46%</td>
<td>8/1/2028</td>
<td>116,555</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>116,555</td>
<td>9/1/2028</td>
</tr>
<tr>
<td>Series 2012C (15)</td>
<td>8/9/2012</td>
<td>$67,145</td>
<td>4.00% to 5.50%</td>
<td>8/1/2039</td>
<td>-</td>
<td>-</td>
<td>57,415</td>
<td>-</td>
<td>67,145</td>
<td>9/1/2039</td>
</tr>
</tbody>
</table>

![Image](image-url)  

** 2002B - Variable rate paid to certificate holders based on current market rate. Reset weekly, 0.1938% at 6/30/2013  
** 2003B - Variable rate paid to certificate holders SFIMA + 65 basis points. Reset weekly, 0.71% at 6/30/2013  
*** 2010A QSCB - Average coupon rate before IRS subsidy is 5.4%. Net interest rate with IRS subsidy is .66153%
(2) Refunded and partially defeased by Series 2005A and Series 2007C Certificates of Participation.
(3) Issued to advance refund and defease a portion of the Series 1995A and Series 1996A Certificates of Participation.
(4) Refunded and partially defeased by 2011D Certificates of Participation.
(5) On March 20, 2008, the District converted and remarketed the 2003B (with no change to principal).
(7) Issued to advance refund and defease a portion of the Series 2001A and Series 2002C Certificates of Participation. **
(8) Issued to advance refund and defease a portion of Series 1997A Certificates of Participation. **
(9) Issued to advance refund and defease a portion of Series 2001B Certificates of Participation. **
(10) Issued to advance refund and defease Series 2007B Certificates of Participation. **
(11) Issued to advance refund and defease a portion of Series 2002A Certificates of Participation. **
(12) Issued to advance refund and defease a portion of Series 2003A Certificates of Participation. **
(13) Issued to advance refund and defease a portion of Series 2002D Certificates of Participation. **
(14) Issued to advance refund and defease remaining Series 2002D Certificates of Participation. **
(15) Issued to advance refund and defease a portion of Series 2004A Certificates of Participation. **

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

The Certificates are not separate legal obligations of the Board but represent undivided proportionate interests in lease payments to be made from appropriated funds budgeted annually by the School Board for such purpose from current or other funds authorized by law and regulations of the Department of Education, including the local option 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.

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, 2013, approximately $1.7 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, 2013, the arbitrage liability was zero.

---

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>7,710</td>
<td>-</td>
<td>11,070</td>
<td>3,465</td>
<td>-</td>
<td>3,185</td>
<td>215</td>
<td>6,530</td>
<td>17,680</td>
</tr>
<tr>
<td>2015</td>
<td>-</td>
<td>-</td>
<td>11,665</td>
<td>3,570</td>
<td>-</td>
<td>3,335</td>
<td>220</td>
<td>6,585</td>
<td>12,205</td>
</tr>
<tr>
<td>2016</td>
<td>-</td>
<td>-</td>
<td>12,295</td>
<td>3,680</td>
<td>-</td>
<td>3,495</td>
<td>19,780</td>
<td>6,850</td>
<td>12,825</td>
</tr>
<tr>
<td>2017</td>
<td>-</td>
<td>-</td>
<td>2,465</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>20,960</td>
<td>7,185</td>
<td>13,455</td>
</tr>
<tr>
<td>2018</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>21,885</td>
<td>7,490</td>
<td>13,990</td>
</tr>
<tr>
<td>2019-2023</td>
<td>47,520</td>
<td>-</td>
<td>8,255</td>
<td>-</td>
<td>62,035</td>
<td>43,185</td>
<td>14,605</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2024-2028</td>
<td>47,830</td>
<td>-</td>
<td>29,015</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>54,995</td>
<td>42,700</td>
<td></td>
</tr>
<tr>
<td>2029-2033</td>
<td>-</td>
<td>-</td>
<td>87,025</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>54,735</td>
<td>95,580</td>
<td></td>
</tr>
</tbody>
</table>

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

The Certificates are not separate legal obligations of the Board but represent undivided proportionate interests in lease payments to be made from appropriated funds budgeted annually by the School Board for such purpose from current or other funds authorized by law and regulations of the Department of Education, including the local option 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, 2013, approximately $1.7 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, 2013, the arbitrage liability was zero.
Series 2002B is a VRDO or variable rate demand bond obligation. The rates on these certificates are reset weekly, but have been synthetically fixed using interest rate swaps. As of August 1, 2011, the District privately placed the 2002B variable rate with JP Morgan. The private placement eliminates the need for liquidity and fixes the interest rate at 70% of LIBOR plus a spread.

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

Defeased Debt

On August 9, 2012, the District issued certificates of participation (Series 2012C) in the amount of $67.1 million (plus a premium of $11.0 million) with net interest cost of 3.46 percent to refund certificates of participation Series 2004A with interest rates ranging from 4.0 to 5.00 percent, which met the requirements of an in-substance current debt defeasance. The District made a principal payment of $71.3 million and a call premium payment of $6.7 million, both are recorded in the fund level financial statements as a payment to escrow agent. As a result of the refunding, the District will decrease its total debt service requirement by $7.1 million, which results in economic savings (the difference between the present value of the debt service payments on the old and new debt) of $5.6 million, or 8.3% of the principal amount being refunded. The refunding meets the requirements of an in-substance defeasance and the liability for the refunded certificates was removed from the District's financial statements in the current fiscal year.

In prior years, the District defeased certain certificates of participation by creating separate irrevocable trust funds. New debt has been issued and the proceeds used to purchase U.S. Government Securities that were placed in an irrevocable trust with a 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, 2013, the total amount of defeased debt outstanding but removed from the District's financial statements amounted to approximately $94.9 million.

Certificates of Participation:

<table>
<thead>
<tr>
<th>Series</th>
<th>Maturities</th>
<th>Outstanding</th>
<th>Call Date</th>
<th>Defeased by COPS Series</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td></td>
<td>$94,940</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Qualified School Construction Bonds

As part of the American Reinvestment and Recovery Act, the District was authorized to issue up to $67.7 million of Qualified School Construction Bonds (QSCB) for the purpose of new construction. The District chose to modernize two schools (Galaxy Elementary and Gove Elementary) and replace two roofs (Belle Glade Elementary and Pioneer Park Elementary). To receive the full benefits associated with the QSCB, the construction must be completed and all costs must be paid by November 15, 2013. The District issued the bonds as Taxable Certificates of Participation through the Build America Bond program, also created by the ARRA legislation. The District issued taxable bonds and receives a federal subsidy from the Treasury to fund up to $8.1 million as interest expense resulting in a net impact of $0.2 million.

Subsequent to the sale of the certificates, the District entered into a forward delivery agreement (FDA) classified as a nonparticipating interest-earning investment contract with Barclays Bank related to the COPS 2010A QSCB. A forward delivery agreement is a type of investment in which the investor purchases eligible securities on a periodic basis from the agreement provider at a fixed rate of return. The Board expects to purchase eligible securities, which consist of direct obligations of or obligations guaranteed by the US Treasury and AAA-rated senior debt obligations of Fannie Mae, Freddie Mac the FHLB and Federal Farm Credit System from Barclays on a semi-annual basis beginning July 19, 2019 through the final maturity date of August 1, 2025. The Agreement will generate a guaranteed fixed rate of return of 4.262% or $8.1 million. The interest earnings associated with this transaction will completely offset the interest due (net of the federal subsidy) and will generate an additional $6.0 million to be used to repay the principal in 2025.

Hedging Derivative Instrument Payments and Hedged Debt

As of June 30, 2013, aggregate debt service requirements of the District's debt (fixed-rate and variable-rate) and net receipts/payments on associated hedging derivative instruments are as follows. These amounts assume that current interest rates on variable-rate bonds and the current reference rates of hedging derivative instruments will remain the same for their term. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on the hedging derivative instruments will vary. Refer to Note 11 for information on derivative instruments (amounts in thousands):

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Principal</th>
<th>Interest</th>
<th>Hedging Derivative Instruments, Net</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ending June 30</td>
<td>2014</td>
<td>$4,885 $</td>
<td>$4,556</td>
<td>$201,912</td>
</tr>
<tr>
<td></td>
<td>2015</td>
<td>4,795</td>
<td>4,400</td>
<td>20,699</td>
</tr>
<tr>
<td></td>
<td>2016</td>
<td>390</td>
<td>4,283</td>
<td>20,444</td>
</tr>
<tr>
<td></td>
<td>2017</td>
<td>10,795</td>
<td>4,236</td>
<td>20,444</td>
</tr>
<tr>
<td></td>
<td>2018</td>
<td>18,970</td>
<td>4,092</td>
<td>19,690</td>
</tr>
<tr>
<td>2019-2023</td>
<td>150,870</td>
<td>17,188</td>
<td>82,766</td>
<td>250,824</td>
</tr>
<tr>
<td>2024-2028</td>
<td>190,100</td>
<td>6,999</td>
<td>43,989</td>
<td>243,088</td>
</tr>
<tr>
<td>2029-2033</td>
<td>138,145</td>
<td>334</td>
<td>4,651</td>
<td>143,130</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$518,950</td>
<td>$48,088</td>
<td>$233,836</td>
</tr>
</tbody>
</table>

Borrowings of Hybrid Derivative Instruments

The District sold two swaptions with the 2002D and 2001B certificates with a notional amount of $116,555,000 and $162,980,000, respectively. Upon entering into the swaptions, the District received up-front payments of $4,240,000 and $6,250,000, respectively, from the counterparty. The up-front payments were composed of the swaptions' intrinsic value and time value. Accordingly, the swaptions are hybrid instruments consisting of a borrowing and an embedded derivative instrument. The embedded derivative.
instrument – the option – was recorded at a value equal to the time value of the option only and the remaining value of the swaption was allocated to the companion instrument (borrowing). The intrinsic value of the borrowing was calculated using the net present value method and is recorded at historical cost. During the option period interest accretes at the market rate at inception of the borrowing of 4.40 percent and 4.20 percent, respectively totaling $882,451 and $1,166,422, respectively, through June 30, 2013. The ending balances of borrowings including accreted interest from inception at June 30, 2013 are $3,313,166 and $4,703,631, respectively. The borrowing at inception was $2,479,792 and $4,140,292, respectively. The 2001B swaption and 2002D swaption were executed August 1, 2011 and August 1, 2012, respectively.

The original borrowing continues to be amortized over the remaining term. Aggregate debt service requirements of the District’s borrowing amounts assume that current interest rates on variable-rate bonds and net receipts/payments on the derivative instruments will vary. Refer to Note 11 for information on derivative instruments. Debt service requirements for both the 2011B/2001B and 2012B/2002D borrowing at June 30, 2013, were as follows (amounts in thousands):

<table>
<thead>
<tr>
<th>Fiscal Year Ending June 30</th>
<th>Principal</th>
<th>Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>708</td>
<td>317</td>
</tr>
<tr>
<td>2015</td>
<td>724</td>
<td>287</td>
</tr>
<tr>
<td>2016</td>
<td>745</td>
<td>256</td>
</tr>
<tr>
<td>2017</td>
<td>754</td>
<td>224</td>
</tr>
<tr>
<td>2018</td>
<td>726</td>
<td>194</td>
</tr>
<tr>
<td>2019-2023</td>
<td>2,951</td>
<td>567</td>
</tr>
<tr>
<td>2024-2028</td>
<td>1,329</td>
<td>121</td>
</tr>
<tr>
<td>2029</td>
<td>80</td>
<td></td>
</tr>
</tbody>
</table>

Total $ 8,017 $ 1,966 $ 9,983

11. DERIVATIVE INSTRUMENTS

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2013, classified by type, and the changes in fair value of such derivative instruments are as follows (amounts in thousands; debt [credit]):

<table>
<thead>
<tr>
<th>Objective</th>
<th>Notional</th>
<th>Effective Date</th>
<th>Maturity Date</th>
<th>Amount of Cash Received</th>
<th>Terms</th>
<th>Counterparty</th>
<th>Counterparty Credit Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001B-Interest Rate Swap</td>
<td>$115,350</td>
<td>3/20/2002</td>
<td>8/1/2027</td>
<td>$4,240</td>
<td>$0</td>
<td>Cigna Financials</td>
<td>N/A</td>
</tr>
<tr>
<td>2002B-Interest Rate Swap</td>
<td>$116,555</td>
<td>8/1/2012</td>
<td>8/1/2028</td>
<td>$0</td>
<td>$4,240</td>
<td>Cigna Financials</td>
<td>N/A</td>
</tr>
<tr>
<td>2001B-2011B Interest Rate Swap</td>
<td>$123,295</td>
<td>5/23/2012</td>
<td>8/1/2028</td>
<td>$0</td>
<td>$4,240</td>
<td>Cigna Financials</td>
<td>N/A</td>
</tr>
<tr>
<td>2011B-2001B Interest Rate Swap</td>
<td>$162,980</td>
<td>8/1/2011</td>
<td>8/1/2014</td>
<td>$0</td>
<td>$6,250</td>
<td>See Note 2</td>
<td>Products Inc.</td>
</tr>
<tr>
<td>2011B-2001B Interest Rate Swap</td>
<td>$162,980</td>
<td>8/1/2011</td>
<td>8/1/2025</td>
<td>$0</td>
<td>$6,250</td>
<td>See Note 1</td>
<td>Products Inc.</td>
</tr>
</tbody>
</table>

The basis swaps, swaptions and barrier option are considered investment derivative instruments. Refer to Note 4 Investment Derivative Instruments for information on investment derivative instruments. All other derivative instruments are considered hedging derivative instruments.

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

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

Objective and Terms of Derivative Instruments

The table below displays the objective and terms of the District’s derivative instruments outstanding at June 30, 2013, along with the credit rating of the associated counterparty (amounts in thousands):
12. RETIREMENT PLANS

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

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

Defined Contribution Plan: Pursuant to Section 121.45-01, Florida Statutes, the Florida Legislature created a defined contribution program called the Public Employee Optional Retirement Program (PEORP). This program is administered by FRS as an option to the defined benefit plan, and is self-directed by the employee. The employees have the responsibility of selecting how their funds are invested within the approved set of investment choices and may take their funds when they leave FRS. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Special Risk Class, etc.).

Funding Policy: The Florida Legislature Senate Bill 2100, making substantive changes to FRS effective July 1, 2011. The bill requires all FRS Investment Plan and Pension Plan members (except those in DROP) to make 3 percent employee contributions on a pretax basis. The District is required to make contributions in accordance with rates established by the Florida Legislature. During the fiscal year, the rates ranged from 5.18 to 14.90 percent of annual covered payroll. The Teachers Retirement System is contributory and the rates for those employees still participating in this program is 11.35 percent and 6.25 percent for the employer and the employee, respectively. The District’s and employee’s contributions for both plans are equal to the required contributions for each year as follows (amounts in thousands):

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Florida Retirement System</td>
<td>$100,752</td>
<td>$44,838</td>
<td>$50,191</td>
</tr>
<tr>
<td>Employee</td>
<td>-</td>
<td>24,533</td>
<td>25,688</td>
</tr>
<tr>
<td>Teachers’ Retirement System</td>
<td>$16</td>
<td>$9</td>
<td>$10</td>
</tr>
<tr>
<td>Plan E Employee</td>
<td>-</td>
<td>5</td>
<td>5</td>
</tr>
</tbody>
</table>

Employer rates include the post-employment health insurance supplement of 1.11 percent and 0.03 percent for administrative costs of the Public Employee Optional Retirement Program.

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

13. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

The District follows the guidance contained in Governmental Accounting Standards Board Statement No. 45, Accounting and Reporting by Employers for Post Employment Benefits Other Than Pensions (GASB 45). For certain post employment health care benefits provided by the District for the fiscal year ended June 30, 2013.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Florida Retirement System</td>
<td>$100,752</td>
<td>$44,838</td>
<td>$50,191</td>
</tr>
<tr>
<td>Employee</td>
<td>-</td>
<td>24,533</td>
<td>25,688</td>
</tr>
<tr>
<td>Teachers’ Retirement System</td>
<td>$16</td>
<td>$9</td>
<td>$10</td>
</tr>
<tr>
<td>Plan E Employee</td>
<td>-</td>
<td>5</td>
<td>5</td>
</tr>
</tbody>
</table>
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 2013, 1,152 retirees received health care benefits. The District provided required contributions of approximately $4.1 million toward the annual OPEB cost. Retiree contributions totaled approximately $8.6 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 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 is used in the actuarial valuation as of July 1, 2012. The unfunded actuarial accrued liability is amortized over the maximum acceptable period of thirty years on an open basis. It is calculated assuming a level dollar percentage. The remaining amortization period at June 30, 2013 is thirty years (open method).

The following assumptions were made:

- **Retirement Age** – Annual retirement probabilities have been determined based on the Florida Retirement System Actuarial Valuation as of July 1, 2011.
- **Covered Spouses** – Assumed number of eligible spouses is based on the current census information.
- **Per Capita Health Claim Cost** – Per capita health claim costs are developed from a combination of historical claim experience and manual claim costs developed using a representative database. The per capita cost at age 60 is $9,744 and at age 70 is $5,611.
- **Age Based Morbidity** – The assumed per capita health claim costs are adjusted to reflect expected increases related to age. The increase in per capita health claim costs related to age range from 3.19% to 5.06% under age 65 and from 0.05% to 3.00% over age 65.
- **Mortality** – Life expectations were based on mortality tables from the National Center for Health Statistics. The RP-2000 Table projected to 2015 using Scale AA and applied on a gender specific basis.
- **Healthcare Cost Trend Rate** – The expected rate of increase in healthcare insurance premiums was based on District historical experience, our market-place knowledge and macro-economic theory. A rate of 10.0% for under age 65 and 9.0% over age 65 initially, reduced 0.5% each year until reaching the ultimate trend rate of 5.0%.
- **Retiree Contributions** – Retiree contributions are assumed to increase with healthcare cost trend.
- **Non-Claim Expenses** – Non-claim expenses are based on the current amounts charged per retired employee.

### Funded Status and Funding Progress. As of June 30, 2013, the actuarial accrued liability for benefits was $130.2 million, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $933.9 million, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 13.9 percent.
Termination – The rate of withdrawal for reasons other than death and retirement has been developed from the Florida Retirement System Actuarial Valuation as of July 1, 2011. The annual termination probability is dependent on an employee’s age, gender, and years of service.

Plan Participation Percentage – It is assumed that 35% of all future retirees and their dependents who are eligible for benefits participate in the post employment benefit plan in fiscal year 2013 and 30% participate thereafter.

Census Data – The census data was provided as of June 2013.

Salary Increase Assumption – 2.5% per annum.

Discount Rate – 4% per annum (the discount rate was increased to 4% from 3% as a result of the District Salary Increase Assumption).

Census Data thereby.

Plan Participation Percentage – It is assumed that 35% of all future retirees and their dependents who are eligible for benefits participate in the post employment benefit plan in fiscal year 2013 and 30% participate thereafter.

Census Data – The census data was provided as of June 2013.

Salary Increase Assumption – 2.5% per annum.

Discount Rate – 4% per annum (the discount rate was increased to 4% from 3% as a result of the District Salary Increase Assumption).

Inflation Rate – 3% each year.

14. FUND BALANCE REPORTING

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

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

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

Restricted or unrestricted amounts are considered agent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

The District has not established a stabilization arrangement. Instead, the Board has established policy 2.55, Fund Balance for Contingency to set aside 3 percent of total annual operating fund appropriations and transfers from the operating fund to cover unanticipated financial needs and to avoid a budget deficit. At the end of the fiscal year, the unassigned general fund balance was $44.4 million or 3.14 percent of general fund total expenditures.

<table>
<thead>
<tr>
<th>FUND BALANCES:</th>
<th>General Fund</th>
<th>Other Special</th>
<th>COPS Debt Service</th>
<th>Capital Improvement</th>
<th>Non-Major Gov't</th>
<th>Total Gov't</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nonspendable:</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>Inventory:</td>
<td></td>
<td>$ 9,743</td>
<td>-</td>
<td>- $</td>
<td>$ 9,743</td>
<td></td>
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<tr>
<td>Child Nutrition</td>
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<td>-</td>
<td>$ 2,872</td>
<td>- $</td>
<td>2,872</td>
<td></td>
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<tr>
<td>Warehouse</td>
<td>1,071</td>
<td>-</td>
<td>-</td>
<td>- $</td>
<td>1,071</td>
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<tr>
<td>Transportation</td>
<td>493</td>
<td>-</td>
<td>-</td>
<td>- $</td>
<td>493</td>
<td></td>
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<tr>
<td>Other</td>
<td>5</td>
<td>-</td>
<td>-</td>
<td>- $</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Total Nonspendable</td>
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<td>-</td>
<td>- $</td>
<td>2,872</td>
<td>14,184</td>
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<td>Restricted for:</td>
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<td></td>
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<td>Categorical carryover programs</td>
<td>2,250</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,250</td>
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<tr>
<td>IB, AP, AICE &amp; Industry cert prog</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>7,149</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>777</td>
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<td>15,386</td>
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<td>Textbooks</td>
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<td>-</td>
<td>- $</td>
<td>662</td>
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<tr>
<td>Child nutrition</td>
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<td>-</td>
<td>- $</td>
<td>-</td>
<td>20,912</td>
<td>20,912</td>
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<td>Debt service</td>
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<td>109,550</td>
<td>-</td>
<td>-</td>
<td>1,230</td>
<td>110,780</td>
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<tr>
<td>Capital projects</td>
<td>-</td>
<td>-</td>
<td>44,749</td>
<td>-</td>
<td>111,310</td>
<td>156,059</td>
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<tr>
<td>Cash with fiscal agent</td>
<td>1,592</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,592</td>
</tr>
<tr>
<td>Total Restricted</td>
<td>47,816</td>
<td>109,550</td>
<td>44,749</td>
<td>1,230</td>
<td>315,567</td>
<td></td>
</tr>
<tr>
<td>Committed to:</td>
<td></td>
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<td></td>
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<tr>
<td>The Education Network program</td>
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<td>1,115</td>
<td>-</td>
<td>-</td>
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<td>1,115</td>
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<tr>
<td>Total Committed</td>
<td>-</td>
<td>1,115</td>
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<td>- $</td>
<td>-</td>
<td>1,115</td>
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<tr>
<td>Assigned to:</td>
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<td></td>
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<tr>
<td>School Operations:</td>
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<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Instruction</td>
<td>862</td>
<td>-</td>
<td>-</td>
<td>- $</td>
<td>862</td>
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<tr>
<td>Instructional support services</td>
<td>34</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>34</td>
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<tr>
<td>Board</td>
<td>62</td>
<td>-</td>
<td>-</td>
<td>- $</td>
<td>62</td>
<td></td>
</tr>
<tr>
<td>General &amp; School admin</td>
<td>9</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>9</td>
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<tr>
<td>Central services</td>
<td>43</td>
<td>-</td>
<td>-</td>
<td>- $</td>
<td>43</td>
<td></td>
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<tr>
<td>Pupil transportation services</td>
<td>18</td>
<td>-</td>
<td>-</td>
<td>- $</td>
<td>18</td>
<td></td>
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<tr>
<td>Operation of plant</td>
<td>475</td>
<td>-</td>
<td>-</td>
<td>- $</td>
<td>475</td>
<td></td>
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<tr>
<td>Community services:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>After care/summer camp</td>
<td>6,378</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>6,378</td>
</tr>
<tr>
<td>Pre-K/VPK Pre Board Activities</td>
<td>191</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>191</td>
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<tr>
<td>Community Schools</td>
<td>708</td>
<td>-</td>
<td>-</td>
<td>- $</td>
<td>708</td>
<td></td>
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<tr>
<td>Other</td>
<td>47</td>
<td>-</td>
<td>-</td>
<td>- $</td>
<td>47</td>
<td></td>
</tr>
<tr>
<td>Capital projects</td>
<td>220</td>
<td>-</td>
<td>- $</td>
<td>-</td>
<td>61,178</td>
<td>61,398</td>
</tr>
<tr>
<td>Misc local grants/donations</td>
<td>1,907</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,907</td>
</tr>
<tr>
<td>Next year budget appropriations</td>
<td>38,792</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>38,792</td>
</tr>
<tr>
<td>Total Assigned</td>
<td>69,256</td>
<td>109,550</td>
<td>44,749</td>
<td>1,230</td>
<td>315,567</td>
<td></td>
</tr>
<tr>
<td>Unassigned</td>
<td>44,400</td>
<td>-</td>
<td>-</td>
<td>- $</td>
<td>-</td>
<td>44,400</td>
</tr>
<tr>
<td>Total fund balance</td>
<td>$ 133,274</td>
<td>-</td>
<td>109,550</td>
<td>44,749</td>
<td>197,502</td>
<td>466,190</td>
</tr>
</tbody>
</table>

65

66
15. COMMITMENTS AND CONTINGENCIES

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

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

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

As part of its capital outlay program, the District has entered into various construction contracts. At June 30, 2013, the District had construction commitments of approximately $24.3 million.

The District entered into a voluntary non-exchange transaction with Dell Marketing L.P. On October 30, 2012 Dell Marketing, L.P. (Dell) agreed to provide $7.0 million in hardware to the District contingent upon Dell receiving a $12.0 million purchase order from the District by November 1, 2012 for computers and associated peripheral items. The District has received $4.7 million of the donated hardware as of June 30, 2013 and recorded the value of the items received as revenue and expenditure in governmental activities.

16. SUBSEQUENT EVENT

On September 11, 2013 the District issued Tax Anticipation Notes ("TANS") Series 2013. The $115.0 million issue was sold at a coupon rate of 4.5% with an effective yield of 0.12%. The notes are dated September 26, 2013 and are due January 30, 2014.

---

{Table: Actuarial Valuation of Assets and Liabilities (in thousands)}

<table>
<thead>
<tr>
<th>Actuarial Valuation Date</th>
<th>Actuarial Value of Assets (a)</th>
<th>Actuarial Accrued Liability (AAL) (in thousands) (b)</th>
<th>Unfunded AAL (UAAL) (in thousands) (b-a)</th>
<th>Funded Ratio (a/b)</th>
<th>Covered Payroll (in thousands) (c)</th>
<th>UAAL as a percentage of Covered Payroll (b-a)/c</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1, 2012</td>
<td>$150,194</td>
<td>$150,194</td>
<td>0.0%</td>
<td>$935,904</td>
<td>9.3%</td>
<td></td>
</tr>
<tr>
<td>July 1, 2011</td>
<td>$168,939</td>
<td>$168,939</td>
<td>0.0%</td>
<td>$900,764</td>
<td>18.8%</td>
<td></td>
</tr>
<tr>
<td>July 1, 2010</td>
<td>$161,375</td>
<td>$161,375</td>
<td>0.0%</td>
<td>$906,746</td>
<td>17.6%</td>
<td></td>
</tr>
<tr>
<td>July 1, 2009</td>
<td>$218,964</td>
<td>$218,964</td>
<td>0.0%</td>
<td>$922,938</td>
<td>23.7%</td>
<td></td>
</tr>
<tr>
<td>July 1, 2008</td>
<td>$216,013</td>
<td>$216,013</td>
<td>0.0%</td>
<td>$926,287</td>
<td>23.3%</td>
<td></td>
</tr>
<tr>
<td>June 30, 2008</td>
<td>$239,500</td>
<td>$239,500</td>
<td>0.0%</td>
<td>$930,921</td>
<td>25.7%</td>
<td></td>
</tr>
</tbody>
</table>
Report of Independent Certified Public Accountants on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

E. Wayne Gent, Superintendent and Chairperson and Members of The School District of Palm Beach County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of Palm Beach County (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated November 12, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

November 12, 2013
APPENDIX C

EXCERPTED INFORMATION FROM THE SUPERINTENDENT'S ANNUAL FINANCIAL REPORT (UNAUDITED) OF THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA FOR THE FISCAL YEAR ENDED JUNE 30, 2014
THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

The School District of Palm Beach County, Florida’s (the “District”) discussion and analysis is designed to provide an objective and easy to read analysis of the District’s financial activities for the fiscal year ended June 30, 2014, based on currently known facts, decisions or conditions. It is intended to provide a broad overview using a short-term and long-term analysis of the District’s activities based on information presented in the financial report and fiscal policies that have been adopted by the seven elected members of the school board (the “Board”). Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the District’s financial activity, identify changes in the District’s financial position (its ability to address the next and subsequent year challenges), identify any material deviations from the financial plan (the approved budget) and identify individual fund issues or concerns.

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

FINANCIAL HIGHLIGHTS

- The net position of the District decreased $0.106 billion from $1.995 billion to $1.889 billion as expected. The District used the last of the funds accumulated in fiscal year 2011 from Education Jobs funds to minimize the impact of the anticipated loss of State funding in fiscal years 2012 through 2014. Funding per student has slowly increased since the low point in school year 2011-12, although it has still not recovered to school year 2007-08 levels.

- The District implemented Governmental Accounting Standards Board Statement No. 65, Items Previously Reported as Assets and Liabilities. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. Specifically the deferred amount on refunding is now classified as deferred outflow or inflow, debt issuance costs are expensed in the period in which that debt was issued, and revenue recorded in the governmental funds that is not available is classified as Unavailable and a revenue (a deferred inflow). This statement requires that the cumulative effect be reported as a restatement of beginning net position. The effects of the accounting change on net position as previously reported for fiscal year 2013 and prior years is a reduction of $8.1 million and is adjusted as of June 30, 2013.

- Approximately 180,250 students were enrolled in Palm Beach County Public Schools during fiscal year 2014. Of the total students enrolled 164,250 are in district schools and 16,000 are in charter schools, representing a decrease of 1,650 in district schools and an increase of 4,100 students in charter schools. Charter schools are separate legal entities with independent boards that were created by Florida Statute and are authorized to operate in each county by the sponsoring district. Charter schools receive a per student allocation based on the Florida Department of Education standard formula that is passed through the District. The amount passed through in fiscal year 2014 was $118.8 million, an increase of $35.0 million over fiscal year 2013. The decline in district enrollment without a commensurate reduction in district expenditures attributed to the decrease in net position.

- The District transferred $13.0 million from the health internal service fund to reimburse the general fund for cash infusion provided in fiscal years 2010 and 2012 to make the internal service fund solvent.

- The District’s total long-term debt decreased by $62.1 million or 3.2% primarily due to debt repayments of $66.4 million, refunding/defeased transactions, and a decrease in negative fair value of hedging derivative instruments of $27.5 million primarily due to the termination of 2001B/2011B Pay Fixed Interest Rate Swap (SWAP) (discussed in Notes 10 and 11).
Total revenues and transfers increased by $116.2 million or 6.7%, from $1.728 billion to $1.844 billion when compared to the prior year.

- Total expenses increased $131 million from $1.819 billion to $1.950 billion. The increase in expenses is primarily attributed to employee raises of $30 million, overall increase in benefits of $35 million, primarily due to an increase in property taxes of $11.7 million due to an increase in the millage rate from 7.778 in fiscal year 2013 to 7.856 in fiscal year 2014 as well as non-recurring revenue in the current year of $13.0 million for an interfund transfer from the health internal service fund.

- Program specific revenue in the form of charges for services, grants and contributions accounted for $538.7 million, or 29.2% of all revenues and increased $61 million or 1.1%. The increase is primarily attributed to an increase in reimbursements for school lunch and breakfast programs.

- Total expenses increased $131 million from $1.819 billion to $1.950 billion. The increase in expenses is due primarily to an increase in salary and benefits as a result of negotiated employee raises of $30 million, overall increase in benefits of $35 million primarily due to an increase in FRS rate, increase in the amount passed through to charter schools of $35 million, and increase in interest expense related to the termination of the 2001B/2011B SWAP of $27.5 million.

- The District’s governmental funds reported combined fund balances of $404.8 million. Overall, the District’s governmental funds reported combined fund balances of $404.8 million. The General Fund (the primary operating fund), reflected on a current financial resource basis, ended the year with a fund balance of $113.5 million. Of this amount, $46.5 million is classified as unassigned that is available to cover unanticipated financial needs and includes the Board approved contingency, $29.2 million is classified as assigned, $28.2 million is classified as restricted and $9.6 million is classified as nonspendable. During the current year, General Fund expenditures exceeded revenues (including other financing sources) by $19.8 million.

- Capital Project funds ended the year with a fund balance of $154.7 million and is restricted or assigned to fund existing and future capital projects.

- Debt Service funds ended the year with a fund balance of $110.7 million and is restricted to cover debt service payments.

- Special Revenue funds ended the year with a fund balance of $25.9 million, of which $23.0 million is restricted to child nutrition costs, $2.7 million is nonspendable inventory, and $0.2 million is committed to The Education Network Program.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

- The first two statements are government-wide financial statements that provide both short-term and long-term financial information about the District’s overall financial status.

- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District’s operations in more detail than the government-wide statements.

- The governmental funds statements tell how basic services like instruction and instructional support services were financed in the short-term as well as what remains for future spending.

- Proprietary funds statements offer short-term and long-term financial information about the activities the District operates like businesses, such as group health self-insurance and long term claim self-insurance.

- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

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

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

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

- **Governmental funds** – Most of the District’s basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, the District provides additional information with the governmental funds statements that explain the relationship (or differences) between them.

- **Proprietary funds** – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements. There are two types of proprietary funds:
  - Internal service funds report activities that provide supplies and services for the District’s other programs and activities.
  - Fiduciary funds – The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong.

The District excludes these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

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

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

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

The District’s net position was $1.9 billion at June 30, 2014. The largest portion of the District’s net position, $1.8 billion or 93.0%, reflect its investment in capital assets (i.e. land, buildings, furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District’s net position ($257.8 million) represents resources that are subject to external restrictions on how they may be used.

Capital assets (net) decreased $64.1 million or 1.8% compared to prior year and primarily reflects the impact of current year depreciation exceeding capital spending. See Note 7 of the Notes to the Financial Statements for more information on capital assets.

The analyses in Table 1, on page 6, and Table 2 on page 7, focus on the summary of net position and summary of changes in net position for the District’s governmental activities.
The results of this year’s operations for the District as a whole are reported in the Statement of Activities. Table 2, on page 7, takes the information from that statement and rearranges them slightly so the reader can see the total revenues for the current year compared to fiscal year 2013.

As reported in the Statement of Activities, the cost of all of the governmental activities this year was $1.9 billion. Some costs were paid by those who benefited from the programs ($48.0 million), or by other governments and organizations who subsidized certain programs with grants and contributions ($490.7 million). The District paid for the remaining “public benefit” portion of the governmental activities with property values partially offset by a decrease in property tax levy from 7.778 to 7.586.

Property taxes increased $11.7 million or 1.2%, which is primarily attributed to an increase in School Food Service reimbursements of $4.3 million as a result of the expansion of the free breakfast program and overall increased participation.

Property taxes increased $11.7 million or 1.2%, which is primarily attributed to an increase in School Food Service reimbursements of $4.3 million as a result of the expansion of the free breakfast program and overall increased participation.

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

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

Property taxes increased $11.7 million or 1.2%, which is primarily attributed to an increase in School Food Service reimbursements of $4.3 million as a result of the expansion of the free breakfast program and overall increased participation.

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

Table 1
Summary of Changes in Net Position
Governmental Activities
(in thousands)

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2014</th>
<th>June 30, 2013</th>
<th>Decrease</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current and other assets</td>
<td>$663,761</td>
<td>$719,253</td>
<td>(55,492)</td>
<td>(7.7%)</td>
</tr>
<tr>
<td>Capital assets (net)</td>
<td>$3,517,803</td>
<td>$3,581,926</td>
<td>(64,123)</td>
<td>(1.8%)</td>
</tr>
<tr>
<td>Total assets</td>
<td>$4,181,564</td>
<td>$4,301,192</td>
<td>(119,615)</td>
<td>(2.8%)</td>
</tr>
<tr>
<td>Deferred Outflows of Resources</td>
<td>$1,757,172</td>
<td>$1,786,722</td>
<td>(29,550)</td>
<td>(1.7%)</td>
</tr>
<tr>
<td>Total net position</td>
<td>$2,424,392</td>
<td>$2,514,410</td>
<td>(90,018)</td>
<td>(3.6%)</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2014</th>
<th>June 30, 2013</th>
<th>Decrease</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program revenue:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charges for services</td>
<td>$47,989</td>
<td>$46,241</td>
<td>1,748</td>
<td>3.8%</td>
</tr>
<tr>
<td>Operating grants and contributions</td>
<td>$476,357</td>
<td>$471,831</td>
<td>4,526</td>
<td>1.0%</td>
</tr>
<tr>
<td>Capital grants and contributions</td>
<td>$14,357</td>
<td>$14,568</td>
<td>(211)</td>
<td>(1.4%)</td>
</tr>
<tr>
<td>General revenue:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property taxes</td>
<td>$1,012,800</td>
<td>$1,001,130</td>
<td>11,670</td>
<td>1.2%</td>
</tr>
<tr>
<td>Grants and contributions not restricted</td>
<td>$221,228</td>
<td>$140,140</td>
<td>81,088</td>
<td>57.9%</td>
</tr>
<tr>
<td>Investment earnings</td>
<td>$2,349</td>
<td>$1,155</td>
<td>1,194</td>
<td>104.4%</td>
</tr>
<tr>
<td>Other general revenue</td>
<td>$56,186</td>
<td>$30,060</td>
<td>26,126</td>
<td>86.0%</td>
</tr>
<tr>
<td>Transfers</td>
<td>$13,008</td>
<td>$13,000</td>
<td>0</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

Table 3
Summary of Changes in Net Position
Governmental Activities
(in thousands)

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2014</th>
<th>June 30, 2013</th>
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<tr>
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<td>$13,000</td>
<td>0</td>
<td>0.0%</td>
</tr>
</tbody>
</table>
Investment earnings increased $1.2 million and 103.4% primarily attributed to investment revenue received from the Palm Beach County Tax Collector.

The pie chart below represents total expenditures from Governmental Funds classified by function.
more information on long-term liabilities and derivatives. See Notes 10 and 11 of the Notes to the Financial Statements for a $62.1 million decrease in outstanding debt is due to debt repayments of $60.0 million, termination of 2001B/2011B Interest Rate SWAP causing a $27.5 million decrease in negative fair value of hedging derivative instruments, and the impact of refunding which is comparable to $1.9 billion last year. The $62.1 million decrease in outstanding debt is due to debt repayments of $60.0 million, termination of 2001B/2011B Interest Rate SWAP causing a $27.5 million decrease in negative fair value of hedging derivative instruments, and the impact of refunding transactions and regular amortization. The District is subject to State laws that limit the amount of State Board of Education Capital Outlay Bond Issues outstanding to 10% of the non-exempt assessed valuation. At June 30, 2014, the statutory limit for the District was approximately $13.8 billion, providing additional debt capacity of approximately $13.8 billion.

As shown in Table 4, below, at the end of this year, the District had $1.9 billion in debt outstanding which is comparable to $1.9 billion last year. The $62.1 million decrease in outstanding debt is due to debt repayments of $60.0 million, termination of 2001B/2011B Interest Rate SWAP causing a $27.5 million decrease in negative fair value of hedging derivative instruments, and the impact of refunding transactions and regular amortization. See Notes 10 and 11 of the Notes to the Financial Statements for more information on long-term liabilities and derivatives.

<table>
<thead>
<tr>
<th>Long-term Debt Outstanding at Year End Governmental Activities (in thousands)</th>
<th>Increase (Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Notes / Loans Payable</td>
<td>$ 14,002 $ - $ 14,002</td>
</tr>
<tr>
<td>Capital outlay bond issues</td>
<td>21,885 26,370 (4,485)</td>
</tr>
<tr>
<td>Certificates of participation</td>
<td>1,711,373 1,771,333 (59,960)</td>
</tr>
<tr>
<td>Borrowing-Swap Upfront Payment</td>
<td>3,092 8,017 (4,925)</td>
</tr>
<tr>
<td>Derivative Instruments - Hedging</td>
<td>67,487 94,964 (27,477)</td>
</tr>
<tr>
<td>Plus: issuance premiums</td>
<td>60,797 40,020 20,777</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 1,878,636</strong> $ 1,940,704 $ (62,068)</td>
</tr>
</tbody>
</table>

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

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

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

Visit our website at:  

View an electronic copy of our SAFR at:  

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<table>
<thead>
<tr>
<th>ASSET DESCRIPTION</th>
<th>STATEMENT OF NET POSITION</th>
<th>STATED AMOUNT</th>
<th>STATEMENT OF NET POSITION</th>
<th>STATED AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Cash Equivalents</td>
<td>410,352,212.06</td>
<td>0.00</td>
<td>10,888,430.02</td>
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<tr>
<td>Investments</td>
<td>167,511,398.77</td>
<td>0.00</td>
<td>1,876,367.47</td>
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<tr>
<td>Buildings and Fixed Equipment</td>
<td>98,712,848.50</td>
<td>0.00</td>
<td>341,996.00</td>
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<tr>
<td>Furniture, Fixtures and Equipment</td>
<td>25,734,080.51</td>
<td>0.00</td>
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<tr>
<td>Computer Software</td>
<td>51,244,473.99</td>
<td>0.00</td>
<td>2,139,549.43</td>
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<tr>
<td>Other Capital Assets, Net of Depreciation</td>
<td>3,142,607,626.81</td>
<td>0.00</td>
<td>49,759,672.13</td>
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<tr>
<td>Payroll Deductions and Withholdings</td>
<td>6,829,050.35</td>
<td>0.00</td>
<td>220,845.31</td>
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<tr>
<td>Accrued Salaries and Benefits</td>
<td>101,987,744.45</td>
<td>0.00</td>
<td>3,116,103.97</td>
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<tr>
<td>Construction Contracts Payable - Retained Percentage</td>
<td>1,884,048.91</td>
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<td>0.00</td>
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<tr>
<td>Bonds Payable</td>
<td>4,220,000.00</td>
<td>0.00</td>
<td>454,272.00</td>
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<td>Lease-Purchase Agreements Payable</td>
<td>19,735,876.93</td>
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<td>38,263,665.00</td>
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<tr>
<td>Liability for Compensated Absences</td>
<td>15,679,665.71</td>
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<td>244,809.13</td>
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<tr>
<td>Lease-Purchase Agreements Payable</td>
<td>1,703,564,830.86</td>
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<tr>
<td>Liability for Compensated Absences</td>
<td>170,902,216.34</td>
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<tr>
<td>Estimated Liability for Long-Term Claims</td>
<td>30,139,000.00</td>
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<tr>
<td>Lease-Purchase Agreements Payable</td>
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<td>Payroll Deductions and Withholdings</td>
<td>3,456,955.74</td>
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<td>0.00</td>
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<tr>
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<td>2,139,549.43</td>
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</tr>
</tbody>
</table>

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This corresponding notes to financial statements are an integral part of this statement.  
[ESB-143](#)
### Net Operating Revenues and Changes in Net Position

<table>
<thead>
<tr>
<th>Function</th>
<th>Account Number</th>
<th>General Revenue</th>
<th>General Disbursements</th>
<th>Other Operating Sources</th>
<th>Other Operating Disbursements</th>
<th>Total Operating Sources</th>
<th>Total Operating Disbursements</th>
<th>Operating Revenues</th>
<th>Changes in Net Position</th>
<th>Total Changes in Net Position</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td><strong>Governmental Activities</strong></td>
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<td><strong>Economic Stabilization</strong></td>
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<tr>
<td><strong>Total General Revenue</strong></td>
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<td></td>
<td></td>
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<td></td>
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<tr>
<td><strong>Total General Disbursements</strong></td>
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<tr>
<td><strong>Total General Budgetary Sources</strong></td>
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<tr>
<td><strong>Total General Budgetary Use</strong></td>
<td></td>
<td></td>
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<tr>
<td><strong>Total General Budgetary Surplus (Deficiency)</strong></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

*This amount excludes deposition instructions that is included in the net position of the various functions.

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

ESE 145
DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION  
For the Fiscal Year Ended June 30, 2014

Total Fund Balances - Governmental Funds  
$ 404,048,181.12

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

- Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.  
  Cost of the Assets  4,035,474,837.96  
  Accumulated Depreciation  (3,317,671,959.01)  
  Total capital assets, net of depreciation  3,517,802,878.95

- Bond insurance amounts related to debt issuance are reported as expenditures in the governmental funds when first incurred, however, they are included as deferred charges in the governmental activities in the statement of net position.  
  Bond insurance amounts related to debt issuance  2,162,425.75

- Deferred outflow of resources are reported at the fair values of corresponding hedging derivative instruments in the statement of net position.  
  Deferred outflow of resources are reported at the fair values of corresponding hedging derivative instruments  67,486,703.72

- Deferred outflow of resources are reported at net carrying amount for refunding transactions in the statement of net position.  
  Deferred outflow of resources are reported at net carrying amount for refunding transactions  34,296,234.91

- 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.  
  Expenditures for insurance extending over more than one accounting period not allocated between or among accounting periods  4,179,589.00

- An internal service fund is used by management to charge the costs of health premiums, worker's compensation, auto and general liability to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.  
  Assets  94,174,692.18  
  Liabilities (includes OPEB, compensated absences, and long term claims)  (53,742,316.71)  
  Net position  40,432,375.47

- Revenues that have been deferred or unearned in the governmental funds but are recognized as revenue in the governmental-wide financial statements.  
  Revenues that have been deferred or unearned  7,874,984.42

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

- Notes / Loan Payable  14,001,670.70  
- Bonds Payable  23,955,876.93  
- Certificates of Participation  3,091,808.00  
- Borrowing/SWAP Uplift Payment  1,770,999,030.06  
- Hedging Derivative Instruments  67,486,703.72  
- Compensated Absences  178,269,708.28  
- Other Post Employment Benefits  95,533,000.00  
- Accrued Interest on Long-term Debt  37,511,276.10  
  Total Net Position - Governmental Activities  1,089,426,217.65

The accompanying notes to financial statements are an integral part of this statement.
### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2014

<table>
<thead>
<tr>
<th>Account Number</th>
<th>General</th>
<th>Special</th>
<th>Trust</th>
<th>Other Debt</th>
<th>Other</th>
<th>Bonds</th>
<th>Special Capital</th>
<th>Other Capital</th>
<th>Total</th>
<th>Revenue Expenditure</th>
<th>Change in Fund Balance</th>
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</thead>
<tbody>
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<td>0.00</td>
<td>0.00</td>
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<td>0.00</td>
</tr>
</tbody>
</table>

The accompanying notes to financial statements are an integral part of the statement.
Net Change in Fund Balances - Governmental Funds

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense ($108,894,191.29) in excess of capitalized capital outlay ($66,025,663.33) in the current period.

(62,868,527.96)

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

Bond Insurance Issuance Cost Amortization

(562,363.80)

Debt Refunding Amortization

(3,275,546.78)

Premium / Discount Amortization

4,970,014.94

Premium on Current Year Issuance

(24,615,762.19)

Investment loss related to derivative instruments reported in the statement of activities that are not exceeded refunding payment ($278,468,220.05) in the current period.

This is the amount of depreciation expense ($108,894,191.29) in excess of capitalized capital outlay ($66,025,663.33) in the current period.

(3,101,779.95)

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

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

(1,254,780.51)

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

(1,254,780.51)

Revenues reported in the governmental funds that were reported as revenue in the statement of activities in the prior year under full accrual.

(6,226,413.67)

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

(14,001,670.70)

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

(14,001,670.70)

COG's refunding payments are expenditures in the governmental funds. The amount by which the refunding proceeds ($281,570,000) exceeded refunding payment ($278,468,220.05) in the current period.

(3,101,779.95)

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

(1,254,780.51)

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

Prepaid Insurance

83,342.00

Compensated Absences

(1,273,394.09)

Long-term claims payable - included in Internal Service Fund adjustment

33,005,000.00

Other post employment benefit

(8,284,000.00)

Borrowing

4,924,989.00

Accrued interest on long-term debt

3,747,784.85

An internal service fund is used to manage the charge of employee health premiums, worker's compensation, auto and general liability claims to individual funds. The net loss of the internal service fund is reported with governmental activities.

(21,979,192.54)

Change in Net Position of Governmental Activities

(105,505,050.93)

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

ESE 145
## DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
### STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

#### PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2014

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Business-Type Activities - Enterprise Funds</td>
<td>Governmental Activities - Internal Service Funds</td>
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<td></td>
<td></td>
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<td>3481</td>
<td>Charges for Services</td>
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<td>Charges for Sales</td>
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<td>Premium Revenue</td>
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<td>3491</td>
<td>Other Operating Revenues</td>
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<td>Total Operating Revenues</td>
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<td>10,261.74</td>
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<td>Materials and Supplies</td>
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<td></td>
<td>Depreciation and Amortization Expense</td>
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<td>Total Operating Expenses</td>
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<td>224,859,654.82</td>
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<td>Operating Income (Loss)</td>
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<td>(8,979,170.12)</td>
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<td>Investment Income</td>
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<td>Gain on Disposition of Assets</td>
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<td>Loss on Disposition of Assets</td>
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<td>Loss on Disposition of Equity Instruments</td>
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<td>Income (Loss) Before Operating Transfers</td>
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<td>Extraordinary Items</td>
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</table>

This accompanying notes to financial statements are an integral part of this statement.

ESE 145

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# DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY

## STATEMENT OF CASH FLOWS

### PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2014

### Business-Type Activities - Enterprise Funds

<table>
<thead>
<tr>
<th>Cash Flows From Operating Activities</th>
<th>Self-Insurance</th>
<th>Other Enterprise</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receipts from customers and users</td>
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<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Receipts from interfund services provided</td>
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<td>0.00</td>
<td>0.00</td>
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<tr>
<td>Payments to suppliers</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Payments for interfund services used</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Other receipts (payments)</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>Net cash provided (used) by operating activities</strong></td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

### Cash Flows From Noncapital Financing Activities

| Subsidies from operating grants   | 0.00           | 0.00            | 0.00  |
| Transfers from other funds        | 0.00           | 0.00            | 0.00  |
| Transfers to other funds          | 0.00           | 0.00            | 0.00  |
| **Net cash provided (used) by noncapital financing activities** | 0.00           | 0.00            | 0.00  |

### Cash Flows From Capital and Related Financing Activities

| Proceeds from capital debt        | 0.00           | 0.00            | 0.00  |
| Capital contributions             | 0.00           | 0.00            | 0.00  |
| Acquisitions of equipment assets  | 0.00           | 0.00            | 0.00  |
| Depreciation and amortization     | 0.00           | 0.00            | 0.00  |
| **Net cash provided (used) by capital and related financing activities** | 0.00           | 0.00            | 0.00  |

### Cash Flows From Investing Activities

| Proceeds from sales of investments | 0.00           | 0.00            | 0.00  |
| Interest and dividends received   | 0.00           | 0.00            | 0.00  |
| Investments purchased             | 0.00           | 0.00            | 0.00  |
| **Net cash provided (used) by investing activities** | 0.00           | 0.00            | 0.00  |

### Reconciliation of Operating Income (loss) to Net Cash Provided (used) by Operating Activities:

| Operating income (loss)            | 0.00           | 0.00            | 0.00  |
| Other adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:  
  Depreciation and amortization expense | 0.00           | 0.00            | 0.00  |
| Gain on sale of equipment assets   | 0.00           | 0.00            | 0.00  |
| **Total adjustments**              | 0.00           | 0.00            | 0.00  |

**Net cash provided (used) by operating activities:** 0.00

### Noncapital Investing, Capital, and Financing Activities:

- Borrowing under capital lease  
- Contributions of capital assets  
- Proceeds of capital asset sales  
- Decrease in estimated liability for claims adjustment  
- **Total adjustments** 0.00

**Net cash provided (used) by capital and financing activities:** 0.00

### Notes to Financial Statements

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

ESE 145
# DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
## STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
### FIDUCIARY FUNDS
#### For the Fiscal Year Ended June 30, 2014

<table>
<thead>
<tr>
<th>Account</th>
<th>Total Investment</th>
<th>Total Private-Purpose</th>
<th>Total Pension</th>
<th>Total Agency</th>
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<tbody>
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<td>Trust Funds</td>
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<td>A01</td>
<td>A01</td>
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</tr>
</tbody>
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### ADDITIONS
- Contributions:  
  - Employer: 0.00 0.00 0.00 0.00  
  - Plan Members: 0.00 0.00 0.00 0.00  
- Investment Income:  
  - Interest on Investments: 0.00 896.99 0.00 0.00  
  - Gain on Sale of Investments: 0.00 0.00 0.00 0.00  
  - Total Investment Income: 0.00 896.99 0.00 0.00  
  - Less Investment Expense: 0.00 0.00 0.00 0.00  
  - Net Investment Income: 0.00 896.99 0.00 0.00  

### DEDUCTIONS
- Salaries: 0.00 0.00 0.00 0.00  
- Employee Benefits: 0.00 0.00 0.00 0.00  
- Purchased Services: 0.00 0.00 0.00 0.00  
- Other: 77,541.71 0.00 0.00 0.00  
- Refunds of Contributions: 0.00 0.00 0.00 0.00  
- Administrative Expenses: 0.00 0.00 0.00 0.00  

### Change In Net Position
- Total Additions: 8,338.22 0.00 0.00 0.00  
- Total Deductions: 77,541.71 0.00 0.00 0.00  
- Beginning Net Position, July 1, 2013: 0.00 0.00 0.00 0.00  
- Net Position, June 30, 2014: 0.00 0.00 0.00 0.00  

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

ESE 145
<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Total Nonmajor Charter School</th>
<th>Total Nonmajor Charter School</th>
<th>Total Nonmajor Charter School</th>
<th>Total Nonmajor Charter School</th>
</tr>
</thead>
<tbody>
<tr>
<td>2110</td>
<td>Accrued Salaries and Benefits</td>
<td>2,139,549.43</td>
<td>2,139,549.43</td>
<td>2,139,549.43</td>
<td>2,139,549.43</td>
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<tr>
<td>2120</td>
<td>Furniture, Fixtures and Equipment</td>
<td>395,861.06</td>
<td>395,861.06</td>
<td>395,861.06</td>
<td>395,861.06</td>
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<tr>
<td>2140</td>
<td>Total Liabilities</td>
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<td>1,394,517.63</td>
<td>1,394,517.63</td>
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<tr>
<td>2150</td>
<td>Total Long-Term Liabilities</td>
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<td>6,597,180.36</td>
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<tr>
<td>2160</td>
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<td>7,982,780.13</td>
<td>7,982,780.13</td>
<td>7,982,780.13</td>
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<tr>
<td>2170</td>
<td>Total Noncurrent Assets</td>
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<td>49,759,672.13</td>
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<tr>
<td>2180</td>
<td>Total Current Assets</td>
<td>22,937.81</td>
<td>22,937.81</td>
<td>22,937.81</td>
<td>22,937.81</td>
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<tr>
<td>2190</td>
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<td>529,172.11</td>
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<tr>
<td>2210</td>
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<td>3,214,812.45</td>
<td>3,214,812.45</td>
<td>3,214,812.45</td>
</tr>
</tbody>
</table>

The accompanying notes to financial statements are an integral part of this document.
### Exhibit C-11a

**DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY**  
**COMBINING STATEMENT OF ACTIVITIES**  
**MAJOR AND NONMAJOR CHARTER SCHOOLS**  
**Major Charter School**  
**For the Fiscal Year Ended June 30, 2014**

<table>
<thead>
<tr>
<th>FUNCTIONS</th>
<th>Account Number</th>
<th>Expenses</th>
<th>Program Revenues</th>
<th>Net (Expense) Revenue and Changes in Net Position</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Charges for Services</td>
<td>Operating Grants and Contributions</td>
</tr>
<tr>
<td>Chartered School Activity:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Instruction</td>
<td>5000</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Student Personnel Services</td>
<td>7100</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Instructional Media Services</td>
<td>5200</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Instruction and Curriculum Development Services</td>
<td>6800</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Instructional-Related Technology</td>
<td>5000</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Bond</td>
<td>7190</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Student Administration</td>
<td>7200</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Facilities Acquisition and Construction</td>
<td>7300</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Fiscal Services</td>
<td>7400</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Total</td>
<td>7500</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>General Revenues:</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property Taxes, Levied for Operational Purpose</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property Taxes, Levied for Debt Service</td>
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<tr>
<td>Property Taxes, Levied for Capital Project</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local Sales Taxes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total General Revenues, Special Items, Extraordinary Items and Transfers</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Change in Net Position</td>
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<td>0.00</td>
</tr>
<tr>
<td>Net Position, July 1, 2017</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Position, June 30, 2014</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*This amount excludes the depreciation/amortization that is included in the direct expenses of the various functions*  
The accompanying notes to financial statements are an integral part of this statement  
ESE 145

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### Exhibit C-11b

**DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY**  
**COMBINING STATEMENT OF ACTIVITIES (CONTINUED)**  
**MAJOR AND NONMAJOR CHARTER SCHOOLS**  
**For the Fiscal Year Ended June 30, 2014**

<table>
<thead>
<tr>
<th>FUNCTIONS</th>
<th>Account Number</th>
<th>Expenses</th>
<th>Program Revenues</th>
<th>Net (Expense) Revenue and Changes in Net Position</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Charges for Services</td>
<td>Operating Grants and Contributions</td>
</tr>
<tr>
<td>Chartered School Activity:</td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>Instruction</td>
<td>5000</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Student Personnel Services</td>
<td>7100</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Instructional Media Services</td>
<td>5200</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Instruction and Curriculum Development Services</td>
<td>6800</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Instructional-Related Technology</td>
<td>5000</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Bond</td>
<td>7190</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Student Administration</td>
<td>7200</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Facilities Acquisition and Construction</td>
<td>7300</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Fiscal Services</td>
<td>7400</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Total</td>
<td>7500</td>
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<td>Taxes</td>
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</tr>
<tr>
<td>Property Taxes, Levied for Operational Purpose</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property Taxes, Levied for Debt Service</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property Taxes, Levied for Capital Project</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local Sales Taxes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total General Revenues, Special Items, Extraordinary Items and Transfers</td>
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<td></td>
<td></td>
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</tr>
<tr>
<td>Change in Net Position</td>
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<td>0.00</td>
</tr>
<tr>
<td>Net Position, July 1, 2017</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Position, June 30, 2014</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*This amount excludes the depreciation/amortization that is included in the direct expenses of the various functions*  
The accompanying notes to financial statements are an integral part of this statement  
ESE 145

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C-16
### Net Revenues and Changes in Net Position

<table>
<thead>
<tr>
<th>Account Number</th>
<th>Program Revenues</th>
<th>Operating Grants and Contributions</th>
<th>Capital Grants and Contributions</th>
<th>Charter School Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>5000</td>
<td>46,431,714.36</td>
<td>2,354,120.83</td>
<td>1,357,304.63</td>
<td>425.01</td>
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<tr>
<td>5100</td>
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</tr>
<tr>
<td>5200</td>
<td>2,555,513.87</td>
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<td>0.00</td>
<td>(2,555,513.87)</td>
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<tr>
<td>5300</td>
<td>2,950,283.15</td>
<td>0.00</td>
<td>0.00</td>
<td>(2,950,283.15)</td>
</tr>
<tr>
<td>5400</td>
<td>439,437.36</td>
<td>0.00</td>
<td>66,585.14</td>
<td>(372,852.22)</td>
</tr>
<tr>
<td>5500</td>
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<td>0.00</td>
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<td>(2,564,122.12)</td>
</tr>
<tr>
<td>5700</td>
<td>4,116,587.87</td>
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<td>350,845.92</td>
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</tr>
<tr>
<td>5800</td>
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<td>0.00</td>
<td>(2,950,283.15)</td>
</tr>
<tr>
<td>5900</td>
<td>2,564,122.12</td>
<td>0.00</td>
<td>0.00</td>
<td>(2,564,122.12)</td>
</tr>
<tr>
<td>6000</td>
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<td>699,929.62</td>
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</tr>
<tr>
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</tr>
<tr>
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<td>(2,564,122.12)</td>
</tr>
<tr>
<td>6500</td>
<td>2,564,122.12</td>
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<td>0.00</td>
<td>(2,564,122.12)</td>
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<td>(2,564,122.12)</td>
</tr>
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<td>6800</td>
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<td>0.00</td>
<td>(2,564,122.12)</td>
</tr>
<tr>
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<td>0.00</td>
<td>(2,564,122.12)</td>
</tr>
<tr>
<td>7000</td>
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<td>(2,564,122.12)</td>
</tr>
<tr>
<td>7100</td>
<td>2,564,122.12</td>
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<td>0.00</td>
<td>(2,564,122.12)</td>
</tr>
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<td>7200</td>
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<td>(2,564,122.12)</td>
</tr>
<tr>
<td>7300</td>
<td>2,564,122.12</td>
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<td>0.00</td>
<td>(2,564,122.12)</td>
</tr>
<tr>
<td>7400</td>
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<td>0.00</td>
<td>(2,564,122.12)</td>
</tr>
<tr>
<td>7500</td>
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<td>0.00</td>
<td>(2,564,122.12)</td>
</tr>
<tr>
<td>7600</td>
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<td>(2,564,122.12)</td>
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<tr>
<td>7700</td>
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</tr>
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<td>8000</td>
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</tr>
<tr>
<td>8100</td>
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<td>(2,564,122.12)</td>
</tr>
<tr>
<td>8200</td>
<td>2,564,122.12</td>
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<td>0.00</td>
<td>(2,564,122.12)</td>
</tr>
</tbody>
</table>

### General Revenues:

<table>
<thead>
<tr>
<th>Tax Revenues</th>
<th>Property Taxes, Levied for Operational Purposes</th>
<th>2,150,843.23</th>
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</thead>
<tbody>
<tr>
<td>Local Sales</td>
<td>Taxes, Levied for Debt Service</td>
<td>109,978.00</td>
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<tr>
<td>Investment</td>
<td>Taxes, Levied for Capital Projects</td>
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<tr>
<td>Miscellaneous</td>
<td>Revenue from Debt Service</td>
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</tr>
<tr>
<td>Total General Revenues, Special Items, and Transfers</td>
<td>2,260,821.23</td>
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</tr>
</tbody>
</table>

### Total Chart School Activities

<table>
<thead>
<tr>
<th>Expenses</th>
<th>4,132,321.42</th>
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</thead>
<tbody>
<tr>
<td>4,132,321.42</td>
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</tbody>
</table>

### Change in Net Position

<table>
<thead>
<tr>
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<th>5,284,939.70</th>
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</thead>
<tbody>
<tr>
<td>Net Position, June 30, 2014</td>
<td>1,993,634.12</td>
</tr>
</tbody>
</table>

---

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

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

ESE 145
1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

For financial reporting purposes, the accompanying financial statements include all of the operations over which the District is financially accountable. The District is financially accountable for organizations that make up its legal entity, as well as legally separate organizations that meet certain criteria. In accordance with GASB 14, “The Financial Reporting Entity,” as amended by GASB 39, “Determining Whether Certain Organizations Are Component Units” and GASB 61, “The Financial Reporting Entity: Omnibus amendments of GASB Statements Nos. 14 and No. 24,” the criteria for inclusion in the reporting entity involve those cases where the District or its officials appoint a voting majority of an organization’s governing body, and are either able to impose its will on the organization and there is a potential for the organization to provide specific financial benefits to or to impose specific financial burdens on the District or the nature and significance of the relationship between the District and the organization is such that exclusion would cause the District’s financial statements to be incomplete. Applying this definition, District management has determined that the component unit and/or joint venture reportable within the accompanying financial statements is the Palm Beach School Board Leasing Corporation (the ‘Corporation’) and forty-seven of the fifty 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. The financial statements for those Charter Schools were not ready in time to be included in this report, but will be included in the District’s Comprehensive Annual Financial Report. Based on the Auditor General’s Rules, Chapter 10.850, “Audits of Charter Schools and Similar Entities” District management has determined that the following three charter schools were non-component units: Palm Beach Maritime Academy, Potential High 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.

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

Based on assessing the criteria for classifying entities as component units under GASB 61, charter schools no longer qualify as part of the District's Reporting Entity and should not be reported as discreetly presented component units. The District is not financially accountable for charter schools since charter schools are no longer financially accountable for other governmental units or civic entities. As such, the financial statements of these charter schools will not be included in the District's Comprehensive Annual Financial Report. Based on the Auditor General’s Rules, Chapter 10.850, “Audits of Charter Schools and Similar Entities” District management has determined that the following three charter schools are non-component units: Palm Beach Maritime Academy, Potential High 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.

The following list includes the thirty-four charter schools included in the District's Comprehensive Annual Financial Report. Based on GASB 61, the Florida Department of Education has required District's report on the Comprehensive Annual Financial Report to include a list of all charter schools included in the report.

The following is a list of charter schools included in the District's Comprehensive Annual Financial Report. Based on GASB 61, the Florida Department of Education has required District's report on the Comprehensive Annual Financial Report to include a list of all charter schools included in the report.

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

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

Ben Gamla Palm Beach
8600 Jog Road
Boyon Beach, Florida 33472

Bright Futures Academy
10305 Riverside Drive
Palm Beach Gardens, Florida 33410

Daystar Academy of Excellence
970 North Seacrest Boulevard
Boca Raton, Florida 33435

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

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

Franklin Academy School ‘B’
7882 S Military Trail
Boynton Beach, Florida 33436

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

Learning Path Academy
1340 Kenwood Road
West Palm Beach, Florida 33401

Mavericks HS at Palm Springs
325 South Congress Avenue
Palm Springs, Florida 33461

Montessori Academy of Early Enrichment
6305 Lake Worth Road
Greenacres, Florida 33463

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

Quantum High School
1275 Gateway Blvd
Boynton Beach, Florida 33426

Renaissance Charter School at Summit
2001 Summit Blvd
West Palm Beach, Florida 33404

Renaissance Charter School Palms West
12031 Southern Blvd.
Royal Palm Beach, Florida 33470

Renaissance Charter School at West Palm Beach
1889 Palm Beach lakes Blvd
West Palm Beach, Florida 33409

Renaissance Learning Academy
1310 N. Congress Way
West Palm Beach, Florida 33409

Renaissance Learning Center
5800 Corporate Way
West Palm Beach, Florida 33407
The charter schools listed below are not included in Charter School Exhibit since financial reports were unavailable at the time of publication.

- Belle Glade Excel Charter School
  555 SW 16th St.
  Belle Glade, Florida 33430

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

- Charter School of Boynton Beach (closed 8/14)
  1375 Gateway Boulevard
  Boynton Beach, Florida 33426

- My choice Academy (Closed 6/14)
  P.O.Box 9786
  Riviera Beach, Florida 33419

- Florida Virtual Academy @ PBC (Virtual only)
  1300 S.W. 30th Avenue
  Riviera Beach, Florida 33426

- South Tech Charter Academy
  2 3rd Street
  Riviera Beach, Florida 32117

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

- Joseph Littles-Nguzo Saba Charter School (closed 6/14)
  5829 Corporate Way, 2nd Floor
  Riviera Beach, Florida 33404

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

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for Fiduciary Funds. 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 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 drawn 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. 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 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 Position for the Proprietary Fund reports increases and decreases in total economic net worth. The private purpose trust fund is reported using the economic resources measurement focus.

**GOVERNMENTAL FUNDS**

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

**General Fund**

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

**Federal Economic Stimulus Programs**

Under the American Recovery and Reinvestment Act (ARRA), the district received funds that qualify as Race to the Top. Race to the Top funds of $192 thousand were received through ARRA.

**Other Debt Service Fund**

The Other Debt Service Fund accounts for the repayment of the certificates of participation in addition to other debt service charged, and capital improvement costs that are not paid through other funds are paid from this fund.

**ARRA Economic Stimulus Debt Service**

This fund was established to accumulate resources to pay the interest and principal obligations associated with the QSCB issued during fiscal year 2011.

**Nonvoted Capital Improvement Fund**

The Nonvoted Capital Improvement Fund accounts for locally received funds, primarily ad valorem tax revenue, for the acquisition, construction or renovation of capital facilities, including land and equipment.

**Other Capital Projects Fund**

The Other Capital Projects Fund includes:

- Sales Tax Capital Projects Fund which accounts for locally received funds, primarily sales tax revenue, for the acquisition, construction or renovation of capital facilities, including land and equipment.
- Certificates of Participation ("COPs") Capital Projects Fund which accounts for construction projects and equipment purchases financed by the sale of certificates of participation.

- Bus and Equipment Capital Project Funds which accounts for the purchase of buses and equipment.
- Other capital projects which account for impact fees and miscellaneous state revenues received for the acquisition, construction and renovation of capital facilities.

**ARRA Economic Stimulus Capital Projects**

This fund was established to account for financial resources used for the acquisition and construction of facilities and equipment funded by the QSCB issued during fiscal year 2011.

**Other 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 Funds that the District has are Internal Service Funds. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. Operating expenses for Internal Service Funds include salaries, benefits, administrative expenses, and claims paid. All items not meeting this definition are reported as nonoperating revenues and expenses.

**Internal Service Fund**

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

**FIDUCIARY FUNDS**

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

**Agency Funds**

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

**Private Purpose Trust Fund**

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

**BASIS OF ACCOUNTING**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and Fiduciary Funds use the accrual basis of accounting.
Modified Accrual
Under the modified accrual basis, revenues are recognized in the accounting period in which they become susceptible to accrual, i.e., both available and measurable. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Significant revenues susceptible to accrual include ad valorem taxes, reimbursable-type grants and interest on investments. The District considers all revenues (with the exception of the expenditure-driven grants) as available if they are collected within sixty (60) days after year-end. The expenditure driven grants are considered available if received within one year from the balance sheet date. Current year property tax revenue is recognized when taxes are received, except at year end when revenue is recognized for taxes received by the District within sixty (60) days subsequent to fiscal year end. Expenditures are recognized in the accounting period in which the liability is incurred. However, exceptions include the amount of unmatured principal and interest on general long-term debt, compensated absences, 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"). 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 verification and calculation 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.

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

Use of Resources – When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, and then unrestricted resources as they are needed.

C. Budgetary Policies
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. The budgetary process includes encumbrances in the current year budget. The encumbrances are reported as expenditures on the budgetary basis of accounting.

Annual budgets are legally adopted for all funds except the Fiduciary Funds. The budget amounts for revenues and expenditures reflect all amendments to the original budget dated September 5, 2012 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 public hearing within 80 days, but not less than 65 days, after tax roll certification, the Board adopts the District budget. The major functional level is the legal level of budgetary control. Per Board policy, management is authorized to make budget amendments at function level with Board approval. All interim budget amendments between major functional areas within each fund are submitted to the Board for approval. Federal and State grant budget amendments which require State approval prior to processing are also submitted to the Board for approval with monthly amendments.

Unreserved appropriations are cancelled at the end of the fiscal year. However, encumbered appropriations for funds do not lapse at the end of the fiscal year. Restricted, committed and assigned fund balances at June 30, 2014 for funds under budgetary control have been re-appropriated for the fiscal year 2015 operating budget within the appropriate fund. Programs restricted for carryover include all State categorical grants required to be expended on specific programs and District approved carryover programs.

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

E. Cash, Cash Equivalents and Investments
The District maintains a Treasurer's pool for the District's cash and investments. Each fund's portion of the pool is presented on the financial statements. Investments are stated at fair value, based on quoted market prices or recognized pricing sources. Investments consist of direct obligations of the United States

All money market mutual funds are AAA rated by the various rating agencies and each fund is registered as a 2a-7 fund with the SEC. Rule 2a-7 of the Investment Company Act of 1940, comprises the rules governing money market funds. For purposes of the statement of cash flows, cash equivalents are considered to be the money market funds and all highly liquid investments with a maturity of three months or less when purchased.

F. Inventories

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

G. Prepaid Items

Expenditures for insurance and similar services extending over more than one accounting period are not allocated between or among accounting periods in the governmental funds and are instead accounted for as expenditures in the period of acquisition (Purchase method).

H. Capital Assets

Capital assets represent the cumulative amount of capital assets owned by the District. Purchased assets are recorded as expenditures in the fund financial statements and are capitalized at cost on the government-wide statement of net position. Gifts or contributions are recorded at fair value at the time received.

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

<table>
<thead>
<tr>
<th>Description</th>
<th>Estimated Lives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Furniture, Fixtures and Equipment</td>
<td>3 - 15 years</td>
</tr>
<tr>
<td>Motor Vehicles</td>
<td>5 - 10 years</td>
</tr>
<tr>
<td>Audio/Video Materials &amp; Software</td>
<td>3 – 5 years</td>
</tr>
<tr>
<td>Buildings and Improvements</td>
<td>15 – 50 years</td>
</tr>
<tr>
<td>Improvements Other Than Buildings</td>
<td>15 years</td>
</tr>
<tr>
<td>Intangibles</td>
<td>5 years</td>
</tr>
</tbody>
</table>

I. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position has a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The District only has two items that qualify for reporting in this category. The first item is accumulated decrease in fair value of hedging derivatives (See Note 11). The second item is the net carrying amount of debt refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the life of the refunded debt.

In addition to liabilities, the statement of net position and a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has Unavailable Deferred Revenue that qualifies as a deferred inflow of resources and it is shown in the governmental funds Balance Sheet under the modified accrual basis of accounting.

The following are the balances that comprise deferred inflows/outflows of resources at year end (in thousands):

<table>
<thead>
<tr>
<th>Reflected on:</th>
<th>Fund Statements</th>
<th>Statement of Net Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred outflows</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hedging Derivatives</td>
<td>$ -</td>
<td>$ 67,487</td>
</tr>
<tr>
<td>Deferred charge on refunding</td>
<td>$ 34,296</td>
<td>$ -</td>
</tr>
<tr>
<td>Total outflows</td>
<td>$ -</td>
<td>$ 101,783</td>
</tr>
<tr>
<td>Deferred inflows</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unavailable revenue</td>
<td>$ 7,445</td>
<td>$ -</td>
</tr>
<tr>
<td>Total inflows</td>
<td>$ 7,445</td>
<td>$ -</td>
</tr>
</tbody>
</table>

J. 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 position. Bond premiums/discounts and Bond insurance cost are amortized over the life of the bonds while deferred loss on advance refundings are amortized over the shorter of the remaining life of the refunded bonds or the life of the new bonds both 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 is reflected on the government wide financial statements (See Notes 10 and 11).

K. Self Insurance

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

Consistent with GAAP guidelines, in the Proprietary Fund financial statements, the liability for self insured risks is recorded under the accrual basis of accounting. As of July 1, 2013, Workers Compensation, General and Auto Claims are reported as an Internal Service Fund. The negative net position will be funded over a fifteen year period.
L. Compensated Absences

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

The District uses the vesting method to calculate the compensated absences amounts. The entire compensated absence liability is reported on the government-wide financial statements. The portion related to employees in the Internal Service Fund is recorded at the fund level. The current portion is the amount estimated to be used in the following year. An expenditure is recognized in the governmental fund as payments come due each period, for example, as a result of employee resignations and retirements. Compensated absences not recorded at the fund level represent a reconciling item between the fund level and government-wide presentations (see Note 19).

M. Accounting Estimates

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

N. Impact of Recently Issued Accounting Principles

Recently Issued and Adopted Accounting Pronouncements

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

<table>
<thead>
<tr>
<th>Governmental Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Position, previously reported</td>
</tr>
<tr>
<td>Adjustment to write-off debt issuance cost</td>
</tr>
<tr>
<td>Net Position, restated</td>
</tr>
</tbody>
</table>

Recently Issued Accounting Pronouncements

In June 2012, the GASB issued Statement 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement 27. GASB 68 improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2014. Management is currently evaluating the impact of the adoption of this statement on the District’s financial statements.

In April 2013, the GASB issued Statement 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees. GASB requires a government that has issued an obligation guaranteed in a nonexchange transaction to report the obligation until legally released as an obligation. This Statement is effective for fiscal years beginning after June 15, 2013. The adoption of GASB 70 does not have any impact on the District’s financial statements.

In November 2013, the GASB issued Statement 71, Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68. This objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. This Statement is effective for fiscal years beginning after June 15, 2014. Management is currently evaluating the impact of the adoption of this statement on the District’s financial statements.

2. AD VALOREM TAXES

The Board is authorized by Florida Statutes to levy property taxes for District operations, capital improvements and debt service. Property taxes consist of ad valorem taxes on real and personal property within the District. The Palm Beach County Property Appraiser assesses property values and the Palm Beach County Tax Collector collects the property taxes. Property values are assessed as of January 1 each year. The Board levies the property tax at the final budget hearing each year based on the assessed valuation of all non-exempt property. This levy finances the expenditures of the current fiscal year. Tax bills are mailed by the Palm Beach County Tax Collector on November 1 and are due no later than April 1. After this date, taxes become an enforceable lien on property. Discounts of up to 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 7.759 mills and the total assessed value on which the 2014-15 levy was based was $150.1 billion. Gross taxes levied were approximately $1.0 billion. Total revenue, net of discounts, was approximately $1.0 billion. A portion of the taxes levied for the Local Capital Improvement Capital Project Fund, designated for repairs and maintenance programs are transferred to the General Fund as provided by Chapter 1013, Florida Statutes. For fiscal year 2014, the maintenance transfer amounted to approximately $73.3 million. Additionally, approximately $8.2 million was transferred for property insurance; approximately $5.2 million was transferred for charter school capital outlay bringing the total transfer from capital to approximately $86.7 million.
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 depositors resulting from insolvency are covered by applicable deposit insurance, sale of securities pledged as collateral and, if necessary, assessment against other qualified public depositories of the same type as the depository in default. All bank balances of the District are fully insured or collateralized. At June 30, 2014, the carrying amount of the District’s cash deposits was approximately $155.9 million and the bank balance was approximately $161.3 million. The carrying amount of the Agency Fund - School Internal Funds cash deposits was approximately $16.7 million.

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

Cash Equivalents consist of cash deposits, amounts invested in Money Markets, Florida Education Investment Trust Fund (FEITF) and Florida State Board of Administration (SBA).

Investments
The District’s investment policy permits investments in the SBA Local Government Surplus Funds Trust Fund, FEITF, securities of the United States Government, U.S. Government Agencies, Federal instrumentalities, interest bearing time deposit or savings accounts, repurchase agreements, commercial paper, corporate notes, bankers’ acceptances, state and/or local government debt, and money market mutual funds. The District’s investment advisor used the effective duration method to calculate effective duration measures for the securities held by the District. Besides measuring the sensitivity of the securities market value to changes in interest rates, the effective duration method accounts for any call (early redemption) features which a security may have.

Interest Rate Risk
To limit exposure to fair value losses resulting from increases in interest rates, the District’s Investment Policy limits operating funds to maturities of two years or less. Investments of reserves, project funds, debt proceeds and other non-operating funds (“core funds”) shall have a term appropriate to the need for funds and in accordance with debt covenants, but in no event shall exceed five (5) years and the average duration of the funds as a whole may not exceed three (3) years. The District’s investment in the Federally Backed Securities (Fannie Mae, Freddie Mac (also known as Federal Home Loan Mortgage Corporation) and Farmer Mac) matures between May, 2015 and March, 2017. As of June 30, 2014, the District held approximately $4.2 million in market value of callable securities issued by Federal Instrumentalities which permit the issuer to redeem the securities prior to their original maturity date.

Credit Risk
The District’s Investment Policy lists the authorized investment types as well as the minimum allowable credit rating for each investment type. Corporate notes purchased for investment must be issued by corporations organized and operating within the United States or by depository institutions licensed by the United States that have a long term debt rating, at the time of purchase, at a minimum “Aa” by Moody’s and a minimum long term debt rating of “AA” by Standard & Poor’s (“S&P”). The maximum length to maturity for corporate notes shall be three (3) years from the date of purchase. As of June 30, 2014, the District held $7.7 million of corporate notes of which had an S&P rating between AA- and AAA. All investments in the Federally Backed Securities (Fannie Mae, Freddie Mac (also known as Federal Home Loan Mortgage Corporation) and Farmer Mac) had a rating between AA+ and Aaa for securities held for more than one year. As of June 30, 2014, the Local Government Investment Pool was rated AAAm by S&P. As of June 30, 2014, Fund B was not rated by a nationally recognized statistical rating agency.

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

At June 30, 2014, the District had a total of approximately $42.3 million in “Due from other agencies”. Approximately $15.9 million is due from Federal, State and local governments for various grant programs. Approximately $3.2 million is due from Medicaid for reimbursement for services performed which is also recorded as Deferred-Unavailable at the fund level. Approximately $4.8 million is due from telecommunication companies related to reimbursement for E-Rate which is also recorded as Deferred-Unavailable at the fund level. Approximately $1.2 million is due from United Health Care pharmacy and PBMC rebated. Approximately $15.4 million is due from Palm Beach County related to Impact Fees. Approximately $0.4 million is due from FEMA. Another $1.4 million is due from other state and local agencies for miscellaneous items.

6. INTERFUND ACTIVITIES

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

<table>
<thead>
<tr>
<th>Interfund Receivables</th>
<th>Interfund Payables</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>$5,000</td>
</tr>
<tr>
<td>Other Governmental Funds</td>
<td></td>
</tr>
<tr>
<td>Total Interfund</td>
<td>$5,000</td>
</tr>
</tbody>
</table>

The amount payable by the Other Special Revenue Fund to the General Fund is to cover temporary cash shortages related to timing of receipts.

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

<table>
<thead>
<tr>
<th>Transfer to:</th>
<th>General Fund</th>
<th>Other Debt Service</th>
<th>ABMA Economic Stimulus</th>
<th>Other Capital Projects</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nonowed Capital Improvement</td>
<td>$57,072</td>
<td>$134,311</td>
<td>$6</td>
<td>-</td>
<td>$191,389</td>
</tr>
<tr>
<td>General Fund</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other Capital Projects</td>
<td>29,754</td>
<td>14,000</td>
<td>-</td>
<td>-</td>
<td>43,754</td>
</tr>
<tr>
<td>Other Governmental Funds</td>
<td>1,855</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,855</td>
</tr>
<tr>
<td>Internal Service Funds</td>
<td>12,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>12,000</td>
</tr>
<tr>
<td>Total</td>
<td>$101,681</td>
<td>$146,311</td>
<td>$6</td>
<td>-</td>
<td>$250,043</td>
</tr>
</tbody>
</table>

As of June 30, 2014, all District investments were in compliance with the District’s Investment Policy or Debt Management Policy and did not exceed portfolio allocation or issuer maximums.

Custodial Risk

The District’s investment policy requires that all securities, with the exception of certificates of deposit, be held with a third party custodian; and all securities purchased by, and all collateral obtained by the District should be properly designated as an asset of the District. The securities must be held in an account separate and apart from the assets of the financial institution. A third party custodian is defined as any bank depository chartered by the Federal government, the state of Florida, or any other state or territory of the United States which has a branch or principal place of business in the state of Florida as defined in § 658.12, F.S., or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in the state of Florida. Certificates of deposit will be placed in the provider’s safekeeping department for the term of the deposit. Security transactions between a broker/dealer and the custodian involving the purchase or sale of securities by transfer of money or securities are made on a “delivery vs. payment” basis, if applicable, to ensure that the custodian will have the security or money, as appropriate, in hand at the conclusion of the transaction. As of June 30, 2014, the District’s investment portfolio was held with a third-party custodian.
The School District of Palm Beach County, Florida
Notes to the Financial Statements (Exhibit D-1)
For the Year Ended June 30, 2014

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

7. Capital Assets

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

<table>
<thead>
<tr>
<th></th>
<th>Ending Balance</th>
<th>Additions</th>
<th>Retirements</th>
<th>Transfer In</th>
<th>Transfer Out</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>June 30, 2013</td>
<td>and</td>
<td>and</td>
<td></td>
<td></td>
<td>June 30, 2014</td>
</tr>
<tr>
<td>Non-Depreciable Assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>$341,459</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$341,459</td>
</tr>
<tr>
<td>Construction in Progress</td>
<td>40,683</td>
<td>36,350</td>
<td>62,837</td>
<td>33,737</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Non-Depreciable Assets</td>
<td>482,142</td>
<td>73,700</td>
<td>95,677</td>
<td>67,795</td>
<td></td>
<td>505,937</td>
</tr>
<tr>
<td>Depreciable Assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improvements Other Than Buildings</td>
<td>55,630</td>
<td>1,333</td>
<td>163</td>
<td>56,800</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings and Improvements</td>
<td>4,058,975</td>
<td>61,829</td>
<td>8,835</td>
<td>4,111,969</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Furniture, Fixtures &amp; Equipment</td>
<td>136,980</td>
<td>7,045</td>
<td>7,980</td>
<td>136,045</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Motor Vehicles</td>
<td>97,253</td>
<td>1,498</td>
<td>38</td>
<td>98,713</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Audio/Video Materials &amp; Software</td>
<td>58,273</td>
<td>808</td>
<td>2,329</td>
<td>56,752</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Depreciable Assets:</td>
<td>4,407,111</td>
<td>72,513</td>
<td>19,345</td>
<td>4,460,279</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less Depreciation For:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improvements Other Than Buildings</td>
<td>(20,318)</td>
<td>(3,760)</td>
<td>(76)</td>
<td>(24,002)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings and Improvements</td>
<td>(979,104)</td>
<td>(86,458)</td>
<td>(7,913)</td>
<td>(1,057,496)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Furniture, Fixtures &amp; Equipment</td>
<td>(102,501)</td>
<td>(10,367)</td>
<td>(7,805)</td>
<td>(105,063)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Motor Vehicles</td>
<td>(73,846)</td>
<td>(6,053)</td>
<td>(38)</td>
<td>(79,861)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Audio/Video Materials &amp; Software</td>
<td>(51,099)</td>
<td>(2,256)</td>
<td>(2,258)</td>
<td>(51,097)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Accumulated Depreciation</td>
<td>(1,236,868)</td>
<td>(138,884)</td>
<td>(18,090)</td>
<td>(1,317,842)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Assets, Net</td>
<td>$3,581,246</td>
<td>$31,990</td>
<td>$64,092</td>
<td>$3,517,803</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Depreciation expense for the year ended June 30, 2014 of approximately $108.9 million was not allocated to specific functions. The District's capital assets essentially serve all functions and as such the depreciation expense is included as a separate line item in the statement of activities.

8. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; administrative errors and omissions; injuries to employees, students and guests, as well as natural disasters. The District is self-insured for portions of its general and automobile liability insurance, workers' compensation and health insurance. Losses involving auto and general liability claims are limited (generally) by provisions of the Florida State Statute 768.28. These self-insured funds are administered by a third party. The District purchases commercial insurance for other risks including property, construction and other miscellaneous risks.

The employee health insurance claims liability is based on an analysis performed by management, which is based on historical trends. The remaining claims liability is based on an actuarial evaluation performed by an independent actuary as of June 30, 2014 using a discounted rate factor of 4.0%. The liability consists of claims reported and payable, as well as an estimate for claims incurred but not reported. At June 30, 2014, the liability for insurance claims consisted of approximately $13.0 million, $8.2 million and $30.6 million for employee health, auto and general liability, and workers' compensation, respectively.

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

<table>
<thead>
<tr>
<th></th>
<th>Fiscal Year Ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Beginning Balance</td>
</tr>
<tr>
<td></td>
<td>June 30, 2013</td>
</tr>
<tr>
<td></td>
<td>$52,678</td>
</tr>
<tr>
<td></td>
<td>$47,705</td>
</tr>
<tr>
<td></td>
<td>$47,705</td>
</tr>
</tbody>
</table>

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

9. Short-Term Debt

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

<table>
<thead>
<tr>
<th></th>
<th>Fiscal Year Ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Beginning Balance</td>
</tr>
<tr>
<td></td>
<td>July 1, 2013</td>
</tr>
<tr>
<td></td>
<td>$-</td>
</tr>
<tr>
<td>Tax anticipation notes</td>
<td>$-</td>
</tr>
<tr>
<td>Total short-term debt</td>
<td>$-</td>
</tr>
</tbody>
</table>

Tax Anticipation Notes

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

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

<table>
<thead>
<tr>
<th></th>
<th>Beginning Balance</th>
<th>Additions</th>
<th>Reductions</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds, Notes and Leases Payable:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Notes/Loans Payable</td>
<td>$14,002</td>
<td>-</td>
<td>-</td>
<td>$14,002</td>
</tr>
<tr>
<td>Capital Outlay Bond Issue</td>
<td>26,370</td>
<td>-</td>
<td>(4,485)</td>
<td>21,885</td>
</tr>
<tr>
<td>Certificates of Participation</td>
<td>1,711,333</td>
<td>281,570</td>
<td>(341,530)</td>
<td>1,711,373</td>
</tr>
<tr>
<td>Borrowing-Swap Upfront Payment</td>
<td>8,017</td>
<td>-</td>
<td>(4,925)</td>
<td>3,092</td>
</tr>
<tr>
<td>Derivative Instruments-Hedging</td>
<td>94,964</td>
<td>-</td>
<td>(27,477)</td>
<td>67,487</td>
</tr>
<tr>
<td></td>
<td>1,900,684</td>
<td>295,572</td>
<td>(378,417)</td>
<td>1,817,839</td>
</tr>
<tr>
<td>Plus (Less) Issuance Premium</td>
<td>40,020</td>
<td>25,748</td>
<td>(4,970)</td>
<td>60,798</td>
</tr>
<tr>
<td>Total Bonds, Notes and Leases Payable</td>
<td>1,940,704</td>
<td>321,320</td>
<td>(383,387)</td>
<td>1,878,637</td>
</tr>
<tr>
<td>Other Liabilities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compensated Absences</td>
<td>180,833</td>
<td>21,241</td>
<td>(15,492)</td>
<td>186,582</td>
</tr>
<tr>
<td>Claims and Judgments:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insurance Claims</td>
<td>47,705</td>
<td>13,311</td>
<td>(4,969)</td>
<td>55,047</td>
</tr>
<tr>
<td>Post Employment Benefits</td>
<td>87,297</td>
<td>-</td>
<td></td>
<td>87,297</td>
</tr>
<tr>
<td>Total Other Liabilities</td>
<td>315,835</td>
<td>213,102</td>
<td>(194,880)</td>
<td>334,057</td>
</tr>
<tr>
<td>Total Governmental Activities</td>
<td>2,256,539</td>
<td>534,422</td>
<td>(579,267)</td>
<td>2,212,694</td>
</tr>
<tr>
<td>Long-Term Liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$2,256,539</td>
<td>$534,422</td>
<td>($579,267)</td>
<td>$2,212,694</td>
</tr>
</tbody>
</table>

The compensated absences and post-employment benefits are generally liquidated by the general fund. Long-term claims and judgments are liquidated by the internal service funds.

Equipment Loan

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

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

<table>
<thead>
<tr>
<th></th>
<th>FY15</th>
<th>FY16</th>
<th>FY17</th>
<th>FY18</th>
<th>FY19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal</td>
<td>$4,170</td>
<td>2,767</td>
<td>2,802</td>
<td>2,836</td>
<td>1,427</td>
</tr>
<tr>
<td>Interest</td>
<td>$146</td>
<td>$113</td>
<td>$79</td>
<td>$44</td>
<td>$9</td>
</tr>
<tr>
<td>Total</td>
<td>$4,316</td>
<td>2,880</td>
<td>2,881</td>
<td>2,880</td>
<td>1,436</td>
</tr>
</tbody>
</table>

Total $14,002 $391 $14,393

STATE BOARD OF EDUCATION CAPITAL OUTLAY BOND ISSUES

State Board of Education Capital Outlay Bond Issues ("COBI") are serviced entirely by the State using a portion of the District’s share of revenue derived from motor vehicle license taxes pursuant to Chapter 320, Florida Statutes, and Article XII, Section 9(d), of the Florida Constitution. The State Board of Administration determines the annual sinking fund requirements. The amounts necessary to retire bonds and interest payable are withheld from the entitlement to the District. Interest rates on the COBI bonds range from 3.00 percent to 5.00 percent. Interest is payable semiannually on January 1 and July 1. The bonds are redeemable at par.

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Bond Issuance</td>
<td>$21,200</td>
<td>$2,675</td>
<td>$2,695</td>
<td>$9,700</td>
<td>$1,790</td>
<td>$5,820</td>
</tr>
<tr>
<td>Date of Issue</td>
<td>1/1/2017</td>
<td>1/1/2020</td>
<td>1/1/2019</td>
<td>1/1/2030</td>
<td>1/1/2022</td>
<td>1/1/2023</td>
</tr>
<tr>
<td>Amount Issued</td>
<td>$6,000</td>
<td>$1,690</td>
<td>$1,070</td>
<td>$8,425</td>
<td>$1,675</td>
<td>$5,050</td>
</tr>
<tr>
<td>Remaining Rate</td>
<td>5.00%</td>
<td>5.00%</td>
<td>3.00%</td>
<td>3.50% to 5.00%</td>
<td>4.00% to 5.00%</td>
<td>3.00% to 5.00%</td>
</tr>
<tr>
<td>Interest Rate</td>
<td>$4,460</td>
<td>$2,160</td>
<td>$1,070</td>
<td>$8,425</td>
<td>$1,675</td>
<td>$5,050</td>
</tr>
<tr>
<td>Date of Maturity</td>
<td>$4,460</td>
<td>$2,160</td>
<td>$1,070</td>
<td>$8,425</td>
<td>$1,675</td>
<td>$5,050</td>
</tr>
<tr>
<td>Debt Maturing</td>
<td>$2,460</td>
<td>$1,690</td>
<td>$1,070</td>
<td>$8,425</td>
<td>$1,675</td>
<td>$5,050</td>
</tr>
<tr>
<td>Debt Outstanding</td>
<td>$6,000</td>
<td>$1,690</td>
<td>$1,070</td>
<td>$8,425</td>
<td>$1,675</td>
<td>$5,050</td>
</tr>
<tr>
<td>Debt Redemned</td>
<td>$6,000</td>
<td>$1,690</td>
<td>$1,070</td>
<td>$8,425</td>
<td>$1,675</td>
<td>$5,050</td>
</tr>
<tr>
<td>Debt Outstanding</td>
<td>$6,000</td>
<td>$1,690</td>
<td>$1,070</td>
<td>$8,425</td>
<td>$1,675</td>
<td>$5,050</td>
</tr>
<tr>
<td>Total Bond Issuance</td>
<td>$42,840</td>
<td>$26,370</td>
<td>$1,430</td>
<td>$8,000</td>
<td>$1,550</td>
<td>$3,990</td>
</tr>
<tr>
<td>Total Bond Issuance</td>
<td>$42,840</td>
<td>$26,370</td>
<td>$1,430</td>
<td>$8,000</td>
<td>$1,550</td>
<td>$3,990</td>
</tr>
</tbody>
</table>

The debt service requirements through maturity to the holders of the Capital Outlay Bond Issue are as follows (amounts in thousands):
The District is subject to State Board of Education Administrative Rule 6A-1037(2) that limits the amount of State Board of Education Capital Outlay Bond Issues outstanding to 10% of the non-exempt assessed valuation. At June 30, 2014, the statutory limit for the District was approximately $13.8 billion, providing additional debt capacity of approximately $13.8 billion.

Certificates of Participation

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

The District also sold Certificates of Participation Qualified Zone Academy Bonds ("QZAB"). The QZAB program is a financial instrument that provides a different form of subsidy from traditional tax-exempt bonds. Interest on QZABs is paid by the Federal government in the form of an annual tax credit to an eligible financial institution that holds the QZAB. The QZAB issuer is responsible for repayment upon maturity. The tax credits and bonding authority are made available by the Federal government to support innovative school partnerships; enhance reform initiatives, including augmenting Federal education programs, technology and vocational education; 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 District deposits funds annually in an escrow, which when coupled with interest earnings will be sufficient to pay off the principal at maturity.

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

**NOTES TO THE FINANCIAL STATEMENTS (Exhibit D -1)**

**FOR THE YEAR ENDED JUNE 30, 2014**

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

<table>
<thead>
<tr>
<th>Certificate</th>
<th>Date of Issue</th>
<th>Amount Issued</th>
<th>Remaining Interest</th>
<th>Rate (Percent)</th>
<th>Final Maturity Date</th>
<th>Debt Outstanding June 30, 2013</th>
<th>Debt Issued FY 13-14</th>
<th>Debt Maturity FY 13-14</th>
<th>Debt Refunded/Defeased June 30, 2013</th>
<th>Debt Outstanding June 30, 2014</th>
<th>Ground Lease Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Series 2002A (1)</td>
<td>2/1/2002</td>
<td>115,250</td>
<td>-</td>
<td>8/1/2013</td>
<td>$7,710</td>
<td>$7,710</td>
<td>$7,710</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>8/1/2018</td>
</tr>
<tr>
<td>Series 2002E (4)</td>
<td>9/1/2002</td>
<td>93,350</td>
<td>4.00% to 5.38%</td>
<td>8/1/2016</td>
<td>37,495</td>
<td>-</td>
<td>11,070</td>
<td>-</td>
<td>26,425</td>
<td>6/30/2016</td>
<td></td>
</tr>
<tr>
<td>Series 2003A (5)</td>
<td>6/26/2003</td>
<td>60,865</td>
<td>3.00% to 5.00%</td>
<td>8/1/2015</td>
<td>10,715</td>
<td>-</td>
<td>3,465</td>
<td>-</td>
<td>7,250</td>
<td>8/1/2017</td>
<td></td>
</tr>
<tr>
<td>Series 2004A (7)</td>
<td>5/14/2004</td>
<td>103,375</td>
<td>3.60% to 5.00%</td>
<td>8/1/2019</td>
<td>10,015</td>
<td>-</td>
<td>3,185</td>
<td>-</td>
<td>6,830</td>
<td>8/1/2020</td>
<td></td>
</tr>
<tr>
<td>Series 2005A (8)</td>
<td>3/22/2005</td>
<td>124,650</td>
<td>3.60% to 5.00%</td>
<td>8/1/2022</td>
<td>123,295</td>
<td>-</td>
<td>215</td>
<td>-</td>
<td>123,080</td>
<td>8/1/2028</td>
<td></td>
</tr>
<tr>
<td>QDAB 2005</td>
<td>12/15/2005</td>
<td>2,130</td>
<td>-</td>
<td>12/15/2020</td>
<td>2,130</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,130</td>
<td>12/1/2020</td>
<td></td>
</tr>
<tr>
<td>Series 2006A</td>
<td>5/15/2006</td>
<td>222,015</td>
<td>4.00% to 5.00%</td>
<td>8/1/2029</td>
<td>187,355</td>
<td>-</td>
<td>6,310</td>
<td>-</td>
<td>181,055</td>
<td>8/1/2031</td>
<td></td>
</tr>
<tr>
<td>Series 2007A</td>
<td>2/28/2007</td>
<td>268,545</td>
<td>3.75% to 5.50%</td>
<td>8/1/2031</td>
<td>217,020</td>
<td>-</td>
<td>11,660</td>
<td>-</td>
<td>205,360</td>
<td>8/1/2031</td>
<td></td>
</tr>
<tr>
<td>Series 2007C (9)</td>
<td>3/22/2007</td>
<td>192,310</td>
<td>4.00% to 5.00%</td>
<td>8/1/2027</td>
<td>149,375</td>
<td>-</td>
<td>4,990</td>
<td>-</td>
<td>144,515</td>
<td>8/1/2031</td>
<td></td>
</tr>
<tr>
<td>Series 2007E</td>
<td>10/31/2007</td>
<td>145,390</td>
<td>3.75% to 5.50%</td>
<td>8/1/2022</td>
<td>139,070</td>
<td>-</td>
<td>4,295</td>
<td>-</td>
<td>134,875</td>
<td>8/1/2022</td>
<td></td>
</tr>
<tr>
<td>Series 2011B (11)</td>
<td>6/29/2011</td>
<td>146,270</td>
<td>1.9% to 5.52%</td>
<td>8/1/2025</td>
<td>165,245</td>
<td>-</td>
<td>1,100</td>
<td>162,355</td>
<td>1,830</td>
<td>6/30/2030</td>
<td></td>
</tr>
<tr>
<td>Series 2011A (12)</td>
<td>7/13/2011</td>
<td>112,425</td>
<td>4.00% to 5.50%</td>
<td>8/1/2027</td>
<td>112,425</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>112,425</td>
<td>8/1/2032</td>
<td></td>
</tr>
<tr>
<td>Series 2012A (15)</td>
<td>5/15/2012</td>
<td>20,065</td>
<td>5.00%</td>
<td>8/1/2028</td>
<td>20,065</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>20,065</td>
<td>8/1/2028</td>
<td></td>
</tr>
<tr>
<td>Series 2012C (17)</td>
<td>8/9/2012</td>
<td>67,145</td>
<td>4.00% to 5.00%</td>
<td>8/1/2029</td>
<td>67,145</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>67,145</td>
<td>8/1/2029</td>
<td></td>
</tr>
<tr>
<td>Series 2014A (18)</td>
<td>8/31/2014</td>
<td>115,560</td>
<td>Variable Rate</td>
<td>8/1/2027</td>
<td>-</td>
<td>115,560</td>
<td>-</td>
<td>-</td>
<td>115,560</td>
<td>8/1/2027</td>
<td></td>
</tr>
<tr>
<td>Series 2014B (19)</td>
<td>6/27/2014</td>
<td>166,010</td>
<td>3.00% to 5.00%</td>
<td>8/1/2025</td>
<td>-</td>
<td>166,010</td>
<td>-</td>
<td>-</td>
<td>166,010</td>
<td>8/1/2025</td>
<td></td>
</tr>
</tbody>
</table>

**Total:** $2,476,218

**Interest Rate:**

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

**2015B - Variable rate paid to certificate holders SIFMA +65 basis points. Resets weekly, 0.71% at 6/30/2014

**2015A QC BAR - Average coupon rate before IRS subsidy is 5.4%. Net interest rate with IRS subsidy is 5.43%.

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During the year ended June 30, 2014, approximately $9.5 million was payable to Certificate holders. Payment of the outstanding Certificates of Participation is insured through a Trust fund 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 a Trust fund 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.

All Certificates of Participation issued are subject to arbitrage rebate. At June 30, 2014, the arbitrage liability was zero.
Defeased Debt

On June 27, 2014, the District issued certificates of participation (Series 2014B) in the amount of $166.0 million (plus a premium of $25.7 million) with net interest cost of 2.71 percent to refund certificates of participation Series 2011B with interest rate 5.28 percent, which met the requirements of an in-substance current debt defeasance. The District made a principal payment of $162.3 million and a call premium payment of $0.7 million, both are recorded in the fund level financial statements as a payment to escrow agent. As a result of the refunding, the District will decrease its total debt service requirement by $0.2 million, or 0.096% of the principal amount being refunded. The refunding meets the requirements of an in-substance defeasance and the liability for the refunded certificates was removed from the District's financial statements in the current fiscal year.

In prior years, the District defeased certain certificates of participation by creating separate irrevocable trust funds. New debt has been issued and the proceeds used to purchase U.S. Government Securities that were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments. These investments and fixed earnings from the investments are sufficient to service the defunded debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the financial statements. As of June 30, 2014, the total amount of defunded debt outstanding but removed from the District's financial statements amounted to approximately $71.3 million.

Certificates of Participation:

<table>
<thead>
<tr>
<th>Series</th>
<th>Maturities</th>
<th>Thousands</th>
<th>Outstanding</th>
<th>Call Date</th>
<th>Defeased by COPs Series</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Defeased COPs</td>
<td>$</td>
<td>71,280</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

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

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

Qualified School Construction Bonds

As part of the American Reinvestment and Recovery Act, the District was authorized to issue up to $67.7 million of Qualified School Construction Bonds (QSCB) for the purpose of new construction. The District chose to modernize two schools (Galaxy Elementary and Gove Elementary) and replace two roofs (Belle Glade Elementary and Pioneer Park Elementary). The District issued the bonds as Taxable Certificates of Participation (Series 2010A QSCB). A forward delivery agreement is a type of investment in which the investor purchases eligible securities on a periodic basis from the agreement provider at a fixed rate of return. The Board expects to purchase eligible securities, which consist of direct obligations of or obligations guaranteed by the US Treasury and AAA-rated senior debt obligations of Fannie Mae, Freddie Mac, the FHLB and Federal Farm Credit System from Barclays on a semi-annual basis beginning July 19, 2019 through the final maturity date of August 1, 2025. The Agreement will generate a guaranteed fixed rate of return of 4.262% or 8.1 million. The interest earnings associated with this transaction will completely offset the interest due (net of the federal subsidy) and will generate an additional $6.0 million to be used to repay the principal in 2025.

Hedging Derivative Instrument Payments and Hedged Debt

As of June 30, 2014, aggregate debt service requirements of the District’s debt (fixed-rate and variable-rate) and net receipts/payments on associated hedging derivative instruments are as follows. These amounts assume that current interest rates on variable-rate bonds and the current reference rates of hedging derivative instruments will remain the same for their term. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on the hedging derivative instruments will vary. Refer to Note 11 for information on derivative instruments (amounts in thousands) [see page 27]:
### Borrowings of Hybrid Derivative Instruments

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

During the option period, interest accreted at the market rate at inception of the borrowing of 4.40 percent and 4.20 percent, respectively totaling $882,451 and $1,166,422. The 2001B swaption and 2002D swaption were composed of the swaptions’ intrinsic value and time value. Accordingly, the swaptions are hybrid instruments consisting of a borrowing and an embedded derivative instrument. The embedded derivative instrument – the option – was recorded at a value equal to the time value of the option only and the remaining value of the swaption was allocated to the companion instrument (borrowing). The intrinsic value of the borrowing was calculated using the net present value method and is recorded at historical cost. During the option period, interest accreted at the market rate at inception of the borrowing of 4.40 percent and 4.20 percent, respectively totaling $882,451 and $1,166,422. The 2001B swaption and 2002D swaption were executed August 1, 2011 and August 1, 2012, respectively.

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

The original borrowing of the 2012B/2002D continues to be amortized over the remaining term. Aggregate debt service requirements of the District’s borrowing amounts assume that current interest rates on variable-rate bonds are equal to the at the market rates at inception of the derivative instruments and will remain the same for their term. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on the derivative instruments will vary. Refer to Note 11 for information on derivative instruments. Debt service requirements for the 2012B/2002D borrowing at June 30, 2014, are as follows (amounts in thousands):

<table>
<thead>
<tr>
<th>Fiscal Year Ending June 30</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$ 4,645</td>
<td>$ 2,937</td>
<td>$ 7,582</td>
</tr>
<tr>
<td>2016</td>
<td>190</td>
<td>2,937</td>
<td>14,252</td>
</tr>
<tr>
<td>2017</td>
<td>210</td>
<td>2,936</td>
<td>14,247</td>
</tr>
<tr>
<td>2018</td>
<td>5,130</td>
<td>2,893</td>
<td>14,016</td>
</tr>
<tr>
<td>2019</td>
<td>8,415</td>
<td>2,835</td>
<td>13,712</td>
</tr>
<tr>
<td>2020-2024</td>
<td>87,020</td>
<td>12,343</td>
<td>100,363</td>
</tr>
<tr>
<td>2025-2029</td>
<td>165,730</td>
<td>6,497</td>
<td>172,227</td>
</tr>
<tr>
<td>2030-2034</td>
<td>80,470</td>
<td>1,557</td>
<td>82,027</td>
</tr>
<tr>
<td></td>
<td>$ 351,810</td>
<td>33,378</td>
<td>385,188</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fiscal Year Ending June 30</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>14,252</td>
<td>13,712</td>
<td>27,964</td>
</tr>
<tr>
<td>2020</td>
<td>14,247</td>
<td>13,712</td>
<td>27,959</td>
</tr>
<tr>
<td>2021</td>
<td>14,237</td>
<td>13,712</td>
<td>27,949</td>
</tr>
<tr>
<td>2022</td>
<td>14,227</td>
<td>13,712</td>
<td>27,940</td>
</tr>
<tr>
<td>2023</td>
<td>14,217</td>
<td>13,712</td>
<td>27,929</td>
</tr>
<tr>
<td>2024</td>
<td>14,207</td>
<td>13,712</td>
<td>27,919</td>
</tr>
<tr>
<td>2025</td>
<td>14,197</td>
<td>13,712</td>
<td>27,907</td>
</tr>
<tr>
<td>2026</td>
<td>14,187</td>
<td>13,712</td>
<td>27,896</td>
</tr>
<tr>
<td>2027</td>
<td>14,177</td>
<td>13,712</td>
<td>27,886</td>
</tr>
<tr>
<td>2028</td>
<td>14,167</td>
<td>13,712</td>
<td>27,876</td>
</tr>
<tr>
<td>2029</td>
<td>14,157</td>
<td>13,712</td>
<td>27,866</td>
</tr>
<tr>
<td></td>
<td>3,092</td>
<td>905</td>
<td>3,997</td>
</tr>
</tbody>
</table>

11. DERIVATIVE INSTRUMENTS

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

<table>
<thead>
<tr>
<th>Classification</th>
<th>Changes in Fair Value</th>
<th>Fair Value at June 30, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>Classification Amount</td>
</tr>
<tr>
<td>Governmental Activities Hedging Derivatives:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2002B/2004A Pay-Fixed Interest Rate Swap</td>
<td>Deferred outflow of resources</td>
<td>$ 945</td>
</tr>
<tr>
<td>2003B Pay-Fixed Interest Rate Swap</td>
<td>Deferred outflow of resources</td>
<td>(1,015)</td>
</tr>
<tr>
<td>Total Hedging Derivative Instruments</td>
<td>27,477</td>
<td>Liability (22,052)</td>
</tr>
<tr>
<td>Investment Derivatives:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2001B-11 Basis point spread - Term</td>
<td>Investment earnings</td>
<td>(268)</td>
</tr>
<tr>
<td>2002B Barrier Option at 7%</td>
<td>Investment earnings</td>
<td>54</td>
</tr>
<tr>
<td>Total Investment Derivative Instruments</td>
<td>214</td>
<td>Asset 93</td>
</tr>
</tbody>
</table>

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

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

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

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

<table>
<thead>
<tr>
<th>Objective</th>
<th>Notional</th>
<th>Effective Date</th>
<th>Maturity Date</th>
<th>Amount of Cash Received</th>
<th>Term</th>
<th>Counterparty</th>
<th>Credit Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aerospace Aircrafts Hedging Derivatives</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2005B - Interest Rate Swap</td>
<td>Hedge changes in cash flows on the 2005B Certificate</td>
<td>124,295</td>
<td>6/26/2003</td>
<td>8/1/2029</td>
<td>N/A</td>
<td>UBS AG</td>
<td>A2,AA</td>
</tr>
</tbody>
</table>

Investment Derivatives:

<table>
<thead>
<tr>
<th>Objective</th>
<th>Notional</th>
<th>Effective Date</th>
<th>Maturity Date</th>
<th>Amount of Cash Received</th>
<th>Term</th>
<th>Counterparty</th>
<th>Credit Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003B - Base rate option at 7%</td>
<td>Hedge against future increase in interest rates</td>
<td>100,000</td>
<td>6/26/2003</td>
<td>8/1/2018</td>
<td>3,010</td>
<td>UBS AG</td>
<td>A2,AA</td>
</tr>
</tbody>
</table>

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

Risks

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

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

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

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

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

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

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

In connection with the issuance of the Certificates of Participation, Series 2014A the District called and refunded Certificates of Participation, Series 2003B. Since the primary purpose and subsequent result was to replace or remove the current bond insurer and the other terms remain relatively unchanged it was determined that a terminating event has not occurred and will continue to report 2002B/2014A Interest Rate Swap as a hedging derivative instrument.

12. REDEEMABLE DEBT INSTRUMENTS

Plan Description: The District contributes to the Florida Retirement System (FRS), a cost-sharing multiple-employer pension plan administered by the State of Florida Division of Retirement. FRS was created in 1970 by consolidating several employee retirement systems, including the Teachers Retirement System. All eligible employees, as defined by the State, who were hired after 1970 and those employed prior to 1970 who elect to be enrolled in FRS. Employees hired prior to 1970 and not electing to enroll in the FRS may be covered by various contributory plans, principally the Teachers’ Retirement System Plan E. FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Florida Legislature established FRS under Chapter 121, Florida Statutes, and has sole authority to amend benefit provisions. Each year FRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Florida Department of Management Services, Division of Retirement, P.O. Box 9000, Tallahassee, Florida 32313-9000.

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

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

### Funding Policy

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Florida Retirement System</td>
<td>$44,838</td>
<td>$50,191</td>
<td>$74,277</td>
</tr>
<tr>
<td>Employer</td>
<td>24,533</td>
<td>25,688</td>
<td>27,749</td>
</tr>
<tr>
<td>Teachers’ Retirement System</td>
<td>$9</td>
<td>$10</td>
<td>$10</td>
</tr>
<tr>
<td>Plan E: Employer</td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
</tbody>
</table>

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

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

### 13. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

**Plan Description.** Pursuant to Section 112.0801, Florida Statutes, the District is required to permit participation in the health insurance program by retirees and their eligible dependents at a cost to the retiree that is no greater than the cost at which coverage is available for active employees. Retirees pay 100 percent of the active (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 2014, 1,152 retirees received health care benefits. The District provided required contributions of approximately $8.3 million toward the annual OPEB cost. Retiree contributions totaled approximately $4.5 million.

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

**NOTES TO THE FINANCIAL STATEMENTS (Exhibit D -1)**

**FOR THE YEAR ENDED JUNE 30, 2014**

**Annual OPEB Cost and Net OPEB Obligation.** The District’s annual Other Post Employment Benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District’s net OPEB obligation to the retiree health plan (amounts in thousands):
The Projected Unit Cost method (PUC) with benefits attributed from date of hire to expected retirement age was used in the actuarial valuation as of July 1, 2012. The unfunded actuarial accrued liability is amortized over the maximum acceptable period of thirty years on an open basis. It is calculated assuming a level dollar percentage. The remaining amortization period at June 30, 2012 is thirty years (open method).

The following assumptions were made:

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

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

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

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

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

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

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

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

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

Plan Participation Percentage – It is assumed that 35% of all future retirees and their dependents who are eligible for benefits participate in the post employment benefit plan in fiscal year 2013 and 30% participate thereafter.

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

Salary Increase Assumption – 2.5% per annum.

Discount Rate – 4% per annum.

14. FUND BALANCE REPORTING

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

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

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

Restricted or unrestricted amounts are considered spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

The District has not established a stabilization arrangement. Instead, the Board has established policy 2.55, Fund Balance for Contingency to set aside 3 percent of total annual operating fund appropriations and transfers from the operating fund to cover unanticipated financial needs and to avoid a budget deficit. The District committed balance includes: Funds committed by the School Board on June 2, 2010 for future purchase and installation of equipment needed to transmit and receive programming for The Education Network (TEN).
THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS (Exhibit D -1)
FOR THE YEAR ENDED JUNE 30, 2014

FUND BALANCES:
Nonspendable:
Inventory:
Textbooks $8,278 - - - - - $8,278
Child Nutrition - - - - - - 2,684 $2,684
Warehouse 781 - - - - - 781
Transportation 546 - - - - - 546
Other 14 - - - - - 14
Total Nonspendable 9,819 - - - - - 12,305
Restricted to:
Categorical carryover programs 1,915 - - - - - 1,915
IB, AP, AICE & Industry cert prog 7,825 - - - - - 7,825
School Improvement 1,352 - - - - - 1,352
Workforce development 17,078 - - - - - 17,078
Child nutrition - - - - - - 23,050 23,050
Debt service - - - - 36,499 65,610 1,749 103,858
Total Restricted 28,170 110,007 128 36,499 116,498 28,204 404,848
Committed to:
The Education Network program - - - - - - 186 186
Total Committed 186 186
Assigned to:
School Operations
Instruction 526 - - - - - 526
Textbooks 875 - - - - - 875
Instructional support services 61 - - - - - 61
Board 178 - - - - - 178
General & School admin 40 - - - - - 40
Central services 192 - - - - - 192
Pupil transportation services 75 - - - - - 75
Operation of plant 129 - - - - - 129
Community services:
After care/summer camp 6,168 - - - - - 6,168
Pre-K/VPK Per Based Activities 78 - - - - - 78
Community Schools 660 - - - - - 660
Other 96 - - - - - 96
Capital projects 220 - - - 50,848 - 51,108
Misc local grants/donations 1,895 - - - - - 1,895
Next year budget appropriations 18,030 - - - - - 18,030
Total Assigned 29,223 110,007 128 36,499 116,498 28,204 265,748
Unassigned - - - - - - 46,500 46,500
Total fund balance $113,512 $110,007 $128 $38,499 $116,498 $28,204 $404,848

15. COMMITMENTS AND CONTINGENCIES

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

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

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

As part of its capital outlay program, the District has entered into various construction contracts. At
June 30, 2014, the District had construction commitments of approximately $48.2 million.

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

16. SUBSEQUENT EVENT

On July 29, 2014, the District issued $33.3 million in Certificates of Participation, Series 2014C to refund
the Series 2007A Certificates owned by Citibank, N.A. Citibank, N.A paid the District $2.2 million to extend
the call date five years and cover the costs associated with the issuance. The refinancing Series 2007A will
generate $1.6 million cash flow savings for 2015 through 2031. The series 2014C Certificates possess an
underlying credit rating of Aa3 and AA Moody’s and Fitch, respectively.
NOTES TO REQUIRED SUPPLEMENTARY
June 30, 2014

POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

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

Funding Policy. The District is financing the post employment benefits on a pay-as-you-go basis. Expenditures for these insurance premiums are prorated between the General Fund and other funds where the personnel are located. For fiscal year 2014, 1,152 retirees received health care benefits. The District provided required contributions of approximately $5.0 million toward the annual OPEB cost. Retiree contributions totaled approximately $8.3 million.

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

<table>
<thead>
<tr>
<th>Fiscal Year Ended</th>
<th>Annual OPEB Cost</th>
<th>Percentage of Annual OPEB Cost Contributed</th>
<th>Net OPEB Obligation</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 30, 2010</td>
<td>22,095</td>
<td>15%</td>
<td>62,490</td>
</tr>
<tr>
<td>June 30, 2011</td>
<td>13,275</td>
<td>37%</td>
<td>70,869</td>
</tr>
<tr>
<td>June 30, 2012</td>
<td>13,735</td>
<td>43%</td>
<td>78,701</td>
</tr>
<tr>
<td>June 30, 2013</td>
<td>12,678</td>
<td>32%</td>
<td>87,297</td>
</tr>
<tr>
<td>June 30, 2014</td>
<td>13,311</td>
<td>37%</td>
<td>95,639</td>
</tr>
</tbody>
</table>
Funded Status and Funding Progress. As of June 30, 2014, the actuarial accrued liability for benefits was $138.5 million, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $971.6 million, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 14.2 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, 2012. The unfunded actuarial accrued liability is amortized over the maximum acceptable period of thirty years on an open basis. It is calculated assuming a level dollar percentage. The remaining amortization period at June 30, 2012 is thirty years (open method).

The following assumptions were made:

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

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

Plan Participation Percentage – It is assumed that 35% of all future retirees and their dependents who are eligible for benefits participate in the post employment benefit plan in fiscal year 2013 and 30% participate thereafter.

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

Salary Increase Assumption – 2.5% per annum.

Discount Rate – 4% per annum.
### Exhibit E-1

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**

**For the Fiscal Year Ended June 30, 2014**

#### General Fund

<table>
<thead>
<tr>
<th>Account Number</th>
<th>Original Budget Amounts</th>
<th>Actual Amounts</th>
<th>Variance with Final Budget - Positive (Negative)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Budget</td>
<td>Total</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal Direct</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3100</td>
<td>797,000.00</td>
<td>797,024.77</td>
<td>0.00</td>
</tr>
<tr>
<td>Federal Milton State and Local</td>
<td>6,398,000.00</td>
<td>6,398,013.27</td>
<td>0.00</td>
</tr>
<tr>
<td>State Sources</td>
<td></td>
<td>450,332,499.69</td>
<td>450,319,643.27</td>
</tr>
<tr>
<td>State Revenue</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property Taxes, Tax Redemptions and Excess Fees for Operational Purposes</td>
<td>3411, 3421</td>
<td>1,548,291,459.00</td>
<td>1,582,370,498.27</td>
</tr>
<tr>
<td>Other Local Revenues</td>
<td>3421</td>
<td>18,997,061.00</td>
<td>19,994,061.99</td>
</tr>
<tr>
<td>Total Revenues</td>
<td></td>
<td>1,578,288,520.00</td>
<td>1,582,364,559.26</td>
</tr>
<tr>
<td><strong>Expenditures</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Salary and Wages</td>
<td>7100</td>
<td>1,515,358,171.33</td>
<td>1,515,358,171.33</td>
</tr>
<tr>
<td>Bond Interest</td>
<td>720</td>
<td>121,971.00</td>
<td>121,971.00</td>
</tr>
<tr>
<td>Total Expenditures</td>
<td></td>
<td>1,515,479,448.33</td>
<td>1,515,479,448.33</td>
</tr>
<tr>
<td><strong>Other Financing Sources (Uses) Value:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Change in Fund Balances</td>
<td>2891</td>
<td>2891</td>
<td>0.00</td>
</tr>
<tr>
<td>Fund Balance, July 1, 2013</td>
<td>2800</td>
<td>133,274,438.00</td>
<td>133,274,438.04</td>
</tr>
<tr>
<td>ESE 145</td>
<td>Fund Balance, June 30, 2014</td>
<td>2700</td>
<td>46,500,000.00</td>
</tr>
</tbody>
</table>

### Exhibit E-2a

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**

**For the Fiscal Year Ended June 30, 2014**

<table>
<thead>
<tr>
<th>Account Number</th>
<th>Original Budget Amounts</th>
<th>Actual Amounts</th>
<th>Variance with Final Budget - Positive (Negative)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Budget</td>
<td>Total</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal Direct</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3100</td>
<td>797,000.00</td>
<td>797,024.77</td>
<td>0.00</td>
</tr>
<tr>
<td>Federal Milton State and Local</td>
<td>6,398,000.00</td>
<td>6,398,013.27</td>
<td>0.00</td>
</tr>
<tr>
<td>State Sources</td>
<td></td>
<td>450,332,499.69</td>
<td>450,319,643.27</td>
</tr>
<tr>
<td>State Revenue</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property Taxes, Tax Redemptions and Excess Fees for Operational Purposes</td>
<td>3411, 3421</td>
<td>1,548,291,459.00</td>
<td>1,582,370,498.27</td>
</tr>
<tr>
<td>Other Local Revenues</td>
<td>3421</td>
<td>18,997,061.00</td>
<td>19,994,061.99</td>
</tr>
<tr>
<td>Total Revenues</td>
<td></td>
<td>1,578,288,520.00</td>
<td>1,582,364,559.26</td>
</tr>
<tr>
<td><strong>Expenditures</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Salary and Wages</td>
<td>7100</td>
<td>1,515,358,171.33</td>
<td>1,515,358,171.33</td>
</tr>
<tr>
<td>Bond Interest</td>
<td>720</td>
<td>121,971.00</td>
<td>121,971.00</td>
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<tr>
<td>Total Expenditures</td>
<td></td>
<td>1,515,479,448.33</td>
<td>1,515,479,448.33</td>
</tr>
<tr>
<td><strong>Other Financing Sources (Uses) Value:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Change in Fund Balances</td>
<td>2891</td>
<td>2891</td>
<td>0.00</td>
</tr>
<tr>
<td>Fund Balance, July 1, 2013</td>
<td>2800</td>
<td>133,274,438.00</td>
<td>133,274,438.04</td>
</tr>
<tr>
<td>ESE 145</td>
<td>Fund Balance, June 30, 2014</td>
<td>2700</td>
<td>46,500,000.00</td>
</tr>
</tbody>
</table>

---

District School Board of Palm Beach County

For the Fiscal Year Ended June 30, 2014

Exhibit E-1

Exhibit E-2a
### Financial Statements

#### Revenues

<table>
<thead>
<tr>
<th>Description</th>
<th>Actual Amount</th>
<th>Original Budget Amount</th>
<th>Variance to Budget Amount</th>
<th>Variance to Fund Balance Fund</th>
<th>Variance to Fund Balance Positive (Negative)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest Revenue</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>-0.00</td>
</tr>
<tr>
<td>Property Taxes Levied; Tax Redemptions and Excess Fees for Local Improvement Projects</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>-0.00</td>
</tr>
<tr>
<td>Transfers In</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>-0.00</td>
</tr>
<tr>
<td>Subtotals</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>-0.00</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>-0.00</td>
</tr>
</tbody>
</table>

#### Expenditures

<table>
<thead>
<tr>
<th>Description</th>
<th>Actual Amount</th>
<th>Original Budget Amount</th>
<th>Variance to Budget Amount</th>
<th>Variance to Fund Balance Fund</th>
<th>Variance to Fund Balance Positive (Negative)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Outlay:</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>-0.00</td>
</tr>
<tr>
<td>General Compensation</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>-0.00</td>
</tr>
<tr>
<td>Other Capital Outlay</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>-0.00</td>
</tr>
<tr>
<td>Subtotals</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>-0.00</td>
</tr>
<tr>
<td><strong>Total Expenditure</strong></td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>-0.00</td>
</tr>
</tbody>
</table>

#### Excess (Deficiency) of Revenues Over (Under) Expenditures

<table>
<thead>
<tr>
<th>Description</th>
<th>Actual Amount</th>
<th>Original Budget Amount</th>
<th>Variance to Budget Amount</th>
<th>Variance to Fund Balance Fund</th>
<th>Variance to Fund Balance Positive (Negative)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Excess (Deficiency) of Revenues Over (Under) Expenditures</strong></td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>-0.00</td>
</tr>
</tbody>
</table>

#### Variance with Exhibit E-2b

<table>
<thead>
<tr>
<th>Description</th>
<th>Actual Amount</th>
<th>Original Budget Amount</th>
<th>Variance to Budget Amount</th>
<th>Variance to Fund Balance Fund</th>
<th>Variance to Fund Balance Positive (Negative)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Variance with Exhibit E-2b</strong></td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>-0.00</td>
</tr>
</tbody>
</table>

#### Notes

- The budget and actual amounts are reported in thousands of dollars.
- Variance is calculated as the difference between actual and budgeted amounts.
- Fund balance variance is calculated as the difference between the fund balance at the beginning of the period and the fund balance at the end of the period.
<table>
<thead>
<tr>
<th>Account Number</th>
<th>Description</th>
<th>2014 Actual Amount</th>
<th>2014 Budgeted Amount</th>
<th>2013 Fund Balance</th>
<th>Variance</th>
<th>Variance as % of Budgeted Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2110</td>
<td>Accrued Salaries and Benefits</td>
<td>1,068,094.58</td>
<td>6,228,953.70</td>
<td>7,297,048.28</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>2120</td>
<td>Accounts Payable</td>
<td>1,650,225.05</td>
<td>2,042,184.57</td>
<td>3,692,409.62</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>2125</td>
<td>Cash Overdraft</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>2150</td>
<td>Cash in transit</td>
<td>1,574,533.45</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>2161</td>
<td>Budgetary Funds</td>
<td>0.00</td>
<td>5,000,000.00</td>
<td>5,000,000.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>2162</td>
<td>Internal Funds</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>2210</td>
<td>Due From Reinsurer</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>2250</td>
<td>Deposits Receivable</td>
<td>0.00</td>
<td>45,231.58</td>
<td>45,231.58</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>2310</td>
<td>Accounts Receivable</td>
<td>1,156,252.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>2320</td>
<td>Unearned Revenue</td>
<td>0.00</td>
<td>834,524.57</td>
<td>834,524.57</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>2330</td>
<td>Deferred Revenue</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>2410</td>
<td>Unassigned Fund Balance</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>2421</td>
<td>Assigned Fund Balance</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>2423</td>
<td>Total Assigned Fund Balance</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>2430</td>
<td>Unrestricted Fund Balance</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>2431</td>
<td>Assigned Fund Balance</td>
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<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>2433</td>
<td>Total Assigned Fund Balance</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>2441</td>
<td>Total Unassigned Fund Balance</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>2442</td>
<td>Total Assigned Fund Balance</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>2443</td>
<td>Total Fund Balance</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

**NOTES TO THE FINANCIAL STATEMENTS**

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

ESE 145
### District School Board of Palm Beach County
#### Combining Statement of Revenues, Expenditures and Changes in Fund Balances

**Nonmajor Governmental Funds**

For the Fiscal Year Ended June 30, 2014

<table>
<thead>
<tr>
<th>Account Number</th>
<th>Permanent Fund Revenues</th>
<th>Nonmajor Governmental Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>9100</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>9200</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>9300</td>
<td>0.00</td>
<td>0.00</td>
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<tr>
<td>9400</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>9500</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>9600</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>9700</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>9800</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>9900</td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

#### Special Revenue Funds

<table>
<thead>
<tr>
<th>Account Number</th>
<th>Gross Receipts</th>
<th>Object/Program Revenues</th>
<th>Total Gross Receipts</th>
</tr>
</thead>
<tbody>
<tr>
<td>1010</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>1020</td>
<td>0.00</td>
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<tr>
<td>1030</td>
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<tr>
<td>1040</td>
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<td>0.00</td>
</tr>
<tr>
<td>1050</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>1060</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>1070</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
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<tr>
<td>1080</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>1090</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

**Total Gross Receipts:** 0.00

#### Nonmajor Governmental Funds

- **Total Revenues:** 0.00
- **Total Expenditures:** 0.00
- **Excess (Deficiency) of Revenues over (under) Expenditures:** 0.00

#### Other Financing Sources (Uses)

- **Total Other Financing Sources:** 0.00

#### Fund Balances

- **Total Assigned Fund Balance:** 0.00
- **Total Unassigned Fund Balance:** 0.00
- **Total Restricted Fund Balance:** 0.00
- **Total Nonspendable Fund Balance:** 0.00

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

**ESE 145**

---

**Nonmajor Governmental Funds**

**Combining Balance Sheet (Continued)**

<table>
<thead>
<tr>
<th>Account Number</th>
<th>Permanent Fund Balances</th>
<th>Nonmajor Governmental Balances</th>
</tr>
</thead>
<tbody>
<tr>
<td>2100</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>2200</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>2300</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>2400</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>2500</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>2600</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>2700</td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

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

**ESE 145**
## Nonmajor Governmental Funds

### COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)

#### DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY

For the Fiscal Year Ended June 30, 2014

<table>
<thead>
<tr>
<th>Account Number</th>
<th>Total Nonmajor Funds</th>
<th>Capital Projects Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Capital Projects Bond Issues ($)</td>
<td>Capital Projects Debt Service Program ($)</td>
</tr>
<tr>
<td>3410</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>3421</td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

### REVENUES

- **Federal Direct**
  - 3100: 0.00
- **State Sources**
  - 3300: 0.00
- **Federal Through State and Local**
  - 3200: 0.00
- **Other Local Revenue**
  - 3400: 0.00
- **Total Revenues**
  - 3410: 0.00

### EXPENDITURES

- **Current:**
  - **Local Sources:**
    - **Total Local Sources**
      - 3400: 0.00
  - **Excess (Deficiency) of Revenues Over (Under) Expenditure**
    - 3410: 0.00

### Adjustments to Fund Balances

- **Adjustment to Fund Balances**
  - 2891: 0.00

### Issuance of Bonds

- **Issuance of Bond**
  - 3710: 0.00

### Federal Direct

- **Federal Direct**
  - 3100: 0.00

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

**ESE 145**
For the Fiscal Year Ended June 30, 2014

DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2014

DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
SPECIAL REVENUE FUND INCLUDING FOOD SERVICE

The accompanying notes to financial statements are an integral part of this statement.
ESE 145
## DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
### SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
#### DEBT SERVICE FUND

For the Fiscal Year Ended June 30, 2014

<table>
<thead>
<tr>
<th>Account Number</th>
<th>Budgeted Amounts</th>
<th>Actual Amounts</th>
<th>Variance with Final Budget - Positive (Negative)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Original</td>
<td>Final</td>
<td></td>
</tr>
<tr>
<td>Fund Balance, July 1, 2013</td>
<td>3200</td>
<td>$33,369,880.55</td>
<td>$33,369,880.55</td>
</tr>
<tr>
<td>Total Other Financing Sources (Uses)</td>
<td>7,942,317.08</td>
<td>8,959,506.87</td>
<td>8,959,506.87</td>
</tr>
</tbody>
</table>

### DEBT SERVICE FUND

#### For the Fiscal Year Ended June 30, 2014

<table>
<thead>
<tr>
<th>Account Number</th>
<th>Budgeted Amounts</th>
<th>Actual Amounts</th>
<th>Variance with Final Budget - Positive (Negative)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Original</td>
<td>Final</td>
<td></td>
</tr>
<tr>
<td>Fund Balance, June 30, 2014</td>
<td>2700</td>
<td>$28,827,977.00</td>
<td>$28,827,977.00</td>
</tr>
</tbody>
</table>

### ESE 145

#### For the Fiscal Year Ended June 30, 2014

<table>
<thead>
<tr>
<th>Account Number</th>
<th>Budgeted Amounts</th>
<th>Actual Amounts</th>
<th>Variance with Final Budget - Positive (Negative)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Original</td>
<td>Final</td>
<td></td>
</tr>
<tr>
<td>Fund Balance, July 1, 2013</td>
<td>2370</td>
<td>$113,721,233.17</td>
<td>$113,699,880.55</td>
</tr>
</tbody>
</table>

### OTHER FINANCING SOURCES (USES)

#### For the Fiscal Year Ended June 30, 2014

<table>
<thead>
<tr>
<th>Account Number</th>
<th>Budgeted Amounts</th>
<th>Actual Amounts</th>
<th>Variance with Final Budget - Positive (Negative)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Original</td>
<td>Final</td>
<td></td>
</tr>
<tr>
<td>Fund Balance, July 1, 2013</td>
<td>2370</td>
<td>$113,721,233.17</td>
<td>$113,699,880.55</td>
</tr>
</tbody>
</table>
APPENDIX D

CERTAIN LEGAL DOCUMENTS

The Master Lease

Form of Schedule 2006A-1

The Series 2006A Ground Lease

The Master Trust Agreement

Form of Series 2015B Supplemental Trust Agreement

The Series 2006A Assignment
MASTER LEASE PURCHASE AGREEMENT

PALM BEACH SCHOOL BOARD LEASING CORP.
as Lessor

AND

THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA
acting as the governing body of
the School District of Palm Beach County, Florida

Dated as of November 1, 1994
ARTICLE I. DEFINITIONS AND EXHIBITS

SECTION 1.1. Definitions

SECTION 1.2. Rules of Construction

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to time, which facilities must, to the extent required by Florida law, be listed on the Educational Plant Survey for Palm Beach County Schools conducted from time to time by the State Department of Education; and

WHEREAS, facilities approved by the State Department of Education may be leased-purchased from time to time pursuant to Schedules substantially in the form of Exhibit A hereto (individual, "Schedules"); and

WHEREAS, the School Board as lessor and the Corporation as lessee may enter into one or more leases from time to time with respect to one or more Facility Sites (individually, a "Facility Site"); and

WHEREAS, the ground lease of a Facility Site, the subleasing of a Facility Site back to the School Board and the lease-purchase agreement relating thereto and a particular Schedule, are herein collectively referred to as a "Lease"; and

WHEREAS, the School Board intends for this Master Lease to remain in full force and effect until the last Lease Payment Date; and

WHEREAS, the School Board intends for this Master Lease to remain in full force and effect until the last Lease Payment Date, to and including such maturity date or earlier prepayment date; and

WHEREAS, the relationship between the Corporation and the School Board under this Master Lease shall be a continuing one and this Master Lease may, from time to time, be added to or deleted from this Master Lease in accordance with the terms hereof and the Schedule describing each Facility; and

NOW, THEREFORE, in consideration of the mutual agreements and covenants herein contained and for other valuable consideration, the parties hereto mutually agree as follows:

ARTICLE I.
DEFINITIONS AND EXHIBITS

SECTION 1.1. Definitions. The terms set forth in this Section shall have the meanings ascribed to them for all purposes of this Master Lease unless the context clearly indicates some other meaning, or unless an opposing construction is provided in a particular Schedule. Terms used herein and not otherwise defined shall have the meaning given to them in the Trust Agreement.

"Basic Lease Payments" shall mean any Acquisition Account established pursuant to Section 4.1 of the Trust Agreement and in any Supplemental Trust Agreement.

"Additional Lease Payments" shall mean any amounts payable by the School Board under the terms of this Master Lease other than a Basic Lease Payment or a Supplemental Payment, as set forth in a Schedule to this Master Lease and so designated.

"Assignment Agreement" shall mean any assignment agreement pursuant to which the Corporation shall have assigned to the School Board all of its rights, title and interest in and to a Ground Lease and the Lease or Leases created by one or more particular Schedules, including the right to receive Lease Payments under such Lease or Leases.

"Authorized School Board Representative" shall mean the Chairperson and any person or persons designated by the Corporation to act on behalf of the Corporation and authorized to act on behalf of the Corporation by the Chairperson of the Board of Directors containing the signature of each such person.

"Basic Lease Payments" shall mean, with respect to each Lease, any Lease Payments made under the Lease Agreement on or after the Basic Lease Payment Date, the amount set forth in a Schedule to this Master Lease corresponding to each Lease Payment Date and designated as a Basic Lease Payment in such Schedule.

"Business Days" shall mean a day other than Saturday, Sunday or day on which banks in the State of New York or State of Florida are authorized or required to be closed, or a day on which the New York Stock Exchange is closed.

"Business Hours" means any time when banks in the State of New York are authorized or required to be open, but not limited to (i) coast and expenses of the acquisition, construction and installation of such Facilities.

"Certificate" or "Certificates" shall mean the Certificates of Participation issued under the Trust Agreement and any Supplemental Trust Agreement. Each Series of Certificates issued under the Trust Agreement and any Supplemental Trust Agreement shall bear a Series designation to identify such Series of Certificates to a particular Schedule hereto which is the effective date of such Schedule.

"Certificate Holder" or "Holder of Certificates" shall mean the registered owner of any Certificate or Certificates.

"Certificate of Acceptance" shall mean the certificate of the School Board substantially in the form of Exhibit B to this Master Lease to be delivered pursuant to the provisions of Section 2.3 hereof.

"Chairperson" shall mean the Chairperson of the School Board and any person or persons designated by the School Board and authorized to act on behalf of the Chairperson.


"Completion Date" shall mean the date set forth in each Schedule hereof which is the effective date of such Schedule.

"Completion Date" shall mean, with respect to the Facilities described in a particular Schedule, the date specified by the School Board in a Certificate of Acceptance as the date of completion of acquisition, construction and installation of such Facilities.

"Contractor" shall mean the person, firm, corporation or joint venture authorized to do business in Florida and who has been hired directly by the School Board for the performance of the work with respect to any Facilities described by the instructions to Bidders and General Conditions.

"Corporation" shall mean Palm Beach School Board Leasing Corp., a Florida not-for-profit corporation, its successors and assigns.

"Cost" shall mean costs and expenses related to the acquisition, construction and installation of any Facilities including, but not limited to (i) costs and expenses of the acquisition of the title to or other interest in real property, including leasehold interests, easements, rights-of-way and "Licensees", including, without limitation, license payments to be made by the Corporation under the terms of a Lease or Leases up to the acceptance of the Facilities related thereto as described herein, (ii) costs and expenses incurred for labor and materials and payments to contract-
unconditionally guaranteed by the full faith and credit of the United States of America, including bonds or other evidences of indebtedness issued or guaranteed by any agency or corporation which has been or may hereafter be established, organized or created by Congress as an agency or instrumentality of the United States of America, in all respects unconditionally and irrevocably pledged to, and held by the Trustee as security for payment of Basic Lease Payments under the Master Lease Agreement in connection with the issuance of a Series of Certificates.

"Costs of Issuance" shall mean, with respect to a Series of Certificates, the amount by which the earnings on the Gross Proceeds of such Certificates exceeds the amount which would have been earned thereon if such Gross Proceeds were invested at a yield equal to the yield on the interest portion of the Basic Lease Payments represented by such Certificates, as such yield is determined in accordance with the Code and amounts earned on such investment of earnings on the Gross Proceeds of such Certificates.

"Facility" shall mean "educational facilities" as defined in Section 139 of the Internal Revenue Code of 1986, as amended, including reasonable additions and improvements thereto.

"Fiscal Year" shall mean the twelve month fiscal period of the School Board which begins on July 1 in every year and ends on June 30 of the succeeding year.

"Government Obligations" shall mean any obligations which are to be paid principally and exclusively from noncallable direct obligations of, or non-callable obligations fully and

"Lease Payment Date" shall mean, with respect to a lease, each date set forth on the corresponding Schedule designated as a Lease Payment Date, provided that such Lease Payment Date shall be the last day of the current Fiscal Year plus such annual or lesser renewal period (if any) designated for the lease on the corresponding Schedule, provided that in no event shall such Lease Payment Date be less than thirty days after the termination of the term of such lease.

"Lease Payments" shall mean, with respect to each lease, all amounts payable by the School Board to the lessor under the terms of a lease, including Basic Lease Payments, Additional Lease Payments and Supplemental Payments.

"Lease Term" shall mean, with respect to each lease, the period from the date of the Lease to the lessor of the then current Fiscal Year plus such annual or lesser renewal period (if any) designated for the lease on the corresponding Schedule, provided that in no event shall such Lease Payment Date be less than thirty days after the termination of the term of such lease.

"Leasee" shall mean one or more leaseholders, or lessee, as amended and supplemented from time to time, pursuant to which the School Board shall grant leaseholds on all or any part of the facilities.

"Instructions to Bidders and the General Conditions" shall mean the instructions to bidders and the general conditions of the School Board as in effect from time to time.

"Trust Agreement" shall mean the Trust Agreement dated as of November 1, 1994, between the Corporation and the School Board, as supplemented thereto.

"Trustee" shall mean the person or entity named as the trustee or any successor trustee appointed in accordance with the Code and the Trust Agreement and set aside for such payment, (whether at or prior to the maturity or Prepayment Price thereof, as the case may be), with respect to each Series of Certificates, at such time as designated in Section 7.3 hereof.
Additional Lease Payments and Supplemental Payments then due and payable on the Payment Date, plus an amount equal to a pro rata portion of any amounts due under the contract in question or if such lien is being asserted in accordance with the provisions of the Master Lease.

(vii) a right to, or received on or in respect of, and any liens and encumbrances created or permitted thereby;

(viii) the irrevocable letter or line of credit, insurance policy, surety bond, or other guarantee of such property or of such obligations which have been so rated; or (ii) which collateralizes Basic Lease Payments which have been so rated; or (ii) which collateralizes Basic Lease Payments which have been so rated; or (ii) which collateralizes Basic Lease Payments which have been so rated.

“Reserve Account” means any Reserve Account established pursuant to Section 406 of the Trust Agreement and in any Supplemental Trust Agreement.

“Reserve Account Requirement” means, in regard to a Reserve Account established pursuant to Section 406 of the Trust Agreement, any such Reserve Account Requirement of a Trust Agreement as it may be established by the Depositor or the Corporation, or the Master trustee, and any Supplemental Trust Agreement.

“Reserve Account Letter of Credit/Affirmative Payment Policy” shall mean the irrevocable letter or line of credit, insurance policy, surety bond, or other guarantee of such property or of such obligations which have been so rated.

“Reserve Account Requirement” means, in regard to a Reserve Account established pursuant to Section 406 of the Trust Agreement, any such Reserve Account Requirement of a Trust Agreement as it may be established by the Depositor or the Corporation, or the Master trustee, and any Supplemental Trust Agreement.

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“Reserve Account Requirement” means, in regard to a Reserve Account established pursuant to Section 406 of the Trust Agreement, any such Reserve Account Requirement of a Trust Agreement as it may be established by the Depositor or the Corporation, or the Master trustee, and any Supplemental Trust Agreement.

“Reserve Account Requirement” means, in regard to a Reserve Account established pursuant to Section 406 of the Trust Agreement, any such Reserve Account Requirement of a Trust Agreement as it may be established by the Depositor or the Corporation, or the Master trustee, and any Supplemental Trust Agreement.
persons shall include firms, associations and corporations, including public bodies as well as natural persons.

SECTION 2.1. Lease and Sublease of Facilities and Facility Sites. The Corporation hereby agrees to demise, lease and sublease to the School Board, and the School Board hereby agrees to take, lease and sublease, the right, title and interest of the Corporation in and to the Facilities and Facility Sites, listed on and as set forth in the terms and conditions set forth in this Master Lease. For purposes of each Lease, all rules and regulations in respect of which amounts are paid to the Trustee for the acquisition, construction and installation of a Facility (including those disclosed for Costs of Issuance) shall be equally accepted by the School Board hereunder upon execution of a request by the School Board for payment hereunder under Section 402 of the Trust Agreement. The School Board hereby agrees that it has received valuable consideration for the payment of Basic Loan Payments representing Costs of Issuance and will pay the lease payments in respect of same, subject to the provisions hereof.

SECTION 2.2. Lease Term. This Master Lease shall be for an original term consisting of the date hereof through and including June 30, 1995, and automatically renewable annually thereafter through the last date set forth on any Schedule hereunder unless sooner terminated in accordance with the provisions hereof, including in particular Sections 2.5 and 1.1 hereof. Upon expiration or termination of the Lease Term, other than pursuant to Section 4.1(b) or (c) hereof, the Trustee, the School Board and the Corporation, at the expense of the School Board, shall execute and deliver such documents, if any, as shall be necessary to evidence such termination. The useful life of the Facilities shall extend beyond the last date set forth on the particular Schedule relating to such Facilities.

SECTION 2.3. Acquisition of Facilities. The School Board shall be responsible for, and shall use its best efforts to, acquire, finance, construct and install the Facilities, as agent for the Corporation, pursuant to the specifications of the School Board, including the letters of intent for the acquisition, construction and installation of the Facilities and for supervising the acquisition, construction and installation of the Facilities.

ARTICLE II.
LEASE AND SUBLEASE OF FACILITIES AND FACILITY SITES

SECTION 2.4. School Board's Liability. As between the Corporation and the School Board, the School Board assumes liability for all risks of loss with respect to the Facilities. The School Board shall be responsible for all matters relating to the construction, installation and enjoyment of the Facilities. The School Board may determine not to acquire, construct or install one or more of the Facilities relating to a particular Lease, if to substitute one or more of the Facilities relating to a particular lease, at the School Board's sole discretion.

SECTION 2.5. Trustee Access to Facilities. During the lease term of each Lease, the Trustee and its agents, as assignee or the Corporation or its agents, shall have the right, during the School Board's normal working hours on the School Board's normal working days to examine and inspect the Facilities for the purpose of ascertaining that the Facilities are being properly maintained, preserved, and kept in good repair and condition.

SECTION 2.7. Disclaimer of Warranties. The School Board acknowledges that each of the Corporation, the Certificate Holders and any Credit Facility Issuer or Issuer of a Private Access Bond of Moody's Financial Assurance Corporation, Inc. or representation, either express or implied, as to the title to, design, location, condition, merchantability or fitness for particular purposes of any Facility or portion thereof, or as to the quality or quality of the material or craftsmanship in any Facility or portion thereof, and the Corporation, the Certificate Holders and any other Issuer of any Facility or portion thereof, will not be liable for any defective or nonconforming product or service, and will not be liable for any defect or nonconformity in design or materials.
OR SPECIAL METHODS OR ANY OTHER WARRANT OF ANY KIND WHATSOEVER.

Account Letter of Credit/Insurance Policy be liable for any inci­

holders or any Credit Facility Issuer or issuer of a Reserve

with or arising out of this Master Lease or the existence, furnish­

hereby appoints the School Board its agent and attorney-in-fact

during the Lease Term to assert from time to time whatever claims

Corporation each represents, warrants and covenants that it has

warrants as follows:

records and the openness of its meetings to the public.

complied and will comply throughout the Lease Term of each Lease

as Chapter 119, Florida Statutes relating to public Eiccess to its

represents, covenants and wa;rrant:s as

be listed on the Educational Plant Survey for Palm Beach

by the State of Florida Department of Education and will have

been approved for lease purchase by said Department.

the terms, conditions, or provisions of any restriction or any

School Board to execute or deliver this Mastei: Lease or to

Corporation is bound, or constitutes a default under any of

in no way be conditioned by the giving or receipt of such notice.

only and the School Board's obligation to make such payments shall

in the event that the Trustee has not rece.ived such Basic

order to assure that sufficient moneys will be available to the

party entitled thereto. Additional Lease Payments and Supplemental

shall be trhe same under -all future Lease Schedules.

in any material

wherein an unfavoraijle decision, ruling, or finding would

any material agreement or instrument to which the School Board

any material

a valid, legal and binding

records and the openness of its meetings to the public.

representations, covenants and warranties of the School Board. The School Board represents, covenants and warranties as follows:

(a) The School Board is the governing body of the

District, a body corporate pursuant to Article IX, Section

of the Florida Constitution (1968) and Chapter 230,

Florida Statutes, has power to enter into this Master Lease

and with Schedule herein and has duly authorized and taken the

necessary acts entailed prior to (including all required

the execution and delivery of this Master Lease. The School Board warrants that this Master Lease, upon the

corpus delicti of the transactions contemplated hereby and thereby, nor the fulfillment of or compliance with the terms and conditions hereof and thereof consistent with or results in a breach of the term, conditions, or provisions of any restriction or any agreement or instrument to which the School Board is now a party or to which the School Board is bound as an obligor thereof under any of the foregoing, or conflicts with or results in a violation of any provision of law governing the School Board and its representation, covenants and warranties as follows:

(b) Neither the execution and delivery hereof nor any Schedule hereto, nor the fulfillment of or compliance with the terms and conditions hereof or thereof, nor the consummation of the transactions contemplated hereby or thereby, covenants with or results in a breach of the terms, conditions and provisions of any restriction or any agreement or instrument to which the Corporation is now a party or by which the Corporation is bound, or constitutes a default under any of the foregoing.

(c) To the knowledge of the Corporation, there is no litigation or proceeding pending or threatened by the School Board or any other person affecting the right of the Corporation to execute and deliver the Master Lease and to comply with its obligations under this Master Lease. Neither the School Board and any other person, the Corporation or any other person affecting the right of the Corporation to execute and deliver the Master Lease and to comply with its obligations under this Master Lease. Whether the School Board and any other person, the Corporation or any other person has been completely released by the Corporation or by any other person affecting the right of the Corporation to execute and deliver the Master Lease and to comply with its obligations under this Master Lease. Whether the School Board and any other person, the Corporation or any other person affecting the right of the Corporation to execute and deliver the Master Lease and to comply with its obligations under this Master Lease.

(d) The estimated Cost of the Facilities shall not be

than the amount set forth on each Schedule relating to such

such Schedule may be amended prior to the delivery by the School Board of any Cer­

the Facilities shall be designed and constructed so as to comply

adequate, water, sanitary sewer and storm water systems, electric power, telephone and other utilities are available to the Facilities.

such Schedule hereto. Together with interest on any overdue amounts, LIENING THE SCHOOL BOARD, THE DISTRICT, THE STATE OF FLORIDA, ANY MUNICIPAL, SUBDIVISION OBTAINED, SHALL BE EXCEPTED FROM SUBDIVISION ALLOCATIONS, ANY MONIES FROM ANY SOURCES OF SUBDIVISION OR THE PAYMENT OF ANY TAX, FEE, OR CHARGE REQUIRED ASINO THE DISTRICT WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION IN LIMITATION. WHETHER THE CORPORATION, THE TRUSTEE, OR ANY CERTIFICATE HOLDERS MAY COMPULSORY LIEN ANY LAND OR VALUABLES" BY THE SCHOOL BOARD TO PAY THE LEASE PAYMENTS HEREUNDER. ALL Basic Lease Payments, Additional Lease Payments and Supplemental Payments shall be made from current or other funds authorized by law and appropriated for such purpose by the School Board.

on each Lease Payment Date, the School Board shall pay to the

On each Lease Payment Date, the School Board shall pay to the

as contemplated by Section 3.3 hereof, and less any reductions as

complied by Section 3.3 hereof, and less any reductions as

SECTION 2.10. Representations, Covenants and Warranties of

The School Board warrants that this Master Lease, upon the

as Chapter 119, Florida Statutes relating to public Eiccess to its

warrants as follows:

SCHEDULE A. Representations, Covenants and Warranties of

SCHEDULE A. Representations, Covenants and Warranties of

Corporation. The Corporation each represents, warrants and covenants that it has

Section 4.2 hereof. The School Board agrees to

in the event of any public board or body, known to be pending or threatened

against or affecting the School Board nor to the best of the

warranted. The Facilities shall be designed and constructed so as to comply

applicable to it from

Such sums do not constitute an indebtedness of the School

The Corporation represents, covenants and wa;rrant:s as

by the School Board to pay the Lease Payments hereunder. All Basic

any certificate holders, or to reimburse any Credit Facility Issuer as provided in

existing and in good standing under the

in the event of an unfavorable decision, ruling, or finding which would adversely affect, in any way, the validity or enforceability of this Master Lease or any material agreement or instrument to which the School Board is in a party, the School Board shall, at its own expense, contest the same or appeal therefrom or take any other action to protect the rights of the certificate holders, to the extent of the School Board's good faith belief that such action will be necessary or proper.
Payments in accordance with the terms of this Master Lease and each Schedule hereto and the Trust Agreement. Additional Lease Payments for each separate lease entered into under this Master Lease, without limitation, optional prepayment premium, Trustee Fees and expenses, Corporation expenses, Credit Facility Issuer Fees and expenses, if any, and any other amounts due the Trustee under the Trust Agreement and a Credit Facility Issuer under any Reimbursement Agreement, all as set forth in each Schedule relating thereto, (ii) to deposit in each Reserve Account, a portion of the proceeds from the sale of a Series of Certificates and a Reserve Account Letter of Credit/Insurance Policy equal to the Reserve Account Requirement relating to such Series, or combination of a portion of the proceeds from the sale of a Series of Certificates and a Reserve Account Letter of Credit/Insurance Policy deposited in each sub-account of the Reserve Account as set forth in Section 405 of the Trust Agreement. In the event the aggregate amount of any cash, the value of any investment securities and the stated amount of any Reserve Account Letter of Credit/Insurance Policy in a Reserve Account shall be less than the Reserve Account Requirement provided thereunder or the Trustee shall, pay the deficiency to the Trustee from any other budgeted or appropriated funds as Basic Lease Payments during the current Fiscal Year. If the value of such Basic Lease Payments represented by a Series of Certificates, the School Board shall deposit the amount which such Reserve Account Letter of Credit/Insurance Policy (or its original stated amount, if the School Board shall have deposited into the related Reserve Account a Letter of Credit/Insurance Policy prior to this Section to be reimbursed). In the event a Reserve Account Letter of Credit/Insurance Policy on deposit is deposited or terminated, the School Board shall, simultaneously

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ARTICLE XV.

COVENANTS OF SCHOOL BOARD

SECTION 5.1. Maintenance of the Facilities by the School Board. The School Board shall maintain the School Site and the Facilities in accordance with the requirements of Section 235.04(1), Florida Statutes and the rules of the Department of Health provided therewith.

ARTICLE X.

TERMINATION

SECTION 4.1. Termination of Lease Term. The Lease Term shall terminate upon the earliest of any of the following events:

(a) with respect to all Leases, upon the latest Lease Term date set forth in any Schedule attached to this Master Lease;

(b) with respect to all Leases, in the event of a non-appropriation of funds for payment of any Leased Payment as provided in Sections 3.5, 3.4, and 3.5 of this Master Lease;

(c) with respect to all Leases, upon a default by the School Board with respect to any Lease and the termination of the Lease Term of all Leased Facilities by the Trustees pursuant to Section 8.11(c) of this Master Lease;

(d) with respect to a particular Lease, upon payment by the School Board of the Purchase Option Price of the particular Facilities leased under such Lease, or upon provision for such payment pursuant to Section 7.5 hereof, provided, however, that upon such provision for the payment of the obligation to make Lease Payments under such Lease shall continue to be payable solely from such provision for payment.

SECTION 4.2. Effect of Termination.

(a) Upon the termination of the Lease Term for the reason referred to in Section 4.1(b) or (c) hereof, the provisions of Sections 8.2 and 8.3 shall also be applicable.

(b) In the event of termination of the Lease Term for the reason referred to in Section 4.1(c) hereof, there shall be applied against the excess deposits pursuant to Section 7.3 hereof as a reduction against such Basic Lease Payments to be earned due after such termination an amount equal to the Basic Lease Payments applicable to the Facilities.

(c) Notwithstanding the termination of the Lease Term pursuant to Section 4.1(b), the representations of the School Board set forth in Section 7.10 hereof and the provisions of Sections 5.7 and 5.10 hereof shall survive such termination.

The School Board shall, during the Lease Term, purchase and maintain property insurance coverage in an amount not less than the full value of the Facilities, subject to taxation in any form, the Schoo1 Board will be payable as Supplemental Payments.

The adequacy of the School Board's property insurance coverage shall be reviewed annually by the Insurance Consultant, and the School Board shall follow the rules and regulations of the Insurance Consultant as long as the recommended insurance is available at commercially reasonable costs.

The adequacy of the School Board's self-insurance program shall be reviewed annually by the Insurance Consultant, and the School Board shall follow the rules and regulations of the Insurance Consultant.

The School Board shall elect to self-insure for any such damage or liability, as provided above, upon the following terms and conditions:

(a) the self-insurance program shall be approved by the Insurance Consultant;

(b) the self-insurance program shall include a sound and stable insurance company.

The adequacy of the School Board's property insurance coverage shall be reviewed annually by the Insurance Consultant, and the School Board shall follow the rules and regulations of the Insurance Consultant as long as the recommended insurance is available at commercially reasonable costs.

The School Board shall not be liable for any such damage or liability, as provided above, upon the following terms and conditions:

(a) the self-insurance program shall be approved by the Insurance Consultant;

(b) the self-insurance program shall include a sound and stable insurance company.

The School Board shall elect to self-insure for any such damage or liability, as provided above, upon the following terms and conditions:

(a) the self-insurance program shall be approved by the Insurance Consultant;

(b) the self-insurance program shall include a sound and stable insurance company.
In the event of any loss, damage, fire, accident, theft or condemnation involving the facilities, the school board shall promptly provide or cause to be provided to the corporation and the trustee written notice thereof, and such written notice shall be made available to the corporation and the trustee and all information and documentation related thereto to be "arbitrage bonds" within the meaning of (d) in the event the self-insurance program shall be discontinued, the actualization of its claims reserve fund shall be maintained.

The school board may also self-insure for the amount of the deductible portion of the above described insurance coverage. the school board's present maximum self-insured limits are $100,000 per occurrence for property damage, and a minimum of $100,000 and a minimum of $100,000 per occurrence resulting in wind damage: $100,000 per occurrence for general and automobile liability coverage: $100,000 per occurrence for building or facility coverage. if the school board revises such limits so that its self-insured excepted limit exceeds the amount recommended by the insurance consultant, the school board will cause the adequacy of its self-insurance fund to be reviewed by the insurance consultant on an annual basis.

The sufficiency of the school board's flood insurance coverage shall be reviewed at least annually by the insurance consultant, and the school board shall follow the recommendations of the insurance consultant so long as the recommended insurance meets the criteria set forth in the preceding paragraph. any insurance policy issued pursuant to this section 5.3 shall provide that the corporation and the trustee shall be notified of any proposed cancellation of such policy twenty (20) days prior to the date set for cancellation. any policy of all risk property insurance must be obtained from a commercial insurance company named by A.M. Best Company or in the case of the two highest rated categories of Moody's, a commercial insurance company approved by the credit facility issuer. the school board and the trustee shall be named as insureds and co-insureds.

If required by Florida law, the school board shall carry or cause to be carried workers' compensation insurance covering all employees on, near or about the facilities. upon request, shall furnish or cause to be furnished to the corporation and the trustee certificates evidencing such coverage.

The school board shall not be required to comply with the provisions of subparagraph (a) set forth above. if the net proceeds are equal to less than ten percent (10%) of the remaining principal portion of the basic lease payments relating to such facilities, such funds shall be deposited in the program account for the series of certificates relating to such facilities as shown in the lease payment certificate at the time such proceeds are received. the net proceeds shall also be deposited in the program account for the series of certificates relating to such facilities as shown in the lease payment certificate at the time such proceeds are received.

Any insurance policy maintained pursuant to this section 5.3 shall be so written or endorsed to provide that the corporation and the trustee are named as additional insureds, and the trustee, the corporation and the insurance consultant be notified of any proposed cancellation of such policy so as not to be available at commercially reasonable rates unless the remaining principal portion of the basic lease payments relating to such facilities is required to be deposited in the program account for the series of certificates relating to such facilities as shown in the lease payment certificate at the time such proceeds are received.

In the event of any loss, damage, fire, accident, theft or condemnation involving the facilities, the school board shall promptly provide or cause to be provided to the corporation and the trustee written notice thereof, and such written notice shall be made available to the corporation and the trustee and all information and documentation related thereto to be "arbitrage bonds" within the meaning of
Section 148(a) of the Code or which would otherwise cause the portion of basic lease payments under such leases representing the payment of interest for a year set forth in Section 148(a) hereof, to be includible in the gross income of the Certificate holders.

In the event that the School Board shall fail to make any such payment when due, the Certificate holders may, but shall be under no obligation to, pay amounts due to the Treasury, and all amounts so advanced shall become immediately due and payable as a supplemental payment under the Leases relating to such series of Certificate holders, together with interest thereon at an annual interest rate equal to the interest rate at which supplemental payments are evidenced as an annual interest rate until paid, the School Board agrees to pay:

SECTION 5.11. Budget and Tax Levy. The School Board contends that it is the Corporation's responsibility to prepare and submit the budget recommended in accordance with Section 5.1 hereof, including provision for discretionary capital outlay millage under Section 5.1.3. Florida Radiation Protection Act, and that the School Board will act on such recommendation, will hold public hearings, and will submit such budget to the Department of Education for approval, all procedures in the requirements of the laws of Florida and the regulations of the Department of Education as in effect from time to time.

Subject to the right of non-appropriation set forth in Sections 3.3 and 3.4 hereof, the School Board expects that the legally available revenues will be sufficient to meet its lease obligations, operating costs under the leases to which it is subject, and other obligations.


(a) The School Board may, after due inquiry, and this is not true or correct, the School Board shall defend, indemnify and hold harmless the Corporation, the Trustee and the Credit Facility Issuer, its partners, depositors and its respective trustees, directors, officers, agents, employees, brokers and attorneys in connection with any action, suit, proceeding, arbitration or other proceeding, whether civil, criminal, administrative or otherwise, to which the Corporation, the Trustee and the Credit Facility Issuer, its partners, depositors and its employees, agents, officers, directors, attorneys will be or may be made a party, the School Board, the Subsidiary, the Subsidiary's employees, agents, officers, directors, shareholders, and the Subsidiary's directors, officers and shareholders, and their respective employees, agents, attorneys and representatives, or any other person or entity, with respect to the Release or threat of Release of Hazardous Materials on, from or beneath the Facilities or Facility Sites, or that stored any material amount of hazardous substances on or beneath the Facilities or Facility Sites, in any manner or for any reason, and any of its and their employees, agents, officers, directors, attorneys, attorneys, agents, shareholders, and the Subsidiary's directors, officers and shareholders, and their respective employees, agents, attorneys and representatives, or any other person or entity, with respect to the Release or threat of Release of Hazardous Materials on, from or beneath the Facilities or Facility Sites, or that stored any material amount of hazardous substances on or beneath the Facilities or Facility Sites, in any manner or for any reason.

(b) The School Board shall be obligated to comply with any and all Environmental Regulations with respect to the Facilities and Facility Sites, and any action, suit, proceeding, arbitration or other proceeding, whether civil, criminal, administrative or otherwise, to which the School Board shall be made a party.

(c) The School Board shall, and shall cause its contractors, sub-contractors, sub-tenants, guests, invitees, contractors, agents, employees, brokers and attorneys, or any other person or entity, with respect to the Release or threat of Release of Hazardous Materials on, from or beneath the Facilities or Facility Sites, or that stored any material amount of hazardous substances on or beneath the Facilities or Facility Sites, in any manner or for any reason, and any of its and their employees, agents, attorneys with respect to the Release or threat of Release of Hazardous Materials on, from or beneath the Facilities or Facility Sites, or that stored any material amount of hazardous substances on or beneath the Facilities or Facility Sites, in any manner or for any reason.
ARTICLE VI.

TITLE

SECTION 6.1. Title to Facility Sites and Facilities. Throughout the term of each Ground Lease, real property included within the term of such Ground Lease shall be owned by the Corporation, except as otherwise provided therein. Unless otherwise provided in the related Lease, title to the Facilities and a written surrender and release and assignment of interest under the related Lease and Ground Lease to the School Board free and clear of all claims, demands, costs or liability claimed or asserted by any person, and at the time of such execution there shall be delivered by the Corporation to the School Board an Opinion of Counsel with respect to each Facility Site to the effect that there are no liens or encumbrances thereon that are not Permitted Encumbrances. The School Board, the Corporation and the Trustee shall each suffer or take the benefit or advantage of any stay or extension of any judgment, order, decree or process of any court, or any stay or extension of any stay or order made in any bankruptcy or reorganization proceeding relating to such Lease or any interest therein, subject only to Permitted Encumbrances. The execution, delivery and record of an instrument of conveyance conveying title to the Corporation, the Trustee or the Credit Facility Issuer shall be without regard to any indefiniteness thereunto involving the scope of their respective office or employment, other than an act or omission which is done by the Corporation, the Trustee or the Credit Facility Issuer, and, by such person acting in or as his own behalf, or as his representative or agent, in the discharge of the duties of his office, or in the exercise of the powers or authority vested in him by the Corporation, the Trustee or the Credit Facility Issuer, and may be without regard to any such act or omission by any indemnitee. The School Board's obligations and liabilities under this Section 6.1 shall survive the termination of this Master Lease.

(b) The School Board shall perform and carry out at a reasonable expense of the School Board, in accordance with applicable law and regulations, any duties with respect to any Facility Site or Facilities comprising any Project, or any portion thereof, and shall preserve all such rights, actions and other proceedings as may be appropriate for such purposes and shall, to the extent permitted and limited by applicable law and only from moneys legally available for such purposes, indemnify or cause to be indemnified the Corporation, the Trustee or the Credit Facility Issuer, as applicable, against any and all claims, demands, costs or liability claimed or asserted by any person, and at the time of such execution there shall be delivered by the Corporation or the Trustee, as applicable, to the School Board an Opinion of Counsel with respect to each Facility Site to the effect that there are no liens or encumbrances thereon that are not Permitted Encumbrances. The Corporation hereby appoints the School Board as its agent to prepare and file or record in appropriate offices such documents as may be necessary to assure the continuity of the corporation, and other actions or proceedings which, as a matter of law, will result within such ninety (90) day period and the School Board has diligently commenced to discharge or remove such security interest, pledge, lien, charge or encumbrance, or claim either by operation of Law or otherwise.
lien, charge, encumbrance or claim within such period, the School Board shall have a reasonable period of time to discharge or remove such security interest, pledge, lien, charge, encumbrance or claim. The School Board shall indemnify the Corporation for any expense incurred by the Corporation or the Trustee in order to discharge or remove any such security interest, pledge, lien, charge, encumbrance or claim, provided, however, that neither the Corporation nor the Trustee is under any obligation to incur such expense without having been provided, in advance, with any amounts needed to pay such expense.

SECTION 6.3. Use of the Facilities and Facility Sites. The School Board will not use, or maintain the Facilities or Facility Sites in an improperly, careless or reckless manner, a policy of the Corporation to ensure that all obligations are carried to a minor contrary to their use as educational facilities as created by this Master Lease. The School Board shall provide all policies and procedures, if any, necessary for the security, construction and installation of the Facilities and Facility Sites. In addition, the School Board agrees to comply in all respects including, without limitation, with respect to the use and maintenance of the Facilities and Facility Sites, with all applicable laws and regulations, orders and decrees of any legislative, administrative or judicial body exercising any power or jurisdiction over the Facilities and Facility Sites; provided, however, that the School Board may contest in good faith the validity or application of any such law or rule in any reasonable manner which does not adversely affect the interest or rights of the Corporation or the Trustee under this Master Lease.

SECTION 7.4. Substitution of Facilities. To the extent permitted by law, the School Board may substitute for any Facilities other Facilities owned by the School Board, provided such substituted facilities (a) have the same or a greater remaining useful life, (b) have a fair market value equal to or greater than the Facilities for which they are substituted, (c) are of substantially equal utility as the Facilities to be replaced and meet the requirements of Section 5.9 hereof, (d) are free and clear of all liens and encumbrances, excesses, easements and (e) are approved for substitution by the State Board of Education. To the extent that the facilities to be substituted serve a different educational function from the Facilities for which they are to be substituted, such substitution shall be approved by the Credit Facility Issuer. If, for any reason, two Series of Certificates from which the Facilities to be replaced were originally financed, in order to effect such substitution, the Facilities to be replaced shall be released from the encumbrance of the related Lease and ground lease by appropriate instrument executed by the School Board and the Corporation (or Trustee as assignee). Such substitution is in form sufficient to leave good and marketable fee simple title to such Facilities in the School Board subject only to Permitted Restrictions, and the Facilities to be substituted shall likewise be incorporated in the appropriate Lease and ground lease modifications. The related Schedule shall be appropriately amended, and the uniformity of the Series of Certificates shall be maintained.

For purposes hereof, "fair market value" shall be determined as the basis of an APPRE (appraisal) performed by an appraiser jointly selected by the School Board and the Trustee.

ARTICLE VII.
ASSIGNMENT, OPTION TO PURCHASE, AND TERMINATION
SECTION 7.1. Assignment, Subleasing.
(A) It is understood that substantially all right, title and interest of the Corporation in and to the Leases, including the right to receive Basic Lease Payments thereunder, is to be assigned by the Corporation to the Trustee for the benefit of the holders of Certificates issued hereunder. The related Schedule to this Master Lease relating to such Series shall be appropriately amended, and the Trustee and any Credit Facility Issuer as to the legality and validity of such substitution under the laws of the State and that such substitution will not adversely affect the exclusion from gross income for federal income tax purposes of the interest portion of the Basic Lease Payments paid to the related Certificates, unless such substitution is approved by the Credit Facility Issuer and an opinion of Counsel as described in Section 4.1(b)(iv) hereof is delivered in connection with the substitution.

(B) To the extent that the facilities to be substituted serve a different educational function from the Facilities for which they are approved for substitution by the State Department of Education, the Corporation and the Trustee are permitted by law, the School Board may substitute for any Facilities other Facilities owned by the School Board, provided such substituted facilities (a) have the same or a greater remaining useful life, (b) have a fair market value equal to or greater than the Facilities to be replaced and meet the requirements of Section 5.9 hereof, (c) are free and clear of all liens and encumbrances, excesses, easements and (e) are approved for substitution by the State Board of Education. If, for any reason, two Series of Certificates from which the Facilities to be replaced were originally financed, in order to effect such substitution, the Facilities to be replaced shall be released from the encumbrance of the related Lease and ground lease by appropriate instrument executed by the School Board and the Corporation (or Trustee as assignee). Such substitution is in form sufficient to leave good and marketable fee simple title to such Facilities in the School Board subject only to Permitted Restrictions, and the Facilities to be substituted shall likewise be incorporated in the appropriate Lease and ground lease modifications. The related Schedule shall be appropriately amended, and the uniformity of the Series of Certificates shall be maintained.

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Each Event of Extraordinary Prepayment shall result in the following action, respectively:

(i) With respect to (a) and (b) above, the Corporation and the School Board shall pay each respective Prepayment Account any and all Net Proceeds to the Trustee, and the Trustee shall deposit such moneys to the credit of the Prepayment Account applicable to each Series of Certificates relating to such Leases to be used in paying such Series of Certificates in the manner provided in the Trust Agreement; and

(ii) With respect to (c) above, at the election of a Credit Facility Issuer the Purchase Option Price of all Facilities shall become immediately due and payable, and the Trustee shall deposit such moneys to the credit of the Prepayment Account for the Series relating to such Facilities, to be used to pay off each Series of Certificates in the manner provided in the Trust Agreement.

In the event of prepayment in part under a particular Lease, the School Board shall provide the Trustee a revised Schedule of Lease Payments reflecting said partial prepayment.

In the event of a payment in full of the Purchase Option Price of all Facilities, the Credit Facility Issuer shall deliver to the Trustee a revised Schedule of Lease Payments reflecting said full prepayment.

SECTION 7.3. Prepayment Deposit. Notwithstanding any other provision of this Master Lease, the School Board may at any time make a payment of all or a part of the Purchase Option Price of all Facilities under a particular Schedule of Lease Payments to the credit and satisfaction of the Trustee, and the Trustee shall deposit such moneys to the credit of the Prepayment Account for the Series relating to such Facilities, to be used to pay off each Series of Certificates in the manner provided in the Trust Agreement.

In each event all covenants, agreements and other obligations of the School Board under this Master Lease shall cease, terminate and become void and be discharged and satisfied except as otherwise provided in Section 4.1(d) hereof. In such event, the Trustee and the Corporation shall execute and deliver to the School Board all such instruments in recordable form as the School Board's expense as may be desirable to evidence such discharge and satisfaction.

SECTION 7.4. Refunding Certificates. The Corporation shall direct the Trustee, when directed to do so by the School Board, to issue one or more Series of Refunding Certificates under a Supplemental Trust Agreement for the purpose of providing for the payment of or as a portion of outstanding Series of Certificates, the funding of a reserve account, or the payment of the costs of issuance in connection with such Series of Refunding Certificates. Simultaneously with the issuance of each of such Series of Refunding Certificates the applicable proceeds thereof shall be deposited with the Trustee as escrow holder under an escrow deposit agreement in such amounts as set forth in Section 7.4 of the Trust Agreement. Upon the deposit at a specified time, the Trustee and the School Board shall enter into an amendment to the related Lease Schedule at the School Board's expense, in order to effect the lease payments to be made under such lease to an amount sufficient to pay, so as and when the same mature and become due, the principal and interest portions of the Basic Lease Payments rates by the School Board and the original Series of Certificates to the extent that such Series has not been refunded in whole. In the case where the same may be paid off by the proceeds from the sale of property or by the proceeds from the issuance of additional Series of Certificates, the Trustee shall effectuate the same as soon as practicable at the School Board's expense as may be necessary to evidence such discharge and satisfaction.

ARTICLE VIII.

EVENTS OF DEFAULT AND REMEDIES

SECTION 8.1. Events of Default Defined. The following shall be "events of default" under this Master Lease and the Trust Agreement of default and "default" shall mean, whenever they are used in this Master Lease, any one or more of the following events:

(A) Failure by the School Board to pay in full any Basic Lease Payment with respect to any Lease at the time and in the manner specified herein.

(B) Failure by the School Board to pay in full any Additional Lease Payment or Supplemental Payment with respect to any Lease at the time and in the manner specified herein, and such failure shall continue for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied is given to the School Board by the Corporation, the Trustee or the related Credit Facility Issuer, if any, provided, however, that if the Authorized School Board Representative certifies to the Corporation, the Trustee or the related Credit Facility Issuer, if any, in writing that the School Board was diligent in its attempt to make such payment within such thirty (30) day period and that the School Board has diligently commenced to cure such default within such period, the School Board shall have a reasonable period not exceeding sixty (60) days after written notice specifying such failure (unless further extended by the Credit Facility Issuer, if any, or if there be more, the Trustee) to cure such default;

(C) Failure by the School Board to observe or perform any covenant, condition or agreement on its part to be observed or performed hereunder, if such failure to observe or perform has not been remedied to the satisfaction of the School Board by the Corporation, the Trustee or the related Credit Facility Issuer, if any, described in Section 8.1(a) or (b) above, and such failure shall continue for a period of sixty (60) days after written notice specifying such failure and requesting that it be remedied is given to the School Board by the Corporation, the Trustee or the related Credit Facility Issuer, if any, provided, however, that if the Authorized School Board Representative certifies to the Corporation, the Trustee or the related Credit Facility Issuer, if any, in writing that the School Board was diligent in its attempt to make such payment within such sixty (60) day period and that the School Board has diligently commenced to cure such default within such period, the School Board shall have a reasonable period not exceeding thirty (30) days after written notice specifying such failure (unless further extended by the Credit Facility Issuer, if any, or if there be more, the Trustee) to cure such default;

(D) the filing of a petition in bankruptcy for any other commencement of a bankruptcy or similar proceeding by or against the School Board, under Title 11 of the United States Bankruptcy Code, or similar law, now or hereafter in effect, and, in the case of involuntary proceedings, the failure of the same to be dismissed within one hundred eighty (180) days of the filing thereof.

If by reason of force majeure the School Board is unable to discharge any or part of the obligation under the Master Lease, whether or not all other events contained, other than the obligation on the part of the School Board contained in Article III hereof, the School Board shall not be deemed in default during the continuance of such inability. The term "force majeure" as used herein shall mean, without limitation, the following, acts of God, strikes, failures or industrial disruptions, acts of public authority, orders or regulations of any kind of the government of the United States of America or any of its departments, agencies or officials, or any local or military authority, inundations, floods, landslides, earthquakes, hurricanes, fires, storms, droughts, floods, or epidemics.

Notwithstanding anything contained in this Section 8.1 to the contrary, a failure by the School Board to pay when due any payment required to be paid under this Master Lease and any Schedule hereto or a failure by the School Board to observe and perform any covenant, condition or agreement on its part to be observed or performed under this Master Lease, resulting from a failure by the School Board to appropriate money or property as contemplated by Sections 5.1. and 5.3. hereof, shall not constitute an event of default under this Section 8.1.

SECTION 8.2. Remedies on Default. Whenever any event of default referred to in Section 8.1. shall have happened and be continuing, the Corporation shall have the right, without any further demand or notice except as herein provided, to take or use any of the following remedial steps:

1) Upon written notice to the School Board, terminate the Lease Term of all Leases and all other Leases, if any, as specified herein, and any other Leases hereafter executed, exercise all available remedies at law or in equity as the Corporation may deem necessary or advisable, and all power, right, authority; insurrections; riots; landlides; earthquakes; hurricanes; fires; storms; drought; floods, or epidemics...

2) Take whatever action at law or in equity as may appear necessary or desirable to collect all Lease Payments or principal payments due and payable hereunder and exercise all remedies available under the provisions of Section 11.10 hereof (or, in the case of a default for a period of ninety (90) days or more, the Purchase Option Price of all Facilities under such Lease shall become immediately due and payable).

3) Exercise the power of sale, if any, for the Series of Certificates from time to time, on or after the Purchase Option Price then due, or to enforce performance and observance of any obligation, agreement or covenant of the School Board under the Master Lease as specified herein or in any other document related to such Master Lease, and to direct the Trustee, when directed to do so by the School Board, to sell, assign or transfer such assets as may be necessary or advisable to pay any such defaults, or to enforce any other remedy herein conferred.

SECTION 8.3. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Corporation is intended to be exclusive and every such remedy and shall be in addition to and not in substitution for any other remedy or right given under this Master Lease or any other Lease hereunder, and the Corporation, at its expense, shall have the right to exercise, subject to any limitations set forth in Section 8.3. hereof.
ARTICLE IX.
MISCELLANEOUS

SECTION 9.1. Notices. All notices, certificates, requests or other communications (other than payments by the School Board) hereunder shall be in writing and shall be sufficiently given and shall be deemed given when delivered or after (i) one Business Day after being mailed by first class mail, postage prepaid, to the parties at their respective addresses as set forth above or to such other address as shall be designated by any party in writing to all other parties:

Corporation: 3340 Forest Hill Boulevard West Palm Beach, Florida 33460 Attention: President
School Board: 3340 Forest Hill Boulevard West Palm Beach, Florida 33460 Attention: Superintendent of Schools
Trustee: One Financial Place, 13th Floor Fort Lauderdale, Florida 33394 Attention: Corporate Trust Department

Copies of any notices shall be provided to all Credit Facility Issuers at the addresses provided in one or more Schedules.

Notices shall also be given by the School Board to the Rating Agencies of the occurrence of any of the following: (i) the occurrence of any one or more of the following: (i) the occurrence of any one or more of the following: (ii) the prepayment or defeasance of any of the Outstanding Certificates in accordance with Section 6.3 and Section 7.2 of the Trust Agreement; or (iii) a material modification of or amendment to the Trust Agreement; this Master Lease, any Ground Lease, any Assignment Agreement, any Lease Schedule or any Credit Facility Agreement.

SECTION 9.2. Binding Effect. This Master Lease shall inure to the benefit of and shall be binding upon the Corporation and the School Board and their respective successors and assigns, including without limitation the Trustees pursuant to the Assignment Agreement.

SECTION 9.3. Severability. In the event any provision of this Master Lease shall be declared by any court of competent jurisdiction invalid, such invalid provisions shall not affect the validity of any other provisions hereof.

SECTION 9.4. Amendments. The terms of this Master Lease and any Lease Schedule shall not be amended, altered, modified, supplanted or replaced in any manner whatsoever except by written instrument signed by the Corporation and the School Board, and if required under the terms of the Trust Agreement, by the Trustee, and consented to by each Credit Facility Issuer. Copies of amendments shall be provided to the Rating Agencies. Notwithstanding the foregoing, a Lease Schedule may be amended without obtaining the consent of the Credit Facility Issuer for the purpose of adding a legal description and/or the permitted encumbrances for a Facility Site which has already been designated in such Lease Schedule.

SECTION 9.5. Execution in Counterparts. This Master Lease may be executed in several counterparts, each of which shall be original and all of which shall constitute but one and the same instrument.

SECTION 9.6. Captions. The captions or headings in this Master Lease are for convenience only and in no way define, limit or describe the meaning or extent of any provisions or sections of this Master Lease.

SECTION 9.7. Interest. All interest calculations hereunder shall be made on the basis of a 360-day year consisting of twelve 30-day months (unless otherwise provided with respect to additional lease payments on a Schedule hereof).

SECTION 9.8. Compliance with Trust Agreement. The School Board hereby agrees and agrees to the provisions of the Trust Agreement. The Corporation hereby agrees not to amend or modify the Trust Agreement in any way without the written consent of the School Board so long as this Master Lease shall be in effect. The School Board agrees to do all things within its power in order to enable the Corporation to comply with all requirements and to fulfill all covenants of the Trust Agreement which require the Corporation to comply with any obligations or limitations so that the Corporation will not be in default in the performance of any covenant, condition, agreement or provision of the Trust Agreement, and the School Board further agrees to do all such things as are necessary to comply with or perform any obligations to be performed by the School Board pursuant to the Trust Agreement.

SECTION 9.9. Memorandum of Lease. Simultaneously with the execution of this Master Lease and each Schedule hereof, and thereafter, the School Board and the Corporation shall each execute, acknowledge and deliver a Memorandum of Lease with respect to the Master Lease and such Schedule, and all memorandum shall be delivered to the Rating Agencies.

SECTION 9.10. Applicable Law. This Master Lease shall be governed by and construed in accordance with the laws of the State of Florida.

ARTICLE X.
WAIVER OF CHOICE OF REMEDIES

SECTION 9.11. Waiver of Choice of Remedies. The School Board hereby waives any right it may have to cause the Corporation to choose any remedy or pursue any other remedy as a result of the Corporation's failure to perform any of its obligations under this Master Lease. The School Board hereby waives any right to bring any action for damages for any delay in the Corporation's performance of any of its obligations under this Master Lease, and to the fullest extent permitted by law, waives any right to bring any action for damages for any delay in the performance of any of the obligations of the Corporation under this Master Lease.

IN WITNESS WHEREOF, the Corporation has caused this Master Lease to be executed in its corporate name by its duly authorized officers, and the School Board has caused this Master Lease to be executed in its corporate name by its duly authorized officers and officials on the date set forth below their respective signatures and all as of the day and year first written above.

[SEAL]
Palm Beach School Board
Leasing Corp.
By: C. Huels Whitmore
Vice President
Date: November 16, 1994

[SEAL]
The Board of Palm Beach County, Florida
By: C. Huels Whitmore
Secretary
Date: November 16, 1994
STATE OF FLORIDA
COUNTY OF PALM BEACH

1. CARMEN M. ZOPF, a Notary Public in and for the said County in the State aforesaid, do hereby certify that Judy Gleason and C. Monica Uhlhorn, personally known to me to be the same persons whose names are, respectively, Vice President and Secretary of PALM BEACH SCHOOL BOARD LEASING CORP., a Florida not-for-profit corporation, subscribed to the foregoing instrument, acknowledged before me this day in person and severally acknowledged that they, being thereto duly authorized, signed, sealed with the seal of said corporation, and delivered the said instrument as the free and voluntary act of said corporation and as their own free and voluntary act, for the uses and purposes therein set forth.

 GIVEN under my hand and notarial seal this 15th day of November, 1994.

CARMEN M. ZOPF
NOTARY PUBLIC, STATE OF FLORIDA

STATE OF FLORIDA
COUNTY OF PALM BEACH

1. CARMEN M. ZOPF, a Notary Public in and for the said County in the State aforesaid, do hereby certify that Judy Gleason and C. Monica Uhlhorn, personally known to me to be the same persons whose names are, respectively, Vice President and Secretary of PALM BEACH SCHOOL BOARD LEASING CORP., a Florida not-for-profit corporation, subscribed to the foregoing instrument, acknowledged before me this day in person and severally acknowledged that they, being thereto duly authorized, signed, sealed with the seal of said corporation, and delivered the said instrument as the free and voluntary act of said corporation and as their own free and voluntary act, for the uses and purposes therein set forth.

 GIVEN under my hand and notarial seal this 15th day of November, 1994.

CARMEN M. ZOPF
NOTARY PUBLIC, STATE OF FLORIDA

FORM OF SCHEDULE TO MASTER LEASE PURCHASE AGREEMENT

SCHEDULE NO. \(\text{I}^{\text{st}}\)

Master Lease Purchase Agreement dated as of November 1, 1994 between Palm Beach School Board Leasing Corp., as Lessor (the "Corporation") and the School Board of Palm Beach County, Florida as Lessee (the "School Board")

This SCHEDULE NO. (the 'Schedule') is hereby entered into under and pursuant to that certain Master Lease Purchase Agreement dated as of November 1, 1994 (the 'Master Lease'), pursuant to which the Corporation has agreed to lease-purchase from the Corporation, subject to the terms and conditions of the Master Lease incorporated herein, the Series Facilities herein described (the 'Series Facilities'). The Master Lease with respect to each Schedule as amended and modified hereby, is referred to herein as the 'Series Master Lease'.

SECTION 1. Definitions. For purposes of the Series Lease, the following terms have the meanings set forth below:

- "Assignment Agreement" shall mean the Series Assignment Agreement dated as of ________, between the Corporation and the Trustee.
- "Certificates" or "Series of Certificates" shall mean the Series Certificates of Participation, Series dated as of ________, issued under the Trust Agreement and evidencing undivided proportionate interests of the owners thereof in Basic Lease Payments to be made by the School Board pursuant to the Master Lease.
- "Completion Date" for the Series _______ Lease is _______.

A - 1
SECTION 4. Series Facility Site(s) to be Ground Leased to the Corporation and Permitted Encumbrances. The legal description of the Series Facility Site(s) to be Ground Leased to the Corporation and Permitted Encumbrances in addition to those specified in the Master Lease is (are) as follows:

SECTION 5. Application of Certain Proceeds of Series Certificates. The Trustee shall deposit the following sums in the following accounts from the proceeds of the Series Certificates:

1. **Acquisition Account**
2. **Cost of Insurance Subaccount**
3. **Lease Payment Account**

*Represents accrued interest.

SECTION 6. Basic Lease Payments. The principal portion and the interest portion of the Basic Lease Payments, the Payment Dates and the Remaining Principal Portion with respect to such Facilities are set forth below. If, upon delivery of the Certificate of Acceptance indicating completion of the acquisition, construction, installation and payment of all costs of the Series Facilities, the School Board determines not to acquire one or more components of the Series Facilities, it is determined that, the cost of, and consequently the actual amount of Basic Lease Payments for a Series Facility is different from the amount set forth herein at closing, this section shall be revised as necessary to reflect the adjusted Schedule of Basic Lease Payments for all Series Facilities to be lease purchased, and for each individual Series Facility or group of Series Facilities to be lease purchased.

The interest portion of the Basic Lease Payments represented by the Series Certificates, expressed as an annual interest rate, is exempt from the limitations on interest rates set forth in Section 174.60, Florida Statutes, since the Series Certificates are rated within the three highest rating categories by a nationally recognized rating service.

B. Notice. Copies of all notices required to be given to a credit facility issuer pursuant to the Master Lease shall be given to the Series credit facility issuer at the following address:

[Exhibit B]

IN WITNESS WHEREOF, the Corporation has caused this Schedule No. to be executed in its corporate name by its duly authorized officers, and the School Board has caused this Schedule No. to be executed in its name by the duly authorized members or officers of the date set forth below their respective signatures and all of the day and year first written above.

The School Board has, as agent for the Corporation, acquired the Series Facilities, each of which is described in Schedule No...

Each Series Facility meets the School Board's specifications therefor, and has been acquired to the School Board's satisfaction. This certificate constitutes the acceptance certificate for such Series Facilities required by Section 3.3 of the Master Lease and Section 402 of the Master Trust Certificate for such Series Facilities required by Schedule No. and except as otherwise provided below.

The actual cost of such Series Facilities is...

The Completion Date for such Series Facilities is...

The Certificate of Acceptance is executed in its corporate name by its duly authorized members or officers of...

The completion date for the Series Facilities is...

THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA

By: ____________________________

Title: Chairperson

Date: ____________________________

EXHIBIT B

SCHOOL BOARD'S CERTIFICATE

1. The undersigned Chairperson of the School Board of Palm Beach County, Florida, do hereby certify to thefficess and officers of the Corporation the following:

a. The Corporation is the party named in the Master Lease and the School Board is the party named in the Master Lease, as Trustee.

b. The Master Lease Purchase Agreement between the School Board and Palm Beach School Board Leasing Corp. (the Corporation) dated as of November 1, 1994 and Schedule No. thereto and used in this certificate have the same meanings in this certificate as are ascribed to such terms in the Master Lease and Schedule No. thereto.

2. Each Series Certificate is represented by the Certificate of Acceptance attached hereto. Each Series Certificate is evidenced by the Certificate of Acceptance attached hereto.

3. The actual cost of such Series Facilities is...

4. The Completion Date for such Series Facilities is...

5. The Certificate of Acceptance is executed in its corporate name by its duly authorized members or officers...

6. The Completion Date for such Series Facilities is...

THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA

By: ____________________________

Title: President

Date: ____________________________
SCHEDULE 2006A-1
dated as of May 1, 2006
As Amended and Restated as of January 1, 2015
to the
Master Lease Purchase Agreement dated as of
November 1, 1994

among

The Bank of New York Mellon Trust Company, N.A.
(successor in interest to NationsBank of Florida, N.A.),
as Trustee and Assignee (the "Trustee")

and

Palm Beach School Board Leasing Corp.,
as Lessor (the "Corporation")

and

The School Board of Palm Beach County, Florida,
as Lessee (the "School Board")

THIS AMENDED AND RESTATED SCHEDULE 2006A-I (the "Schedule") is hereby entered
into as of January 1, 2015 under and pursuant to that certain Master Lease Purchase Agreement dated as
of November 1, 1994 (the "Master Lease") pursuant to which the Corporation has agreed to lease
purchase unto the School Board and the School Board has agreed to lease purchase from the Trustee,
subject to the terms and conditions of the Master Lease incorporated herein, the Series 2006A-I Facilities
herein described. The Trustee, as assignee of the Corporation, hereby demises, leases and subleases to the
School Board, and the School Board hereby hires, takes, leases and subleases from the Corporation, the
Series 2006A-I Facilities and the Series 2006A-I Facility Sites described herein, together with the rights
described in clauses (i), (ii) and (iii) of Section 1 in the Series 2006A Ground Lease (hereinafter defined).
The Master Lease with respect to this Schedule and as modified and supplemented hereby, is referred to
herein as the "Series 2006A-I Lease". All terms and conditions contained in the Master Lease, unless
otherwise amended or superseded hereby, are incorporated herein by reference.

Section 1. Definitions. For purposes of the Series 2006A-I Lease the following terms have the
meaning set forth below. All terms used herein and not otherwise defined herein shall have the meanings
given to them in the Master Lease or the Trust Agreement, including the Series 2006A Supplemental
Trust Agreement and the Series 2015B Supplemental Trust Agreement, as appropriate.

"Assignment Agreement" shall mean the Series 2006A Assignment Agreement dated as of May
1, 2006, between the Corporation and the Trustee.

"Certificates" shall mean the Series 2006A Certificates and the Series 2015B Certificates,
allocable to the Series 2006A-I Lease.

"Series 2006A Certificates" shall mean the $222,015,000 Certificates of Participation, Series
2006A dated May 25, 2006, issued under the Trust Agreement and evidencing undivided proportionate
interests of the owners thereof in Basic Lease Payments to be made by the School Board pursuant to the
Master Lease.
obligations are unconditionally guaranteed by an entity so rated) at the time the swap agreement is entered into to be ground leased by the School Board to the Corporation, as the same may be further amended or supplemented from time to time.

“Baa2” by Moody’s and has collateralized its Obligations with a zero Threshold as such terms are defined in the Credit Support Annex (the “CSA”) to the swap agreement.

“Series 2006A-1 Facilities” shall mean the Facilities described in Schedule 2006A-1, as such Schedule 2006A-1 may be further supplemented or supplemented from time to time.

“Series 2006A Ground Lease” shall mean the Series 2006A Ground Lease dated as of May 1, 2006 between the School Board, as Lessee, and the Corporation, as Lessor, as the same may be amended or supplemented from time to time.

“Series 2006A Supplemental Lease Agreement” shall mean the Series 2006A Supplemental Lease Agreement dated as of May 1, 2006 between the Corporation and the Trustee.

Each Lease Term shall be subject to annual renewal pursuant to the provisions of Article II of the Master Lease.

The fees set forth above for Trustee services include services under Schedule 2006A-1 and Schedule 2006A-2 to the Master Lease.

The interest portion of the Basic Lease Payments represented by the Series 2006A Certificates and the Series 2015B Certificates, expressed as an annual interest rate, is exempt from the limitations on proportionate interests of the owners thereof in Basic Lease Payments to be made by the School Board pursuant to the Master Lease.

“Series 2015B Supplemental Lease Agreement” shall mean the Series 2015B Supplemental Lease Agreement dated as of January 1, 2015, between the Corporation and the Trustee.

TheComposite Schedule of Basic Lease Payments shall be no less than the principal portion of Series 2015B Certificates to be lease-purchased, and for each individual Series 2006A-1 Facility, shall be in an amount equal to the product of the respective Basic Lease Payments, the Lease Payment Dates (each June 30 and December 30, commencing December 30, 2006) and the remaining principal portion with respect to the Series 2006A-1 Facilities to be lease-purchased, and for each individual Series 2006A-1 Facility or group of Series 2006A-1 Facilities.

The Composite Schedule of Basic Lease Payments shall be comprised of the principal portion of Basic Lease Payments paid to the Series 2006A-1 Facilities pursuant to Section 7.2 or 7.3 of the Master Lease, and prepayment or defeasance of a proportion of Series 2006A Certificates pursuant to Section 201 of the Series 2006A Supplemental Trust Agreement or Section 801 of the Master Lease Agreement, and (ii) Series 2015B Certificates pursuant to Section 7.2 or 7.3 of the Master Lease, and prepayment or defeasance of a proportion of Series 2015B Certificates pursuant to Section 201 of the Series 2015B Supplemental Trust Agreement or Section 801 of the Master Lease Agreement.

The fees set forth above for Trustee services include services under Schedule 2006A-1 and Schedule 2006A-2 to the Master Lease.

The fees set forth above for Trustee services include services under Schedule 2006A-1 and Schedule 2006A-2 to the Master Lease.

The fees set forth above for Trustee services include services under Schedule 2006A-1 and Schedule 2006A-2 to the Master Lease.

The fees set forth above for Trustee services include services under Schedule 2006A-1 and Schedule 2006A-2 to the Master Lease.
(3) The Series 2006A Credit Facility Issuer shall be provided with the following information:

(a) Annual audited financial statements within 180 days after the end of the School Board's Fiscal Year together with a certification of the School Board that it is not aware of any default or Event of Default under the Trust Agreement and the School Board's annual budget within 90 days after the approval thereof.

(b) Notice of any default or Event of Default to the School Board within five Business Days after knowledge thereof.

(c) Notice of the resignation or removal of the Trustee, Paying Agent and Registrar and the appointment of, and acceptance of duties by, any successor Trustee, Paying Agent or Registrar.

(d) Notice of the commencement of any proceeding by the School Board under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, liquidation, dissolution, reorganization or similar law.

(e) Notice of the making of any claim in connection with any Insolvency Proceeding in respect of the Series 2006A Credit Facility Issuer or the School Board's management thereof.

(f) A full original transcript of all proceedings, relating to the execution of any amounts owed by the School Board to the Trustee, Paying Agent or Registrar, to be delivered under the terms of the Trust Agreement upon the 2006A-1 lease.

(g) All reports, notices and statements as required under the provisions of Exhibit A to the Trust Agreement and the 2006A-1 lease.

(4) There shall be no grace period for failure to pay in full any Additional Lease Payments or Supplemental Payment under Section 4 of the 2006A-1 lease.

(5) The School Board agrees to include within its annual budget the actual amount of Lease Payments in the extent that the actual amounts required for such Lease Payments are known to the School Board at the time of preparation of its budget, or if actual amounts cannot be determined at the time of default pursuant to Section 8.I(c) of the Master Lease shall be thirty (30) days instead of sixty (60) days.

A. Representations.

(i) The School Board hereby represents, covenants and warrants that adequate estimates of current and future operating expenses, current and future tax dollars, and any other income and expenses that are integral to the operation of the leased Series 2006A-1 Facilities, shall be included in the 2006A-1 lease.

(ii) The School Board hereby certifies its representations, covenants and warranties set forth in Section 2.16 of the Master Lease and all representations therein to the Faculties shall include the 2006A-1 Facilities, except that all references therein to the Master Lease shall be deemed to refer to the Master Lease as supplemented by this Schedule 2006A-1, and except as otherwise provided below. The Corporation hereby confirms its representations, covenants and warranties set forth in Section 2.16 of the Master Lease and all representations therein to the Faculties shall include the 2006A-1 Facilities, except that all references therein to the Master Lease shall be deemed to refer to the Master Lease as supplemented by this Schedule 2006A-1, and except as otherwise provided below.

(iii) The School Board and the Corporation hereby agree that the Master Lease is in effect and that to their knowledge there are no defaults on the date of execution of this Schedule 2006A-1 under any Leases, Guarantee or the Trust Agreement. The Trustee hereby represents that it has not received any notice to the contrary.

(6) The 2006A Credit Facility Issuer shall be provided with the following information:

(a) Annual audited financial statements within 180 days after the end of the Fiscal Year together with a certification of the 2006A Credit Facility Issuer that it is not aware of any default or Event of Default under the Trust Agreement and the 2006A Credit Facility Issuer's annual budget within 90 days after the approval thereof.

(b) Notice of any default or Event of Default to the 2006A Credit Facility Issuer within five Business Days after knowledge thereof.

(c) Notice of the resignation or removal of the Trustee, Paying Agent and Registrar and the appointment of, and acceptance of duties by, any successor Trustee, Paying Agent or Registrar.

(d) Notice of the commencement of any proceeding by the 2006A Credit Facility Issuer under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, liquidation, dissolution, reorganization or similar law.

(e) Notice of the making of any claim in connection with any Insolvency Proceeding in respect of the 2006A Credit Facility Issuer or the School Board's management thereof.

(f) A full original transcript of all proceedings, relating to the execution of any amounts owed by the 2006A Credit Facility Issuer to the Trustee, Paying Agent or Registrar, to be delivered under the terms of the Trust Agreement and the 2006A-1 lease.

(g) All reports, notices and statements as required under the provisions of Exhibit A to the Trust Agreement and the 2006A-1 lease.

(7) The School Board agrees to include within its annual budget the actual amount of Lease Payments in the extent that the actual amounts required for such Lease Payments are known to the School Board at the time of preparation of its budget, or if actual amounts cannot be determined at the time of default pursuant to Section 8.I(c) of the Master Lease shall be thirty (30) days instead of sixty (60) days.
(10) The right to exercise remedies under the Master Lease for an event of default or event of non-payment shall be limited to a Credit Facility Issuer; and (11) the interest and principal of the Insured Certificates shall be treated as the owner of any Certificates for federal income tax purposes.

D. Continuing Disclosure. The School Board may, by written instrument and at any time, comply with the provisions of the Continuing Disclosure Certificate and the Disclosure Agreement, as applicable. New Borrowing any other provision of the Series 2006A-I Lease, failure of the School Board to comply with the Continuing Disclosure Certificate or the Disclosure Agreement shall not be considered an Event of Default; however, provided that it has been satisfactorily indemnified in accordance with Section 6.2 of the Master Trust Agreement, the Trustee may give notice to the Insured Certificates or the Holders of at least 25% aggregate principal amount in Outstanding Certificates, shall have the right to take such action as may be necessary and appropriate, including seeking specific performance by court order, to cause the School Board to comply with the provisions of the Trust Agreement. The Trust Agreement may be amended without obtaining the consent of Holders of the Insured Certificates for the purpose of (1) adding a single description and the permitted co-construction for a Facility Site which has already been designated in such Schedule, (2) adding additional Facilities to be financed under such Schedule, (3) substituting Facilities in accordance with Section 6.4 thereof or (4) releasing a Facility or portion thereof if such Facility or portion thereof has been released from the lien of the Lease in accordance with the provisions thereof.

F. Effective Date. Schedule 2006A-I, as amended and restated effective as of: January 1, 2015, shall be effective as of January 1, 2015.

IN WITNESS WHEREOF, the Trustee has caused this Schedule 2006A-I to be executed in the names of the duly authorized officers or attorneys, and the School Board has caused this Schedule 2006A-I to be executed in its name by its duly authorized members or officers, all as of the day and year first written above.

[SEAL] PALM BEACH SCHOOL BOARD LEASING CORP.

By: ________________________________

E. Wayne Gent

Secretary

[SEAL] THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA

By: ________________________________

Chuck Shaw

President

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Trustee

By: ________________________________

Linda Borinich

Vice President

Exhibit A to Schedule 2006A-I

A. General Description of the Series 2006A-I Facilities to be Leased Pursuant to the Master Lease

B. Modernization

C. New Elementary School

D. Pre-kindergarten

E. Old Elementary School

F. Old Elementary School-Modernization

G. Old Elementary School

H. Estimated Costs of the Series 2006A-I Facilities to be Leased Pursuant to the Master Lease

The following reflects current expectations of the School Board as to the cost of the Series 2006A-I Facilities and is subject to change and amendment.

<table>
<thead>
<tr>
<th>Facility</th>
<th>Project Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Palm Beach Elementary School - Modernization</td>
<td>$23,772,898</td>
</tr>
<tr>
<td>Palm Beach Gardens High School - Modernization</td>
<td>$97,119,000</td>
</tr>
<tr>
<td>Palm Beach Gardens Area (03-05) - New Elementary School</td>
<td>$17,593,991</td>
</tr>
<tr>
<td>Palm Beach Elementary School - Modernization</td>
<td>$23,504,560</td>
</tr>
</tbody>
</table>

| TOTAL | $100,862,409 |
PARCEL 1

The North 1,000.00 feet of the South 3,050.00 feet of the West 1,742.32 feet of the Southeast Quarter of Section 12, Township 42 South, Range 42 East, Palm Beach County, Florida, being more particularly described as follows:

Beginning at a point in the North right-of-way of Holly Drive, a distance of 125.00 feet to a point; thence continuing Northerly, and parallel to the East line of said Section 12, a distance of 75.00 feet to a point; thence Easterly, and parallel to the South line of Section 12, a distance of 331.10 feet to a point; thence Southerly, and parallel to and 1,742.22 feet from East line of said Section 12, a distance of 1,200.00 feet to a point in said north right-of-way of Holly Drive; thence Westerly along said North right-of-way of Holly Drive, a distance of 331.30 feet to a Point of Beginning.

Together with:

A parcel of land lying in Southeast Quarter (1/4) of Section 12, Township 42 South, Range 42 East, Palm Beach County, Florida, more particularly described as follows:

Commence at the South Quarter (1/4) corner of said Section 12, thence along the West line of said Southeast Quarter (1/4) N00°00'21"E for 175.00 feet; thence S09°14'29"W for 63.26 feet to the Easterly right-of-way line of Military Trail per Florida Department of Transportation Right-Of-Way Map, Section 95600-5806, State Road No. 50-809 and the Point of Beginning of the following described parcel; thence continue S09°14'29"W for 504.44 feet; thence parallel with the said West line of the Southeast Quarter (1/4) N00°00'21"E for 1,200.00 feet to the Southwesterly right-of-way line of Lake Street; thence along said Southwesterly right-of-way for the following three (3) courses:

(1) Thence S89°14'29"W for 489.96 feet to the Point of Curvature of a curve concave to the South, having a radius of 2.09 feet.
(2) Thence Westerly along said curve to the left, through a central angle of 12°58'40" for 5.66 feet;

PARCEL 2

A parcel of land lying in Section 12, Township 42 South, Range 42 East, Palm Beach County, Florida, more particularly described as follows:

The South 969.08 feet of the West 590 feet of the East 657.22 feet of the Southeast 1/4 of Section 12, Township 42 South, Range 42 East, less the South 50 feet thereof for Holly Drive right-of-way.

Total Area being 40.59 acres, more or less.
Palm Beach Gardens Area Elementary School (85-X)

A parcel of land being a portion of Tract "Y", Mirasol Plat One, according to the Plat thereof, recorded in Plat Book 89, Pages 14 through 23, of the Public Records of Palm Beach County, Florida, and being more particularly described as follows:

Beginning at the Southeast corner of said Tract "Y", thence run along the Easterly, Northerly, and Westerly lines of Tract "Y" the following courses: NO 1°34'51"E a distance of 1422.99 feet; thence N88°04'38"W a distance of 23.30 feet; thence S00°41'19"W a distance of 505.54 feet; thence S88°25'03"E a distance of 76.40 feet to the Point of Beginning.

THENCE N89°03'06"W a distance of 409.83 feet; thence N83°26'50"W a distance of 502.15 feet; thence leaving Westerly line of Tract "Y", S88°04'38"E a distance of 354.35 feet to the point of curvature of a curve concave to the Southwest having a radius of 706.54 feet; thence S00°55'27"W a distance of 65.74 feet; thence S88°25'03"E a distance of 76.40 feet to the Point of Beginning.

TOGETHER WITH

A Temporary Grant of Easement recorded in Official Record Book 13171, Page 1905.

A parcel of land being a portion of Tract "Y", Mirasol Plat One, according to the Plat thereof, recorded in Plat Book 89, Pages 14 through 23, of the Public Records of Palm Beach County, Florida, and being more particularly described as follows:

Beginning at the Southeast corner of said Tract "Y", thence run along the Easterly, Northerly, and Westerly lines of Tract "Y" the following courses: NO 1°34'51"E a distance of 1422.99 feet; thence N88°04'38"W a distance of 23.30 feet; thence S00°41'19"W a distance of 505.54 feet; thence S88°25'03"E a distance of 76.40 feet to the Point of Beginning.

THENCE N89°03'06"W a distance of 409.83 feet; thence N83°26'50"W a distance of 502.15 feet; thence leaving Westerly line of Tract "Y", S88°04'38"E a distance of 354.35 feet to the point of curvature of a curve concave to the Southwest having a radius of 706.54 feet; thence S00°55'27"W a distance of 65.74 feet; thence S88°25'03"E a distance of 76.40 feet to the Point of Beginning.

TOGETHER WITH

A Temporary Grant of Easement recorded in Official Record Book 13171, Page 1905.

Palm Beach Gardens High School Modernization

1. Easement recorded in Official Record Book 1530, Pages 537 and 538.
2. Easement recorded in Official Record Book 1137, Page 334.
3. Easement recorded in Official Record Book 5836, Page 1448.
4. Easement recorded in Official Record Book 1698, Page 1908.
6. Easements recorded in the Plat of Georgian Mews recorded in Plat Book 47, Page 122.
7. Easement recorded in Official Record Book 6007, Page 245.

Rolling Green Elementary School Modernization

1. Easements and other matters shown on the Plat of Sawyers Subdivision, recorded in Plat Book 5, Page 12.
2. Easement over North 40 feet of Tract 14, reserved in Deed Book 1164, Page 491.

Palm Beach County, Florida, Unless Otherwise Specified.

NOTE: ALL RECORDING INFORMATION IS FROM THE PUBLIC RECORDS OF PALM BEACH COUNTY, FLORIDA, UNLESS OTHERWISE SPECIFIED.
SERIES 2006A
GROUND LEASE

Dated as of May 1, 2006

BETWEEN

THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA
acting as the governing body of
the School District of Palm Beach County, Florida,
as Lessor

AND

PALM BEACH SCHOOL BOARD LEASING CORP.
as Lessee

(Series 2006A-1 Facility Sites)
Section 1. Lease of Series 2006A-1 Facility Sites.

WHEREAS, the School Board desires to lease-purchase one or more particular educational facilities to be located on the Series 2006A-1 Facility Sites, with the School Board retaining the right to own the Series 2006A-1 Facility Sites; and...
(A) All utility lines, ducts, conduit, pipes and other utility fixtures and appurtenances which are located upon or within the Series 2006A-1 Facility Sites or Series 2006A-1 Facilities for use by the Corporation or any Permitted Transferee, (including any so-called "Party Walls") between the Series 2006A-1 Facility Sites and the adjoint property of the School Board shall remain undisturbed for as long as they exist and, if the Corporation or any Permitted Transferee shall use or permit the Series 2006A-1 Facility Sites to encroach upon the adjacent property of the School Board as a result of non-appropriation or default pursuant to Section 4.1(b) or 4.1(c) of the Master Lease, or if there exist any division walls (hereinafter referred to as "Party Walls") between the Series 2006A-1 Facility Sites and the School Board, (B) All division walls (hereinafter referred to as "Party Walls") between the Series 2006A-1 Facility Sites and the School Board, shall be removed at the termination of this Series 2006A Ground Lease pursuant to Section 2 hereof. If the termination of this Series 2006A Ground Lease pursuant to Section 2 hereof, automatically revert to the Corporation or the Trustee as the assignee of the Corporation. Upon such termination of this Series 2006A Ground Lease pursuant to Section 2 hereof, the School Board shall do everything in its power to assist the Corporation in obtaining return of the Series 2006A-1 Facility Sites and other land use regulation applicable to the Series 2006A-1 Facility Sites except as directed by the Corporation. The School Board shall do everything in its power to assist the Corporation in obtaining return of the Series 2006A-1 Facility Sites and other land use regulation applicable to the Series 2006A-1 Facility Sites except as directed by the Corporation.

Section 2. Ground Lease Term: Option to Renew. The initial Ground Lease Term for the Series 2006A-1 Facility Sites and the grant of the option to purchase the Series 2006A-1 Facility Sites, ("Conveyancing Draft") and shall end on August 1, 2016. If, upon the termination of the Lease Term as a result of non-appropriation or default pursuant to Section 4.1(b) or 4.1(c) of the Master Lease, the Corporation or the Trustee as the assignee of the Corporation exercises the Conveyancing Draft provision of the Series 2006A-1 Facility Sites and Series 2006A-1 Facilities, the School Board grants to the Corporation and its successors and assigns the right and option to purchase the Series 2006A-1 Ground Lease for an additional term not to exceed five (5) years, at a fair market rental to be determined, adjusted and paid as the same is determined by the School Board in accordance with the provisions of Article VI of the Trust Agreement.

The School Board represents and covenants that the Series 2006A-1 Facility Sites are presently free from liens of taxes and are in good condition and repair. The School Board shall do everything in its power to assist the Corporation in obtaining return of the Series 2006A-1 Facility Sites and other land use regulation applicable to the Series 2006A-1 Facility Sites except as directed by the Corporation. The School Board shall do everything in its power to assist the Corporation in obtaining return of the Series 2006A-1 Facility Sites and other land use regulation applicable to the Series 2006A-1 Facility Sites except as directed by the Corporation. The School Board shall do everything in its power to assist the Corporation in obtaining return of the Series 2006A-1 Facility Sites and other land use regulation applicable to the Series 2006A-1 Facility Sites except as directed by the Corporation.
in violation of any valid present or future laws, ordinances, rules or regulations of any public or governmental authority at any time applicable thereto.

It is understood that all right, title and interest of the Corporation in and to this Series 2006A Ground Lease is to be irreversibly assigned by the Corporation to the Trustee pursuant to the Series 2006A Assignment Agreement, except that the Corporation shall continue to hold title to the Series 2006A-1 Facilities described in Section 4 hereof and in the Series 2006A-1 Lease. The School Board agrees that upon such assignment the Corporation shall have all of the rights of the Corporation hereunder assigned to the Trustee, notwithstanding any claims, defenses, setoffs or counterclaims whatsoever arising from a breach of this Series 2006A Ground Lease or otherwise that the School Board may from time to time have against the Corporation or any person or entity associated or affiliated therewith. The School Board acknowledges that the Trustee is acting on behalf of the Series 2006A Certificate Holders, and any, under certain circumstances waive this Series 2006A Ground Lease to a Permitted Transferee.

Notwithstanding anything to the contrary herein or in any exhibit, instrument, document or paper relating to this Series 2006A-1 Ground Lease or any of the transactions contemplated herein, the parties hereby acknowledge and agree that upon the assignment by the Corporation of such rights hereunder to the Trustee pursuant to the Series 2006A Assignment Agreement, the Corporation shall have no further obligation, liability or responsibility hereunder and no party hereto nor its successors or assigns shall look to the Corporation for any damages, expenses, losses, charges or claims with respect to the failure of any obligations hereunder to be performed.

Section 6. Right of Kitey. Unless the Series 2006A-1 Lease shall have been terminated as a result of non-appropriation or default pursuant to Section 4.1(b) or 4.1(c) of the Master Lease, neither the School Board nor the Corporation shall, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to such Series 2006A-1 Facility Sites, and any proceeds thereof, for so long as any Series 2006A Certificates are outstanding and except as provided in Section 2 herein, this Series 2006A-1 Ground Lease shall not be terminated. The School Board shall have recourse solely against the Corporation or any person or entity associated or affiliated therewith. The parties hereby agree that any obligation on its part to be performed under the terms of this Series 2006A Ground Lease, which obligation continues for sixty (60) days following notice and demand for correction thereof to the Corporation, shall not be deemed as a default hereunder (or, if so, specifying the default). It is intended that any such certificate may be relied upon in connection with any administrative proceeding or any judicial or legal proceeding.

Section 7. Default. In the event the Corporation shall be in default in the performance of any obligation on its part to be performed under the terms of this Series 2006A Ground Lease, which default continues for sixty (60) days following notice and demand for correction thereof to the Corporation, the School Board may exercise and shall may exercise all remedies provided by law, including, but not limited to, any Series 2006A Certificates are outstanding hereunder, the parties agree not to challenge any action or proceeding taken by the School Board in connection with such default. The School Board shall have the right to take possession of the leasehold estate of the Corporation in the Series 2006A-1 Facility Sites, and any proceeds thereof, for so long as any Series 2006A Certificates are outstanding and except as provided in Section 2 herein, this Series 2006A-1 Ground Lease shall not be terminated. The School Board shall have recourse solely against the Corporation or any person or entity associated or affiliated therewith. The parties hereby agree that any obligation on its part to be performed under the terms of this Series 2006A Ground Lease, which obligation continues for sixty (60) days following notice and demand for correction thereof to the Corporation, shall not be deemed as a default hereunder (or, if so, specifying the default). It is intended that any such certificate may be relied upon in connection with any administrative proceeding or any judicial or legal proceeding.

Section 8. Quiet Enjoyment. The Corporation at all times during the term of this Series 2006A Ground Lease shall peaceably and quietly hold, have, enjoy and enjoy the Series 2006A-1 Facility Sites, without hindrance or molestation subject to the provisions hereof and of the Series 2006A-1 Lease, the Series 2006A Assignment Agreement and the Trust Agreement.

Section 9. Lien. Unless the Series 2006A-1 Lease shall have been terminated as a result of non-appropriation or default pursuant to Section 4.1(b) or 4.1(c) of the Master Lease, neither the School Board nor the Corporation shall, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to such Series 2006A-1 Facility Sites, without hindrance or molestation subject to the provisions hereof and of the Series 2006A-1 Lease, the Series 2006A Assignment Agreement and the Trust Agreement.

Section 10. Condemnation. In the event any portion of the Series 2006A-1 Facilities as described in Section 4 hereof and in the Series 2006A-1 Lease. The School Board or the Corporation shall be personally liable or accountable by reason of the execution or delivery thereof.

Section 11. Binding Effect. This Series 2006A Ground Lease shall be binding upon and shall be binding upon and inure to the benefit of and shall be binding upon and be binding upon and inure to the benefit of and inure to the benefit of and inure to the benefit of and shall be binding upon and inure to the benefit of and inure to the benefit of and shall be binding upon and inure to the benefit of and shall be binding upon and inure to the benefit of and shall be binding upon and inure to the benefit of and shall be binding upon and inure to the benefit of and shall be binding upon and inure to the benefit of and shall be binding upon and inure to the benefit of and shall be binding upon and inure to the benefit of the Corporation and the School Board and their respective successors and assigns, provided, however, that the Trustee is entitled to the benefits of the provisions hereof.

Section 12. No Merger of Leased Estate. There shall be no merger of this Series 2006A Ground Lease or of the leasehold estate created by the Series 2006A-1 Lease by reason of the fact that, through the exercise of remedies hereunder or otherwise, the lessee may acquire or hold, directly or indirectly, this Series 2006A Ground Lease or leasehold estate hereby created or any interest herein or therein, and the lessee may hold, directly or indirectly, the leasehold estate hereby created or any interest therein or therein, and the lessee may have against the Corporation or any person or entity associated or affiliated therewith. The parties hereby agree that any obligation on its part to be performed under the terms of this Series 2006A Ground Lease, which obligation continues for sixty (60) days following notice and demand for correction thereof to the Corporation, shall not be deemed as a default hereunder (or, if so, specifying the default). It is intended that any such certificate may be relied upon in connection with any administrative proceeding or any judicial or legal proceeding.

Section 13. Notices. All notices, certificates, requisitions or other communications transmitted shall be in writing and shall be sufficient upon delivery or when delivered or mailed with certified or registered postage prepaid in the manner set forth in the following address, or to such other address or address as shall be designated by the parties in writing:

Corporation:
2330 Forest Hill Boulevard
West Palm Beach, Florida 33406
Attention: President

School Board:
2330 Forest Hill Boulevard
West Palm Beach, Florida 33406
Attention: Superintendent of Schools

Trustee:
The Bank of New York Trust Company, N.A.
10814 Connecticut Parkway, 2nd Floor
Jacksonville, Florida 32256
Attention: Corporate Trust Department

Section 14. Credit Facility Issuer and its Fiscal Agent:
Financial Security Assurance Inc.
31 West 52nd Street
New York, New York 10019
Attention: Treasurer

Policy No.: 29080-1

Section 15. Severability. In the event any provision of this Series 2006A Ground Lease is held invalid or unenforceable by any court of competent jurisdiction, suchholding shall notwithstanding and shall not affect or impair any other provision hereof.
IN WITNESS WHEREOF, the Corporation has caused the Series 2006A Ground Lease to be executed in its corporate name and its corporate seal to be hereunto affixed and attested by its duly authorized officials, all as of the date first above written.

THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA

By:

Chairman

[Seal]

Attest:

By:

Secretary

[Seal]

PALM BEACH SCHOOL BOARD LEASING CORP.

By:

President

[Seal]

Attest:

By:

Secretary

[Seal]

STATE OF FLORIDA

COUNTY OF PALM BEACH

The undersigned, a Notary Public in and for the said County in the State aforesaid, do hereby certify that Thomas E. Lynch and Dr. Art Johnson, personally known to me to be the same persons whose names are, respectively, as Chairman and Secretary, respectively of THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA, subscribed to the foregoing instrument, appeared before me this day in person and personally acknowledged that they, being thereunto duly authorized, signed, sealed with the seal of said School Board, and delivered the said instrument to the free and voluntary act of said School Board and as their true free and voluntary act, for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal this 24th day of May, 2006.

Cheri E. Young

NOTARY PUBLIC

STATE OF FLORIDA

COUNTY OF PALM BEACH

The undersigned, a Notary Public in and for the said County in the State aforesaid, do hereby certify that Thomas E. Lynch and Dr. Art Johnson, personally known to me to be the same persons whose names are, respectively, as President and Secretary, respectively of PALM BEACH SCHOOL BOARD LEASING CORP., a Florida not-for-profit corporation, subscribed to the foregoing instrument, appeared before me this day in person and personally acknowledged that they, being thereunto duly authorized, signed, sealed with the seal of said corporation, and delivered the said instrument to the free and voluntary act of said corporation and as their true free and voluntary act, for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal this 24th day of May, 2006.

Cheri E. Young

NOTARY PUBLIC

STATE OF FLORIDA

EXHIBIT A

SERIES 2006A-1 FACILITY SITES

A. DESCRIPTION OF REAL ESTATE

[TO COME]

B. PERMITTED ENCUMBRANCES

[TO COME]
EXHIBIT A
SERIES 2006A FACILITY SITES

A. DESCRIPTION OF REAL ESTATE

ROLLING GREEN ELEMENTARY SCHOOL MODERNIZATION

The East 500 feet of West 750 feet of the Northeast Quarter of the Northeast Quarter of Section 16, Township 45 South, Range 43 East. Less the South 50 thereof, said lands situate, lying and being in Palm Beach County, Florida.

AND

Lots 139, 140, 141, 142, 143, 144, 145, 146, 147 and 148, Ridge Grove, according to the Plat thereof on file in the Office of the Clerk of the Circuit Court in and for Palm Beach County, Florida, recorded in Plat Book 22, Page 8, said land situate, lying and being in Palm Beach County, Florida.

Total Area 11.676 acres, more or less.

BARTON ELEMENTARY SCHOOL MODERNIZATION

Tracts numbered 14 and 15 of Sawyer’s Subdivision of the East Half (E 1/2) of the West Half (W 1/2) of Section 33, Township 44 South, Range 43 East, according to the Plat thereof, recorded in Plat Book 1, Page 12, Public Records of Palm Beach County, Florida.

Together with the South 82 feet of the East 287 feet of Tract 11, of the East Half (E 1/2) of the West Half (W 1/2) of Section 33, Township 44 South, Range 43 East of Sawyer’s Subdivision as recorded in Plat Book 27, Page 8, said land situate, lying and being in Palm Beach County, Florida.

Total Area 10.7 acres, more or less.

D. D. EISENHOWER ELEMENTARY SCHOOL MODERNIZATION

All that part of the Southwest Quarter (SW 1/4) of the Southeast Quarter (SE 1/4) of Section 32, Township 41 South, Range 43 East, Palm Beach County, Florida, lying south of the following described line: Beginning at the point of intersection of the centerline of Florida Boulevard with the Northerly corner of said Section 32, thence South 45° 37’ 01” East a distance of 333.00 feet, thence South 89° 14’ 29” West a distance of 504.44 feet, thence South 45° 37’ 01” East a distance of 333.00 feet, thence South 45° 37’ 01” West a distance of 504.44 feet to the Northerly line of the said Section 32, thence North 45° 37’ 01” East a distance of 333.00 feet to the point of beginning.

Palm Beach Gardens High School Modernization

PARCEL 1

The North 1,000.00 feet of Section 12, Township 42 South, Range 42 East, Palm Beach County, Florida.

Together with:

Being a 1,000.00 foot by 333.00 foot parcel of land in the Southeast Quarter of Section 12, Township 42 South, Range 42 East, City of Palm Beach Gardens, Palm Beach County, Florida, being more particularly described as follows:

Beginning at a point on the South line of Holly Drive, thence North 89° 14’ 29” West a distance of 125.00 feet to a point; thence continuing Northwesterly and parallel to the East line of said Section 12, a distance of 75.00 feet to a point.

Thence Easterly, and parallel to the South line of Section 12, a distance of 333.19 feet to a point; thence Southwesterly, parallel to said Holly Drive, a distance of 1,000.00 feet to a point in said North right-of-way of Holly Drive, thence westerly and northerly right-of-way of Holly Drive, a distance of 333.26 feet to a Point of Beginning.

Together with:

A parcel of land lying in Southeast Quarter (SE 1/4) of Section 12, Township 42 South, Range 42 East, Palm Beach County, Florida, more particularly described as follows:

Commencing at the South Quarter (SW 1/4) corner of said Section 12, thence along the West line of said Southeast Quarter (SE 1/4) N 90° 00’ 11” W for 154.05 feet; thence S 89° 14’ 29” E for 504.44 feet; thence S 00° 00’ 09” W for 333.00 feet to the Southeast right-of-way line of Military Trail; thence S 14° 59’ 01” W for 563.00 feet; thence W 00° 00’ 10” N for 131.49 feet; thence S 89° 14’ 29” E for 115.1 feet; thence E 00° 00’ 09” N for 154.05 feet to the Point of Beginning.

A parcel of land lying in Section 32, Township 41 South, Range 43 East, Palm Beach County, Florida, lying south of the following described line: Commence at the Southwest corner of said Section 32; thence South 90° 00’ 11” E a distance of 504.44 feet; thence North 89° 14’ 29” W a distance of 115.1 feet; thence West 00° 00’ 09” N a distance of 154.05 feet; thence South 00° 00’ 11” E a distance of 115.1 feet; thence West 89° 14’ 29” S a distance of 154.05 feet to the point of beginning.

Less the South 80.00 feet and the West 40.00 feet thereof for said right-of-way as recorded in Official Record Book 1706, Pages 1450-1452 of the Public Records of Palm Beach County, Florida.

And Less the East 100.00 feet thereof.

Less the following described parcel:

A parcel of land in Section 12, Township 41 South, Range 43 East, Palm Beach County, Florida, being more particularly described as follows:

Commence at the Southwest corner of said Section 12; thence S 00° 00’ 09” E a distance of 504.44 feet; thence N 89° 14’ 29” W a distance of 115.1 feet; thence N 89° 14’ 29” S a distance of 154.05 feet; thence W 89° 14’ 29” E a distance of 115.1 feet; thence E 00° 00’ 09” N a distance of 154.05 feet to the point of beginning.

Land subject to easements within Palm Beach County, Florida.

Containing 10.7 acres, more or less.
TOGETHER WITH

A Temporary Grant of Easement recorded in Official Record Book 1531, Page 1965.

B. PERMITTED ENCUMBRANCES

ROLLING GREEN ELEMENTARY SCHOOL MODERNIZATION

1. Easements and other matters shown on the Plat of Mirasol Plat One, recorded in Plat Book 89, Pages 14 through 23.

2. Right of way for Military Trail as now laid out and in use as shown in Road Plat Book 3, Page 168, Road Plat Book 7, Pages 92 and 128, and as partially conveyed in Deed Book 811, Page 44.


4. Agreement recorded in Official Record Book 237, Page 1453.

5. Agreement recorded in Official Record Book 362, Page 624.

6. Perpetual Road Easement recorded in Official Record Book 2845, Page 871.

7. Easement recorded in Official Record Book 384, Page 857, as assigned in Official Record Book 2584, Page 537.

8. Easement recorded in Official Record Book 6307, Page 1100.


10. Easement recorded in Official Record Book 6307, Page 1100.

11. Easement recorded in Official Record Book 6307, Page 1100.

D. D. EISENHOWER ELEMENTARY SCHOOL MODERNIZATION

1. Agreement recorded in Official Record Book 237, Page 835.


PERMITTED ENCUMBRANCES

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8. Easement recorded in Official Record Book 6307, Page 1100.


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NOTE: ALL RECORDING INFORMATION IS FROM THE PUBLIC RECORDS OF PALM BEACH COUNTY, FLORIDA, UNLESS OTHERWISE SPECIFIED.

PERMITTED ENCUMBRANCES

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7. Easement recorded in Official Record Book 384, Page 857, as assigned in Official Record Book 2584, Page 537.
MASTER TRUST AGREEMENT

by and between

PALM BEACH SCHOOL BOARD LEASING CORP.

and

NATIONS BANK OF FLORIDA, N.A.,
as Trustee

Dated as of November 1, 1994
THIS MASTER TRUST AGREEMENT is dated as of November 1, 1994, and is entered into by and between NATIONSBANK OF FLORIDA, N.A., a national banking association with its designated corporate trust office in Fort Lauderdale, Florida ("Trustee"), and THE SCHOOLS BOARD LEASING CORP., a not-for-profit corporation, duly organized and existing under the laws of the State of Florida, as Trustee, for the benefit of the School Board of Palm Beach County, Florida (the "School Board"), as Noticee, but only with respect to the particular properties described in Schedule 1 to this Agreement (the "Facilities") (the "School Board" and the "Trustee," each a "Party" and collectively, the "Parties") for the purposes hereinafter set forth.

ARTICLE I
DEFINITIONS AND RULES OF CONSTRUCTION

ARTICLE II
ASSIGNMENT; DECLARATION OF TRUST, REPRESENTATIONS

ARTICLE III
CERTIFICATES, TERMS AND PROVISIONS

ARTICLE IV
ACCOUNTS; PREPAYMENT OF CERTIFICATES

ARTICLE V
COVENANTS, DEFERRED AND LIMITATIONS OF LIABILITY

ARTICLE VI
CONCERNING THE TRUSTEE

ARTICLE VII
AMENDMENTS

ARTICLE VIII
MODIFICATIONS

ARTICLE IX
RESERVATION

ARTICLE X
MISCELLANEOUS

ARTICLE XI
CONFLICT OF INTERESTS

ARTICLE XII
TERMINATION

ARTICLE XIII
EXPENSES

ARTICLE XIV
ENFORCEMENT AND ADMINISTRATION OF TRUST AND ACCOUNTS; PREPAYMENT OF CERTIFICATES

ARTICLE XV
CONSENT OF CERTIFICATE HOLDERS AND NOTICE TO ADEQUATE"
ARTICLE I

DEFINITIONS AND RULES OF CONSTRUCTION

101. Definitions. The terms set forth in this section shall have the meanings ascribed to them for all purposes of this Trust Agreement unless the context clearly indicates some other meaning, or unless otherwise provided in a Supplemental Trust Agreement: "Acquisition Account" shall mean any Acquisition Account established pursuant to Section 401 hereof and in any Supplemental Trust Agreement. "Additional Lease Payment" shall mean any amount payable by the School Board under the terms of the Master Lease, other than a Basic Lease Payment or a Supplemental Payment. "Acquisition Account" shall mean any Acquisition Account established pursuant to Section 401 hereof and in any Supplemental Trust Agreement. "Authorized Corporation Representative" shall mean the President of the Corporation and any person or persons designated by the Corporation and authorized to act on behalf of Corporation by a written certificate delivered to the Trustee signed on behalf of the Corporation by the President and each Authorized Corporation Representative. "Authorized School Board Representative" shall mean the Chairperson and any person or persons designated by the School Board and authorized to act on behalf of the School Board by a written certificate delivered to the Trustee signed on behalf of the School Board by the Chairperson containing the signature of each such person. "Business Day" shall mean a day other than a Saturday, Sunday or any day on which banking in the State of New York is closed, or a day on which the New York Stock Exchange is closed. "Capitalized Interest Account" shall mean any Capitalized Interest Account established pursuant to Section 401 hereof and in any Supplemental Trust Agreement. "Certificate of Appreciation" shall mean the certificate of the School Board substantially in the form as Exhibit B to the Master Lease. "Chairperson" shall mean the Chairperson of the School Board and any person or persons designated by the Chairperson and authorized to act on behalf of the Chairperson. "Code" means the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder and the Internal Revenue Service rules of 1986. "Construe" shall mean to construe in good faith. "Costs of Issuance" shall mean the items of expense incurred in connection with the authorization, sale and delivery of a Series of Certificates, which items of expense shall include, but not be limited to, (i) all costs and expenses of the acquisition of title to or other interests in any property described herein, including legal, survey, appraisal, and title search services as to the Property, and (ii) all costs and expenses required for the acquisition and installation of equipment that comprise part of the Property, (v) costs and expenses required for the acquisition and installation of equipment or machinery that comprise part of the Property, (vi) costs and expenses required for the acquisition and installation of equipment or machinery that comprise part of the Property, (vii) costs and expenses required for the acquisition and installation of equipment or machinery that comprise part of the Property, (viii) costs and expenses required for the acquisition and installation of equipment or machinery that comprise part of the Property, (ix) costs and expenses required for the acquisition and installation of equipment or machinery that comprise part of the Property, (x) costs and expenses required for the acquisition and installation of equipment or machinery that comprise part of the Property, (xi) costs of Issuance and (xii) Costs of Issuance Subaccount. "Costs of Issuance Subaccount" shall mean the subaccount of the Acquisition Account established pursuant to Section 401 hereof and in any Supplemental Trust Agreement. "Credit Facility" shall mean any credit facility established within an Acquisition Account established pursuant to Section 401 hereof and in any Supplemental Trust Agreement. "Credit Facility" shall mean any credit facility established within an Acquisition Account established pursuant to Section 401 hereof and in any Supplemental Trust Agreement. "Credit Facility" shall mean any credit facility established within an Acquisition Account established pursuant to Section 401 hereof and in any Supplemental Trust Agreement. "Credit Facility" shall mean any credit facility established within an Acquisition Account established pursuant to Section 401 hereof and in any Supplemental Trust Agreement. 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"Credit Facility Issuer" shall mean, with respect to a Series of Certificates, the issuer of the Credit Facility, if any, for each Series of Certificates.

"Sinking Funds" shall mean, with respect to a Series of Certificates, any funds or Sinking Funds Account established with respect to such Series of Certificates, if any, as may be established by the Credit Facility Issuer insuring the Series of Certificates relating to the moneys invested.
Agency which is not lower than AA/Aa, or which has issued a letter of credit, contract, agreement or surety bond in support of debt obligations which have been so rated; or (ii) which collateralizes its obligations at all times at levels in compliance with the requirements of this Trust Agreement mailed by first-class mail to the Certificate holders, at the addresses shown on the register maintained by the Trustee.

"Opinion of Counsel" shall mean an opinion signed by an attorney or team of attorneys of recognized standing and who are qualified to pass on the legality of the particular matter (who may be authorized to the School Board of Special Tax District) solicited by the School Board.

"Outstanding" when used with reference to the Certificates, shall mean, on any date, Certificates the authenticity of issue having been authenticated and delivered under this Trust Agreement except:

1. Certificates cancelled by, or duly surrendered for cancellation to, the Trustee at or prior to such date;
2. Certificates (or portions of Certificates) for the payment or prepayment of which payments are due under the provisions of Sections 3.2 and 3.3 of the Master Lease Account for such Trust Agreement or under any Supplemental Trust Agreement.
3. Certificates in lieu of or in substitution for other Certificates which shall have been executed and delivered pursuant to any Prepayment Account.

"Qualified Financial Institution" shall mean a bank, trust company, national banking association or a corporation subject to regulation by the Board of Governors of the Federal Reserve System under the bank holding company act of 1933 or the Federal National Mortgage Association or any insurance company or any other corporation whose unsecured and unsubordinated long-term debt obligations have been assigned a rating by a Rating Agency which is not lower than AA/Aa, and which is a financial guaranty insurance company, a commercial bank or institutional trust fund, or a national or state bank trust department.

"Rating Agency" shall mean each of Standard & Poor's Ratings Services, Moody's Investors Service and any other nationally recognized rating service which shall have provided a rating on any Certificate.

"Reimbursement Agreement" shall mean, with respect to each Lease, any reimbursement agreement among the Corporation, the School Board and any Credit Facility Issuer.

"Reserve Account" shall mean any Reserve Account established pursuant to Sections 401 of the Master Lease Agreement and in any Supplemental Trust Agreement.

"Reserve Account Letter of Credit/Insurance Policy" shall mean the irrevocable letter or line of credit, insurance policy, surety bond or guarantee agreement issued by a Qualified Financial Institution in favor of the School Board, the Project Fund and any Credit Facility Issuer.

"Reserve Account Requirement" shall mean, in regard to a Reserve Account to secure a series of Certificates, such amounts, if any, as shall be payable in the succeeding Trust Agreement, as calculated in accordance with the provisions of the Master Lease and this Trust Agreement, including investment earnings.

"Reserve Account Requirement Account" shall mean the Reserve Account established pursuant to Sections 401 of the Master Lease Agreement and any Supplemental Trust Agreement.

"School Board" shall mean the School Board of Palm Beach County, Florida, a body corporate and the governing body of the Project.

"Series" or "Series of Certificates" shall mean the aggregate amount of such series of Certificates evidencing an undivided interest in the Project Fund created and established in Section 401 hereof.

"State" shall mean the State of Florida.

"Supplemental Trust Agreement" shall mean any agreement supplementary to such Trust Agreement or any Supplemental Trust Agreement, together with any amendments or supplements thereto.

"Supplemental Trust Agreement" shall mean any agreement supplementary to such Trust Agreement or any Supplemental Trust Agreement, together with any amendments or supplements thereto.

"Trust Agreement" shall mean the lease-purchase financing and construction loan agreement, as the same may be amended from time to time, and any and all amendments and supplements thereto.

"Trust Estate" shall mean all estate, right, title and interest of the Trustee in the Prepayment Account or any Supplemental Trust Agreement.

"Trustee" shall mean NationsBank of Florida, N.A., Fort Lauderdale, Florida, and its successors or assigns which may at any time act in the place pursuant to the provisions hereof.

"Trust Estate" shall mean all estate, right, title and interest of the Trustee in and to the Trust Agreement in accordance with the provisions of the Master Lease and this Trust Agreement, including investment earnings.

"Trust Fund" shall mean the trust fund designated as the "Project Fund" created and established in Section 401 hereof.

"Trust Estate" shall mean all estate, right, title and interest of the Trustee in and to the Trust Agreement in accordance with the provisions of the Master Lease and this Trust Agreement, including investment earnings.
bodies as well as natural persons. And any similar terms, as used in this Trust Agreement, refer to the plural number and vice versa, and words importing persons shall include firms, associations and corporations, including public bodies as well as natural persons.

The terms "hereby", "hereof", "herein", "hereto", "hereunder" and any similar terms, as used in this Trust Agreement, refer to this Trust Agreement.

101. Exhibits. The following Exhibits are attached hereto and by this reference made a part of this Trust Agreement:

Exhibit A. FORM OF CERTIFICATE
Exhibit B. FORM OF ASSIGNMENT
Exhibit C. FORM OF INSTRUCTIONS (COSTS OF ISSUANCE)

ARTICLE III
CertiFicates: Terms and Provisions

101. Authorization of Certificates. (a) The number of Series of Certificates which may be created under this Trust Agreement is not limited. The aggregate principal amount of Certificates of each Series which may be issued, authenticated and delivered under this Trust Agreement is not limited except as set forth in the Supplemental Trust Agreement, issued, authenticated and delivered under this Trust Agreement is to be designated "Certificates of Participation, Series ," constituting a separate Series of Certificates. (b) The Certificates issuable under this Trust Agreement shall be issued in such Series as may from time to time be designated with such further authorization by the Corporation at the request of the School Board and that the School Board will be responsible for the issuing of Certificates for the purpose of (a) financing the cost of acquisition, construction and installation of the Facilities and supervising the acquisition, construction and installation of the Facilities.

103. Terms of Series of Certificates. Certificates may be executed and delivered at any time from time to time in one or more Series, upon such terms and conditions as may be determined by the Corporation and payable and mature in such amounts and at such times or times, and shall be payable and mature in such amounts and at such times or times, as may be provided in the Supplemental Trust Agreement creating such Series of Certificates. (a) shall be fixed, shall represent interest at a rate not in excess of the maximum rate then permitted by applicable law (calculated on the basis of a 360 day year comprising of twelve 30 day months), and shall be payable and mature in such amounts and at such times or times, as may be provided in the Supplemental Trust Agreement creating such Series of Certificates; (b) shall be payable, as to the principal portion, in equal installments of such Series of Certificate, of such market or place of market or place of market, of the United States of America and may bear such designations as may be provided in the Supplemental Trust Agreement creating such Series of Certificates and shall be evidences of an undivided proportionate interest of the registered Certificate holder, as more particularly set forth in Section 305 hereof.

104. Representations. In the Matter Lease, the School Board has agreed to acquire, construct and install the Facilities as agent for the Corporation pursuant to specifications prepared by the School Board and that the School Board will be responsible for the financing of Certificates for the purpose of financing the cost of acquisition, construction and installation of the Facilities.

201. Assignment Agreements. The Corporation shall assign and transfer to the Trustee its rights under each Master Lease and each Fee Pure Option Price, if any, and such other terms and conditions as may be provided in the Supplemental Trust Agreement creating such Series of Certificates are authorized. Certificates of any Series. (a) shall be issued, shall be authenticated and delivered under this Trust Agreement, shall be designated with such further authorization and shall be evidenced by such Certificates from the Certificates of any other Series. (b) may contain provisions for the prepayment thereof at such Principal Price or Prices, at such time or times, upon such notice, in such manner, and upon such other terms and conditions, as may be provided in the Supplemental Trust Agreement creating such Series of Certificates; (c) may contain provisions requiring mandatory payments for the purchase and sinking fund prepayment of such Series of Certificate, at such times as may be determined by the Corporation and payable and mature in such amounts and at such times or times, as may be provided in the Supplemental Trust Agreement creating such Series of Certificates; (d) may contain provisions requiring mandatory payments for the purchase and sinking fund prepayment of such Series of Certificate, at such times as may be determined by the Corporation and payable and mature in such amounts and at such times or times, as may be provided in the Supplemental Trust Agreement creating such Series of Certificates; (e) may contain provisions requiring mandatory payments for the purchase and sinking fund prepayment of such Series of Certificate, at such times as may be determined by the Corporation and payable and mature in such amounts and at such times or times, as may be provided in the Supplemental Trust Agreement creating such Series of Certificates; (f) may contain provisions requiring mandatory payments for the purchase and sinking fund prepayment of such Series of Certificate, at such times as may be determined by the Corporation and payable and mature in such amounts and at such times or times, as may be provided in the Supplemental Trust Agreement creating such Series of Certificates; (g) may contain provisions requiring mandatory payments for the purchase and sinking fund prepayment of such Series of Certificate, at such times as may be determined by the Corporation and payable and mature in such amounts and at such times or times, as may be provided in the Supplemental Trust Agreement creating such Series of Certificates; (h) may contain provisions requiring mandatory payments for the purchase and sinking fund prepayment of such Series of Certificate, at such times as may be determined by the Corporation and payable and mature in such amounts and at such times or times, as may be provided in the Supplemental Trust Agreement creating such Series of Certificates; (i) may contain provisions requiring mandatory payments for the purchase and sinking fund prepayment of such Series of Certificate, at such times as may be determined by the Corporation and payable and mature in such amounts and at such times or times, as may be provided in the Supplemental Trust Agreement creating such Series of Certificates; (j) may contain provisions requiring mandatory payments for the purchase and sinking fund prepayment of such Series of Certificate, at such times as may be determined by the Corporation and payable and mature in such amounts and at such times or times, as may be provided in the Supplemental Trust Agreement creating such Series of Certificates; (k) may contain provisions requiring mandatory payments for the purchase and sinking fund prepayment of such Series of Certificate, at such times as may be determined by the Corporation and payable and mature in such amounts and at such times or times, as may be provided in the Supplemental Trust Agreement creating such Series of Certificates.
shall be payable from and secured by the Trust Estate, and only to the extent provided in and subject to the provisions of Section 303 hereof.

304. Conditions Precedent to Delivery of a Series of Certificates. The Trustee shall execute and deliver a series of Certificates for the purposes set forth in Section 303 hereof to the purchaser or purchasers thereof as requested and authorized by the Corporation in accordance with the provisions of this Section 304.

Prior to the delivery by the Trustee of any Series of Certificates, there shall have been received by the Trustee:

(a) A Supplemental Trust Agreement providing for the terms and conditions upon which they shall be executed and delivered by the Trustee.

(b) An executed counterpart of a corresponding Schedule on the Master Lease or amended Schedule in the case of Certificates issued for the purposes described in Section 303(h) and (i) above, effective as of or before the date of execution and delivery of such Series of Certificates. For (i), the Payments payable under such Schedule at least equal to the principal portion of the Basic Lease Payments represented by the Series of Certificates shall be made from gross income for federal income tax purposes, and, in the case of refunding Certificates, that the issuer withdrew the income tax purposes of the interval portion of the Basic Lease Payments represented by the Series of Certificates being refunded, and that there are no other portions or interests therein being refunded.

(c) One or more opinions of Special Tax Counsel to the effect that (i) the Certificates evidence undivided proportionate undivided interests in the income from the portion of the Master Lease or related Ground Lease for the purposes as described in Section 302(b) and (d) above, effective on or before the date of execution and delivery of such Series of Certificates to be paid or refunded; (ii) that the issuance of such Series of Certificates for the purposes described in Section 302 is authorized by law, and the execution and delivery thereof are valid and effectual to satisfy and discharge the liability upon such Series of Certificates, and (iii) that such exchange or reclassification of Certificates for the purposes described in Section 302 and (d) above is valid and effectual to satisfy and discharge the liability upon such Series of Certificates.

(d) Certificates, upon surrender thereof at the designating corporate trust office of the Trustee, together with an assignment duly executed by the Certificate holder or his attorney duly authorized in writing, to the effect that the Certificates are being issued to the Trustee for the purpose of execution and delivery of such Series of Certificates, and (e) One or more Opinions of Counsel in form and substance satisfactory to each Credit Facility Issuer for such Series of Certificates. The Trustee shall execute and deliver each Series of Certificates in the form of one or more original certificates, together with any exchange or reclassification of such Certificates, to the Trustee as its agent for that purpose. The Trustee shall also be entitled to receive any and all such Certificates for exchange and reclassification as directed and authorized in writing by an Authorized Corporation Representative.

305. Payments from Trust Estate Only. Distribution of Trust Estate.

(a) Unless otherwise set forth in a Supplemental Trust Agreement, each Credit Facility Issuer shall be entitled to receive and be paid from the Trust Estate, and the Trustee shall execute and deliver to the Corporation and the School Board, the Corporation Representative to execute and deliver the Series of Certificates.

306. Execution. The Certificates shall be executed in the name of, and by, the Trustee, solely as trustee under the Trust Agreement and not in its individual capacity, by the manual signature of any authorized officer of the Trustee.

307. Negotiability, Transfer and Registration.

(a) The Trustee shall maintain, as its designated corporate trust office, an appropriate system of books and records which shall include all certificates held by it of any particular Series, and the Trustee shall, upon request of the School Board, furnish such information to the School Board.

(b) Each Certificate shall be transferable only upon the written order of the Certificate holder or, in case of a lost, stolen or destroyed Certificate, the Certificate holder or his attorney duly authorized in writing, to the effect that the Certificate is lost, stolen or destroyed, and for all other purposes, and all such payments so made to any Certificate holder or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Certificate to the extent of the sum or sums so paid, and the Corporation and the School Board shall not be affected by any order so made.

(c) Certificates, upon surrender thereof at the designating corporate trust office of the Trustee, together with any and all such Certificates, shall be payable from and secured by the Trust Estate, and only to the extent provided in and subject to the provisions of Section 303 hereof.
310. Temporary Certificates. Until the definitive Certificates are prepared, the Trustee may execute and deliver, in the same manner as is provided in Section 306, in lieu of definitive Certificates, one or more temporary Certificates for the same series and substantially of the same tenor as the definitive Certificates intended, in denominations of $5,000 or any multiples thereof, and with such omissions, insertions and variations as may be appropriate for temporary Certificates, at the expense and direction of the School Board, to prepare and register and, upon the surrender thereof, to cancel and the cancellation of such surrendered temporary Certificates, the Trustee shall without charge to the owner thereof, deliver definitive Certificates of the same series, of the same aggregate principal amount as the temporary Certificates surrendered. Until so exchanged, the temporary Certificates shall be in all respects legal, valid, binding and as definitive Certificates of the same series executed, and delivered pursuant to the Trust Agreement and Outstanding.

311. Privilege of Prepayment and Prepayment Price. Certificates subject to prepayment prior to maturity pursuant to this Article II may be prepaid upon notice given as provided in this Article III or in the Supplemental Trust Agreement authorizing the issuance of such Certificate.

312. Prepayment. Whenever by the terms of this Trust Agreement the Certificates are required to be prepaid, the Trustee shall select a Series of Certificates, the portion or portions of which shall be prepaid upon the date of notice (which shall be for informational purposes only, and may not affect the voting of such Certificates), the prepayment date, and the place or places where amount due upon such prepayment will be payable and, if less than all of the Certificates of a Series are to be prepaid, the letters and numbers or other distinguishing marks of the Certificates to be prepaid in part or all, together with interest accrued to the Prepayment Date, and that from and after such date interest thereon shall cease to accrue and be payable. The Trustee shall mail a copy of such notice, postage prepaid, at least 30 days before the Prepayment Date.

313. Selection of Certificates to be Prepaid. If less than all of a Series of Certificates is to be prepaid, the particular Certificates or portions of Certificates, to be prepaid shall be in multiples of $5,000 and, except as otherwise provided in a Supplemental Trust Agreement, such Certificates or portions of Certificates shall be prepaid in such order of maturity or in such other manner as shall be determined by the School Board. If less than all of the Certificates of a like maturity are to be prepaid, the particular Certificates or portion thereof to be prepaid shall be selected by lot by the Trustee in such manner as the Trustees shall deem fair and appropriate. The portion of any Certificate or $5,000 denomination of more than $5,000 to be prepaid shall be in the principal amount of $5,000 or an integral multiple thereof, and, in selecting portions of such Certificates for prepayment, the Trustee shall treat each such Certificate as representing that number of Certificates of $5,000 denomination which is obtained by dividing the principal amount of such Certificate to be prepaid in part by $5,000.

314. Notice of Prepayment. When prepayment of Certificates is required pursuant to Section 313 and the supplemental notice of the prepayment of each such Certificate, which notice shall identify the maximum amount to be prepaid, the holder of each Certificate (which shall be for informational purposes only and shall not affect the voting of such Certificates) and, the prepayment date, and the place or places where amount due upon such prepayment will be payable and, if less than all of the Certificates of a Series are to be prepaid, the letters and numbers or other distinguishing marks of the Certificates to be prepaid in part or all, together with interest accrued to the Prepayment Date, and that from and after such date interest thereon shall cease to accrue and be payable. Such notice shall further state that on such date the Trustee will take possession of such Certificate or Certificates, as the case may be, and thereafter until paid, such Certificate or Certificates will be held by the Trustee at the office or offices specified in the agreement to which this Certificate is subject and where this Certificate is to be registered and exchanged.

Upon the cancellation and destruction of any Certificates by the Trustee, the Trustee shall execute and deliver, upon the request of the owner thereof, a certificate evidencing the amount of such Certificate or Certificates, which certificate shall be for informational purposes only and shall not affect the voting of such Certificates. The Trustee may require the payment of a sum sufficient to pay the net cost of such Certificate or Certificates as determined by the Trustee. The Trustee may rescind such transfers and such Certificates shall forthwith be promptly cancelled and destroyed.

Upon the cancellation and destruction of any Certificates by the Trustee, the Trustee shall execute and deliver, upon the request of the owner thereof, a certificate evidencing the amount of such Certificate or Certificates, which certificate shall be for informational purposes only and shall not affect the voting of such Certificates. The Trustee may require the payment of a sum sufficient to pay the net cost of such Certificate or Certificates as determined by the Trustee. The Trustee may rescind such transfers and such Certificates shall forthwith be promptly cancelled and destroyed.
to publish with the Trustee a special trust fund to be designated as the "Project Fund". The Project Fund shall be established under the Supplemental Trust Agreement, as necessary, the following accounts and subaccounts for each Series of Certificates: (a) an Acquisition Account, in the form of a security document in substantially the form described in Section 405 hereof; (b) a Lease Payment Account, in the form of a security document in substantially the form described in Section 406 hereof; and (c) a Supplemental Trust Agreement, as necessary. The Trustee shall keep the Project Fund separate and distinct from all other funds and moneys held by it. Within the Project Fund, the Trustee shall establish separate accounts, each account described in Section 402 hereof; (a) a Lease Payment Account, more particularly described in Section 404 hereof; (b) a Prepayment Account, more particularly described in Section 405 hereof; and (c) a Purchase Account, more particularly described in Section 406 hereof. The Trustee shall establish separate and distinct Acquisitions Accounts, Cost of Issuance Subaccounts, Capitalized Interest Accounts, Lease Payment Accounts, Reserve Accounts, and Equipment Accounts for each Project in the Supplemental Trust Agreement authorizing the issuance of the Series of Certificates corresponding to such Project. The Trustee may create additional Accounts and Subaccounts in any Supplemental Trust Agreement as the request of the School Board. Each such account and sub-account shall be designated by the Trustee with the Series of the Certificate to which such account relates.

402. Acquisition Account.

(a) There shall be paid into each Acquisition Account the amounts required to be paid by the provisions of the Supplemental Trust Agreement authorizing the issuance of the Series of Certificates to which such Acquisition Account relates,

(b) Pursuant to an election by the School Board under Section 5.4.4 of the Master Lease, but without respect to any Facilities, the proceeds of any mortgage debt incurred with respect to any Facilities, may be deposited into the Acquisition Account established under the Supplemental Trust Agreement authorizing the issuance of the Series of Certificates to which such Acquisition Account relates,

(c) The Cost (other than the Costs of Issuance) of the Facilities comprising each Project shall be paid from the amounts on deposit in the related Acquisition Account. Actual amounts paid

403. Lease Payment Account.

(a) In addition to the moneys required to be deposited in a Lease Payment Account pursuant to Sections 400, 401 and 402 hereof, as provided in Section 406(b) hereof, all Basic Lease Payments for the Facilities financed under a Lease shall be deposited in the related Lease Payment Account immediately upon receipt.

(b) Pursuant to an election by the School Board under Section 5.4.4 of the Master Lease, the Provisions of the Supplemental Trust Agreement authorizing the issuance of the Series of Certificates to which such Acquisition Account relates, shall be deposited in the related Lease Payment Account to be applied to the payment of the related Lease Payments for such Facilities.

404. Reserve Accounts.

Pursuant to the Supplemental Trust Agreement authorizing the issuance of any Series of Certificates, there may be established...
The Reserve Account shall be maintained by the Trustee in the Reserve Account at the Basic Leases Payments related to each Series of Certificates for which it has been established.

Any moneys deposited into the Reserve Account shall be held in the Reserve Account in accordance with the terms of any series of Certificates held in the Reserve Account, and shall be subject to the release provisions of this Trust Agreement.
(b) Subject to the first sentence of Section 409, any interest paid on any investment of funds in Investment Securities acquired as investments of funds held under the provisions of this Trust Agreement shall be deemed at all times to be a part of such Account and any profit realized from the liquidation of such investment shall be charged to, and any loss suffered from the liquidation of such investment shall be credited to, the computation of net interest earned on the moneys and investments of such Account.

504. Remedies on Default or Non-Appropriation. Upon the occurrence of an event of default by the School Board with respect to a Lease, the Trustee may exercise the remedies provided in the Master Lease, as appropriate for the particular Lease, for the protection and benefit of the Trustee and the holders of the Certificates. The Trustee may exercise such remedies at any time with or without notice after any period of grace specified in the Lease Agreement or in the Trust Agreement.

ARTICLE V

501. Trustee to Perform Each Lease. The Trustee covenants and agrees with the Credit Facility Issuer that it will perform the obligations of each lease as required by the provisions of this Trust Agreement, and that it will exercise the remedies under the lease in the event of default by the School Board.

502. Events of Default. Each of the following events is hereby declared to be an event of default hereunder:

(a) Payment of any installment of interest represented by any Certificate shall not be made when the same shall become due and payable; or

(b) Payment of any principal, whether at maturity or upon call for redemption, or any redemption premium with respect to any Certificate shall not be made when the same shall become due and payable; or

(c) An ‘Event of Default’ shall occur and be continuing under Section 6.1 of the Master Lease.

503. Remedies for Default or Non-Acceptance. Upon the occurrence of an event of default by the School Board, the Trustee shall have the right, subject to the provisions of the Master Lease, to take such actions as it deems necessary to enforce the rights of the Trustee under the Master Lease.

Any moneys collected following an event of default or non-acceptance shall be applied in accordance with the provisions of this section and if any amounts due on the Certificates or other securities have been fully paid (or provision for payment thereof has been made), such amounts shall be paid to the Holders.

In the case of partial payment of Basic Lease Payments, whenever such payments are to be applied to the Trustee pursuant to the provisions

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of this Section, such monies shall be applied by the Trustee at
such time, and from time to time, as the Trustee in its sole
discretion shall determine, having due regard for the amount
of such monies available for application and the likelihood of addi-
tional monies becoming available for such application in the
future. Whenever the Trustee shall exercise such discretion in
applying such moneys, in shall fix the date (which shall be in a
Board Payment Date unless the Trustee shall deem another date more
suitable) upon which such application is to be made, and upon such
date interest on the amounts of principal to be paid on such date
shall accrue at the rate of interest prevailing at the time of such
date. The Trustee shall give such notice as it may deem appro-
 priate of the fixing of any such date.

506. Account and Reports.
(a) The Trustee shall keep a copy of this Trust Agree-
ment and all supplemental Trust Agreements and proper books of
record and account in which complete and correct entries shall be
made of its transactions relating to each Project and each Account
created under this Trust Agreement, which shall be subject to
inspection by the Corporation and the School Board during
normal business hours and upon reasonable notice and which shall be
retained by the Trustee at the expense of the School Board for a
period of six (6) years following termination of this Trust
Agreement.
(b) The Trustee shall advise the Corporation and the
School Board promptly after the end of each month of such tran-
sactions during which relating to each Account held by it under
this Trust Agreement.

507. Possession and Enjoyment. With respect to each Project,
and after the acceptance by the School Board of the facilities
comprising such Project in accordance with the terms of the Master
Lease Agreement,

ARTICLE VI
CONCERNING THE TRUSTEE

601. Employment of Trustee. In consideration of the reci-
cipt hereinabove set forth and for other valuable
consideration, the Trustee hereby agrees to receive, hold, invest and disburse the
money to be paid to it pursuant to the terms and conditions of this Agreement
for the benefit of the School Board, and to the various funds and accounts established by this Trust Agreement; to prepare, execute, deliver, enforce and carry out the provisions of this Trust Agreement and to apply and disburse the Trust Estate and other monies received pur-
pose of the Master Leases in accordance with the provisions of all
such Leases and the terms of this Trust Agreement or of any supplements hereto or instruments of further
assurance, or for the sufficiency of the Trust Estate, or for the
inspection of the Corporation and the School Board during
normal business hours and upon reasonable notice.

The Trustee shall not be liable for any error of
judgment made in good faith by any officer of the Trustee, unless
such judgment shall have been the result of the negligence or
misfeasance in good faith by such officer, or by any agent or
designee thereof of any such officer.

602. Trustee Acceptance of Duties.
(a) The Trustee shall sign its acceptance of the duties and responsibilities imposed upon it by this Trust Agreement by
executing and delivering this Trust Agreement, and by executing
such acceptance the Trustee shall be deemed to have accepted such
duties and responsibilities with respect to all the Certificates there-
under, for delivery, but only, however, upon the express terms
and conditions set forth herein.
(b) At any and all reasonable times the Trustee, and its
authorized agents, attorneys, experts, engineers, accountants
and representatives, shall have right of entry to the
books, papers and records of the School Board pertaining to each
project and each lease, and to take such memoranda from and
such records thereof as may be desired.

(c) The Trustee shall not be required to give bond or
surety in respect of the performance of its duties or powers or otherwise in respect of this Trust Agreement.

(d) Before taking any action referred to in Article V,
the Trustee may require that a satisfactory indemnity bond
be given in connection with such action in good faith and in accordance
with the terms of the Master
Lease Agreement, and all supplemental Trust Agreements and proper books of
record in which complete and correct entries shall be
made of its transactions relating to each Project and each
Account created under this Trust Agreement, which shall be subject to
inspection by the Corporation and the School Board during
normal business hours and upon reasonable notice and which shall be
retained by the Trustee at the expense of the School Board for a
period of six (6) years following termination of this Trust
Agreement.

(2) The recitals, statements and representations in this Trust Agreement or in the Certificates, made only by the Trustee's
acceptance of the trusts created
hereunder, the Trustee shall have no responsibility in respect of the due
execution or acknowledgment of this Trust Agreement by the
Corporation, the validity of the trusteed in this Trust Agreement
or of any supplements hereto or instruments of further
assurance, or for the sufficiency of the Trust Estate, or for the
validity of the Certificates or the issuance thereof.

603. Evidence on Which Trustee May Act.
(a) The Trustee, upon receipt of any notice, resolution, request, consent, order, certificate, report, opinion, bond or
other paper or document furnished to it pursuant to any provision of this Trust Agreement or of any agreements or
connection with or arising out of any Lease or the existence,

(b) Whenever the Trustee shall deem it necessary or
desirable that it be informed of any event or of any change in
respect of the due
execution or acknowledgment of this Trust Agreement by the
Corporation, the validity of the trusteed in this Trust Agreement
or of any supplements hereto or instruments of further
assurance, or for the sufficiency of the Trust Estate, or for the
validity of the Certificates or the issuance thereof.

604. powers or otherwise in respect of this Trust Agreement.

(e) The Trustee shall not be liable for any error of
judgment made in good faith by any officer of the Trustee, unless
such judgment shall have been the result of the negligence or
misfeasance in good faith by such officer, or by any agent or
designee thereof of any such officer.

(f) The recitals, statements and representations in this Trust Agreement or in the Certificates, made only by the Trustee's
acceptance of the trusts created
hereunder, the Trustee shall have no responsibility in respect of the due
execution or acknowledgment of this Trust Agreement by the
Corporation, the validity of the trusteed in this Trust Agreement
or of any supplements hereto or instruments of further
assurance, or for the sufficiency of the Trust Estate, or for the
validity of the Certificates or the issuance thereof.

605. Liability of Trustee.
(a) The Trustee, upon receipt of any notice, resolution, request, consent, order, certificate, report, opinion, bond or
other paper or document furnished to it pursuant to any provision of this Trust Agreement or of any agreements or
connection with or arising out of any Lease or the existence,

(b) Whenever the Trustee shall deem it necessary or
desirable that it be informed of any event or of any change in
respect of the due
execution or acknowledgment of this Trust Agreement by the
Corporation, the validity of the trusteed in this Trust Agreement
or of any supplements hereto or instruments of further
assurance, or for the sufficiency of the Trust Estate, or for the
validity of the Certificates or the issuance thereof.
in any action which any Certificate holder may be entitled to take with like effect as if the Trustee were not a party to this Trust Agreement. The Trustee, in its principal or agent, may also engage in any financial or other transaction with the School Board or Corporation, and may act as depositary, trustee, or agent for any certificate or body of Certificate holders or other obligations of the School Board as long as it was not Trustee hereunder.

5.1. The Trustee shall not be answerable or accountable for the performance of its duties and obligations as specified in Section 406 of this Act unless it has been specifically notified thereof in writing.
Outstanding and receipt of indemnity shall intervene, on behalf of judicial proceeding to which the School Board or the Corporation is subject to the approval of a court of competent jurisdiction.

is hereby expressly recognized as a third party beneficiary to this agreement. Each party as aforesaid is hereby authorized to enforce the obligations to the Credit Facility Issuer hereunder of the School Board and the Corporation to the effect that no revocation shall have occurred thereunder) without the consent of the Holders of any Certificate of such Series. Any such revocation shall be binding upon the Holders of such Certificates to give any consent or take any other action or to make any calculation of Outstanding or Prepayment Price thereof or in the interest of any of the Holders of such Certificates, or shall modify or ammend any of the provisions of this Section 703 hereof.

ARTICLE VII

AMENDMENTS

701. Mailing. Any provision in this Article for the mailing of a notice or other paper to Certificate holders of a Series ofCertificates shall be fully complied with if it is mailed postage prepaid only to each Holder of Certificates of such Series then Outstanding at the address appearing upon the record books of the Trustee on the date of such mailing.

702. Power of Amendment. The Trust Agreement and the rights and obligations hereunder may be modified or amended at any time by a Supplemental Trust Agreement, executed by the Trustee and the Corporation (with the written consent given, as provided in Section 703 hereof, of the Holders of a majority in principal amount of the Certificates outstanding at the time of such modification or amendment) but subject to Section 707 hereof. A certificate or certificates executed by the Trustee shall be entitled to receive an opinion of counsel as to the legality, validity and binding force and effect of any such modification or amendment.

703. Consent of Certificate Holders. The Trustee and the Corporation (at the direction of the School Board so long as the Lease Term of the Master Lease shall remain in effect and no default shall have occurred thereunder), may at any time enter into a Supplemental Trust Agreement making a modification or amendment permitted by the provisions of Section 702 hereof to take effect and to be in effect, as provided in this Section. Any provision in any Supplemental Trust Agreement is ineffective unless and until a copy of such Supplemental Trust Agreement (or brief summary thereof) has been given to the Trustee, together with a request to affected Certificate holders for their consent thereto in form satisfactory to the Trustee, shall be mailed by the Trustee to each Certificate holder, (but failure to mail such copy and request shall not affect the validity of the Supplemental Trust Agreement theretofore in effect), or (3) to issue one or more Series of Certificates pursuant to Article III hereof, or (4) to issue a Supplemental Trust Agreement making a modification or amendment that in the judgment of the Trustee (upon the advice of counsel, if requested) will not have a material adverse effect on the interests of any of the Certificate holders. Any other modification or amendment of this Trust Agreement and of the rights and obligations of the Corporation and of the Holders of the Certificates hereunder, may be made by a Supplemental Trust Agreement, executed by the Trustee and the Corporation with the written consent given, as provided in Section 703 hereof, of the Holders of a majority in principal amount of the Certificates outstanding at the time of such modification or amendment. Such written statements shall be conclusive that such modifications or amendments have been duly authorized and binding as in this Section 703 provided. A record, consisting of a copy of such Supplemental Trust Agreement (or brief summary thereof) together with proof that such modification or amendment has been duly authorized and binding, shall be made by the Trustee by mailing such notice to Certificate holders (but failure to mail such notice shall not prevent such Supplemental Trust Agreement from becoming effective and binding as in this Section 703 provided). A certificate or certificates of the Trustee shall be entitled to receive an opinion of counsel as to the legality, validity and binding force and effect of any such modification or amendment.

704. Provisions by Unanimous Consent. The terms and provisions of this Trust Agreement applicable to a Series of Certificates and the rights and obligations of the Trustee and the Holders of such Certificates and the Corporation and of the Holders of the Certificates of such Series heretofore may be modified or amended, with the written consent of the Holders of such Series, by Supplemental Trust Agreement and the consent of the Holders of all the Certificates of such Series outstanding at the time such consent is to be given as provided in Section 703 except that no notice to Certificate holders by mailing shall be required.

705. Exclusion of Certificate Holders. The provisions of this Section 705 shall be binding upon, and affect the rights, duties and obligations of the Trustee and the Holders of Certificates and the Corporation and of the Holders of Certificates of any Series of Certificates that may be issued after the date hereof, to the same extent as to the Holders of such Certificates then outstanding and as to each Certificate holder, (but failure to mail such notice shall not prevent such Supplemental Trust Agreement from becoming effective and binding as in this Section 703 provided).
have been deposited with the Trustee as escrow holder moneys consisting of either cash in an amount which shall be sufficient, or prior to the maturity date of Certificates deemed to have been paid become due with respect to said Certificates on or prior to the maturity date thereof, as the case may be, and any, deposited with the Trustee as escrow holder at the same time, or (ii) prior to the mailing of the notice of prepayment (other than Certificates which have been purchased by the Trustee at the direction of the School Board or otherwise acquired by the School Board and delivered to the Trustee as hereinbefore provided prior to the mailing of such notice of prepayment) on said date, (b) there shall be paid or prepaid or (c) in respect of such Certificates other than Certificates which have been purchased by the Trustee at the direction of the School Board or otherwise acquired by the School Board and delivered to the Trustee as hereinbefore provided prior to the mailing of such notice of prepayment) on said date, (b) there shall be paid over to the School Board as received by the Trustee, free and clear of any trust, lien, pledge or assignment securing such Certificates or otherwise existing under this Trust Agreement.
prepayment, if such moneys were held by the Trustee at such date, or for six (6) years after the date of deposit of such moneys if deposited with the Trustee after the date when such Certificates became due and payable, shall, at the written request of the School Board, be returned to the School Board, as its absolute property and free from trust, and the Trustee shall remove such funds from and shall no longer be released or disbursed with respect thereto and the Certificates held shall look only to the School Board for the payment of such Certificates provided, however, that before being required to make any such payment to the School Board, the Trustee shall, in the case of the School Board, have caused to be published at least twice, at an interval of not less than seven (7) days between publications, in any authorized newspaper or newspapers to which the moneys remain unclaimed and that, after a disc in said notice, while such date shall not be used thereafter and after the date of the first publication of such notice, the balance of such moneys then unclaimed will be returned to the School Board.


(a) Except as otherwise provided in Section 709 hereof, any request, consent, revocation of consent or other instrument which this Trust Agreement may require or permit to be signed and executed by the Certificate Holders may be in one or more instruments of like tenor, and shall be signed or executed by such Certificate Holders in person or by their attorneys appointed in Writing. Proof of (i) the execution of any such instrument, or (ii) the holding by any person of the Certificates, shall be sufficient for any purpose of this Trust Agreement (except as otherwise herein expressly provided) if made in the following manner, or in any other manner satisfactory to the Trustee, which may nevertheless in its discretion require further or other proof in facts where it deems the same desirable: the fact and date of the execution by any Certificate Holders of such instrument may be proved by a guarantee of the signature thereon by a bank or trust company or the holder or certificate of any notary public or other officer, authorized to take acknowledgments of deeds, that the person signing such request or other instrument acknowledged to him the execution thereof, or by as affidavit of a witness of such execution, duly sworn to before such notary public or other officer. Such executions by or as officer of a corporation or association or as partner of a partnership, or as officer of such corporation, association or partnership, such signature guarantee, certificate or affidavit shall also constitute sufficient proof of his/her authority.

(b) The ownership of Certificates and the amount, numbers and other identification of each Certificate held by the holder of the same shall be proved by the register maintained by the Trustee.

(c) Any request, consent, or evidence to the holder of any Certificate shall bind all future holders of such Certificate or any Certificate not issued in exchange therefor or in lieu thereof in respect of anything done or omitted to be done by the School Board, the Corporation or the Trustee in accordance therein.

804. Moneys Held for Particular Certificates. Subject to Section 901(c) hereof, the amount held by the Trustee for the payment of the interest portion, principal portion or Prepayment which may at any time be required to be paid shall be subject to the provisions hereof which require the Trustee to give notice to the School Board, the Corporation or the Trustee in accordance therewith. The Corporation or the Trustee to be performed should be contrary to law, then such covenant or consent or instrument or agreements shall be deemed unenforceable from the融化ing covenants and agreements and shall not in any way affect the validity of the other provisions of this Trust Agreement.

805. Severability. If any one or more of the covenants or agreements provided in this Trust Agreement or the performance thereof be declared invalid or unenforceable, the remainder of this Trust Agreement or the provisions thereof shall not thereby be affected.

806. Severability. If any one or more of the covenants or agreements provided in this Trust Agreement or the performance thereof be declared invalid or unenforceable, the remainder of this Trust Agreement or the provisions thereof shall not thereby be affected.

807. Provision for Documents. All documents received by the Trustee under the provisions of this Trust Agreement shall be retained in its possession and shall be subject during normal business hours and upon reasonable prior notice to the inspection of the School Board and the Corporation and any Certificate holder and their agents and their representatives, any of whom may at their own expense make copies thereof.

808. Notices. Unless otherwise specified herein, all notices, requests, answers or claims on or by the Trustee, the Corporation, the Holders of the Certificates, the School Board or any other person or party shall be directed to the addresses set forth on the Schedule applicable to the Trust Agreement, the Master Lease, any Ground Lease, any Lease Schedule or any Credit Facility Agreement or any Agreement, as the case may be, and may be given by personal delivery, by certified mail, return receipt requested, or by express delivery, cable, facsimile, or telephone, or by any other means or manner satisfactory to the Trustee, which may nevertheless in its discretion require further or other proof in facts where it deems the same desirable: the fact and date of the execution by any Certificate Holders of such instrument may be proved by a guarantee of the signature thereon by a bank or trust company or the holder or certificate of any notary public or other officer, authorized to take acknowledgments of deeds, that the person signing such request or other instrument acknowledged to him the execution thereof, or by as affidavit of a witness of such execution, duly sworn to before such notary public or other officer. Such executions by or as officer of a corporation or association or as partner of a partnership, or as officer of such corporation, association or partnership, such signature guarantee, certificate or affidavit shall also constitute sufficient proof of his/her authority.

809. Applicable Law. This Trust Agreement shall be construed in accordance with the laws of the State of Florida.

810. Binding on Successors. This Trust Agreement shall be binding upon and inure to the benefit of any person or entity holding any Certificates issued in this Trust Agreement or any Credit Facility Issuer and their respective successors and assigns.

811. Captions. Captions preceding the text of the several Articles and Sections hereof are inserted for convenience of reference and shall not constitute a part of this Trust Agreement or affect its meaning, construction or effect.

812. Legal Holidays. Unless otherwise provided herein if the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Trust Agreement, is not a Business Day such payment may be made or such act performed or such right exercised on the next succeeding Business Day with the same force and effect as if done on the normal date provided herein, and so interest shall accrue on such payments for the period after such date.

813. Resolutions in Counterparts. This Trust Agreement may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.
IN WITNESS WHEREOF, the parties have executed this Master Lease Agreement by their duly authorized officers as of the date and year first written above.

STATE OF FLORIDA
COUNTY OF PALM BEACH

COUNTY OF PALM BEACH LEASING CORP., a not-for-profit corporation, as lessor (the "Corporation"), and the School Board, as lessee. Under a Series ______ Assignment Agreement dated as of November 1, 1994 (this "Assignment Agreement") entered into by and between the Corporation and NationsBank of Florida, N.A., Fort Lauderdale, Florida, as trustee (such bank and any successor bank as hereinafter called the "Trustee"), the Corporation has assigned to the Trustee for its right to indemnification under Section 5.7 of the Master Lease its right to hold title to the Series Facilities for the benefit of the Certificate Holders, all of its rights under the Series Leases (except for its right to indemnification under Section 5.7 of the Master Lease, its right to hold title to the Series Facilities, and its right to receive notices under the Master Lease) including its right to receive notices under the Master Lease including its rights to receive

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The registered owner of this Certificate ("Certificate Holder") is entitled to receive, subject to the terms of the Master Lease and the Trust Agreement (hereinafter defined), on the maturity date specified above (the "Maturity Date"), unless prepaid prior thereto or as provided in the Trust Agreement, the principal amount represented by this Certificate and all moneys due with respect to this Certificate, together with any and all interest, fees, expenses and charges due and payable hereunder in respect of this Certificate, if any, such amounts to be paid to the Certificate Holder in lawful money of the United States of America. In the event the Trustee shall be unable to receive and apply such proceeds from the property covered hereby, the Trustee shall have the right to use any and all moneys held or received by the Trustee in the manner provided in the Trust Agreement for the purpose of securing the Certificates, the nature, extent and manner of enforcement of such pledge, the rights and remedies of the Holders of the Certificates with respect thereto, the terms and conditions upon which the Holders of the Certificates shall cease to be entitled to any interest or payment in relation to this Certificate, including, but not limited to, the Trustee's right to receive and apply any moneys held or received by the Trustee in the manner provided in the Trust Agreement for the purpose of securing the Certificates, the nature, extent and manner of enforcement of such pledge, the rights and remedies of the Holders of the Certificates with respect thereto, the terms and conditions upon which the Holders of the Certificates shall cease to be entitled to any interest or payment in relation to this Certificate.

THIS CERTIFICATE HAS BEEN EXECUTED BY THE TRUSTEE IN THE MANNER PROVIDED IN THE TRUST AGREEMENT.

IN WITNESS WHEREOF, this Certificate has been executed by the manual signature of an Authorized Signatory of the Trustee, not in its individual capacity, but solely as Trustee under the Trust Agreement.

NATIONAL BANK OF FLORIDA, N.A., as Trustee

By: ____________________________

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hereof together with a written instrument of transfer satisfactory to the Trustee duly authorized by the Certificate Holder or such Certificate Holder's duly authorized attorney. Upon the transfer of this Certificate, the Trustee shall deliver in the name of the Certificate Holder for all purposes, and all such payments so made to any such Certificate Holder or upon such Certificate Holder's order, shall be irrevocably and absolutely the property of the Certificate Holder and shall not be affected by any notice to the contrary.

The Certificates shall be delivered in registered form in the denominations of $5,000 or any integral multiple of $5,000. The Certificates, upon surrender thereof at the designated corporate trust office of the Trustee with a written instruction satisfactory to the Trustee, duly authorized by the Certificate Holder or such Certificate Holder's attorney duly authorized in writing, may, at the option of the Certificate Holder and upon payment by such Certificate Holder of any charge which the Trustee may make as providing for the expense of such transfer, be exchanged for an equal aggregate principal amount of registered Certificates of the same maturity of any other authorized denominations.

Optimal Prepayment: Certificates maturing on or before August 1, shall not be subject to prepayment at the option of the School Board. Certificates maturing after August 1, shall be subject to prepayment on or after August 1, if the School Board elects to prepay the principal portion of Basic Lease Payments due under the Series Leases in whole at any time, or in part on any Interest Payment Date, and if in part, in an amount equal to the principal portion of the Basic Lease Payments due under the Series Leases, as shall be designated by the School Board to be prepaid, and by lot within a maturity in such manner as is provided by the Series Lease(s) at the Prepayment Price expressed as a percentage of the principal portion of Basic Lease Payments represented by the Certificates. Prepayment Price of the specified portions of the principal thereof to be prepaid as set forth opposite such period in the following table, plus the interest accrued to the Prepayment Date.

Prepayment Period
(With Dates Indicated)  Prepayment Price
August 1, through July 31, __________
August 1, through July 31, __________
August 1, and thereafter __________

Additional abbreviations may also be used though not in the above list.

The following abbreviations, when used in the inscription on the face of the within-mentioned Certificates, shall not be deemed to be of any legal effect.

Social Security or Other

The following abbreviations, when used in the inscription on the face of the within-mentioned Certificates, shall not be deemed to be of any legal effect.

Uniform Gift Min Act

The following abbreviations, when used in the inscription on the face of the within-mentioned Certificates, shall not be deemed to be of any legal effect.

Uniform Gift Min Act

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Uniform Gift Min Act
EXHIBIT B

REQUISITION NO. ______

CERTIFICATES OF PARTICIPATION SERIES ______

Evidencing Undivided Proportionate Interests of the Owners Thereof in Basic Payments to be Made by THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA as Lessee, Pursuant to a Master Lease Purchase Agreement with Palm Beach School Board Leasing Corp., as Lessor, TO NationsBank of Florida, N.A. Trustee under the Master Trust Agreement dated as of November 1, 1994, with Palm Beach School Board Leasing Corp. ("Trust Agreement").

This Requisition is made pursuant to Section 402(c) to pay Costs of the Series ___ Facilities. The Trustee is hereby directed to pay sums out of the Series Acquisition Account as follows:

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<tr>
<th>Name &amp; Address of Payee</th>
<th>Purpose of Payment</th>
<th>Amount</th>
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TOTAL

The undersigned hereby certifies that (a) such obligation, item of cost or expense herein has been properly incurred, (b) such obligation, item of cost or expense herein is an item of the Cost of the Series Facilities and has not been the basis of any previous withdrawal, and (c) such payment will not cause the balance remaining in the Series Acquisition Account after such payment to be less than the amount necessary to pay the remaining estimated Costs to be paid from the Series ___ Acquisition Account, or sufficient other moneys are available therefor.

Dated: ____________________________

Authorized School Board Representative

EXHIBIT C

REQUISITION NO. ______

CERTIFICATES OF PARTICIPATION SERIES ______

Evidencing Undivided Proportionate Interests of the Owners Thereof in Basic Lease Payments to be Made by THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA as Lessee, Pursuant to a Master Lease Purchase Agreement with Palm Beach School Board Leasing Corp., as Lessor, TO NationsBank of Florida, N.A. Trustee under the Master Trust Agreement dated as of November 1, 1994, with Palm Beach School Board Leasing Corp. ("Trust Agreement").

This Requisition is made pursuant to Section 402(d) to pay Costs of Issuance of the Certificates. The Trustee is hereby directed to pay sums out of the Cost of Issuance Subaccount in the Series Acquisition Account as follows:

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<tr>
<th>Payee</th>
<th>Purpose of Payment</th>
<th>Amount</th>
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TOTAL

The undersigned hereby certifies that each payment obligation has been properly incurred, is a Cost of Issuance and has not been the basis of a previous withdrawal.

Dated: ____________________________

Authorized School Board Representative

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SERIES 2015B SUPPLEMENTAL TRUST AGREEMENT

by and between

PALM BEACH SCHOOL BOARD LEASING CORP.

and

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.
(successor in interest to NationsBank of Florida, N.A.),
as Trustee

Dated as of January 1, 2015
Section 302. OPTIONAL PREPAYMENT OF SERIES 2015B CERTIFICATES

Section 301. EXTRAORDINARY PREPAYMENT

Section 202. ISSUANCE OF SERIES 2015B CERTIFICATES

Section 101. DEFINITIONS

Section 506. NO BROKER CONFIRMATIONS

Section 502. PROVISIONS OF MASTER TRUST AGREEMENT NOT OTHERWISE MODIFIED

Section 501. CONTINUING DISCLOSURE

Section 401. ESTABLISHMENT OF ACCOUNTS

Section 301. EXTRAVAGANT PREPAYMENT

Section 302. OPTIMAL PREPAYMENT OF SERIES 2015B CERTIFICATES

Section 402. APPLICATION OF PROCEEDS OF SERIES 2015B CERTIFICATE PROCEEDS

Section 303. ESTATEMENT OF ACCOUNTS

Article III PREPAYMENTS

Section 305. ISSUANCE OF SERIES 2015B CERTIFICATES

Article IV ESTABLISHMENT OF ACCOUNTS; APPLICATION OF SERIES 2015B CERTIFICATE PROCEEDS

Article V MISCELLANEOUS PROVISIONS RELATING TO SERIES 2015B CERTIFICATES

WHEREAS, to provide funds for the acquisition and/or construction of the Series 2006A Facilities, Certificates of Participation, Series 2006A were issued in the aggregate principal amount of $222,015,000 (the “Series 2006A Certificate(s)”) pursuant to the Trust Agreement, as supplemented by a Series 2006A Supplemental Trust Agreement dated as of May 1, 2006 (the “Trust Agreement as so supplemented, the “Series 2006A Trust Agreement”); and

WHEREAS, the Corporation assigned substantially all of its interest in the Series 2006A Ground Lease and the Series 2006A Lease to the Trustee pursuant to a Series 2006A Assignment Agreement dated as of May 1, 2006; and

WHEREAS, pursuant to the provisions of Sections 7.4 of the Master Lease and Section 302 of the Master Trust Agreement, the Corporation and the School Board may direct the Trustee to issue refunding Certificates; and

WHEREAS, the School Board has determined that it is in the best interest of the District to refinance (i) a portion of its obligations under the Series 2006A-1 Lease and to refund the Series 2006A Certificates maturing on and after August 1, 2017 (the “Refunded Certificates”), through the amendment and restatement of the Series 2006A-1 Lease, in connection with the issuance of the hereinafter described Series 2015B Certificates, representing undivided proportionate interests of the owners thereof in Basic Lease Payments to be made by the School Board pursuant to the Series 2006A-1 Lease equally and ratably with the unredeemed Series 2006A Certificates; and

WHEREAS, to accomplish such refunding the Corporation is entering into this Series 2015B Supplemental Trust Agreement providing for the issuance of refunding Certificates of Participation, Series 2015B (the “Series 2015B Certificates”) to refund the Refunded Certificates, which Series 2015B Certificates will represent undivided proportionate interests in a portion of the principal portion and interest portion of the Basic Lease Payments to be made under the Series 2006A-1 Lease, and to pay costs of issuance of the Series 2015B Certificates; and

WHEREAS, the Trustee has received an order from an Authorized Corporation Representative relating to the issuance of the Series 2015B Certificates; and

WHEREAS, a portion of the proceeds of the Series 2015B Certificate will be deposited with The Bank of New York Mellon Trust Company, N.A., as escrow agent (the “Escrow Agent”) under a Series 2015B Escrow Deposit Agreement dated as of January 14, 2015 (the “Escrow Deposit Agreement”), between the School Board and the Escrow Agent, and used to prepay the Refunded Certificates on their prepayment date at a prepayment price equal to the principal portion of Basic Lease Payments represented by the Refunded Certificates, plus prepayment premium, as applicable, and to pay interest on the Refunded Certificates until such prepayment date; and

WHEREAS, all things necessary to make the Series 2015B Certificates, when executed by the Trustee and issued as provided herein and in the Master Trust Agreement, the valid, binding and legal obligations according to the terms thereof, have been done and performed, and the creation, execution and delivery of this Series 2015B Supplemental Trust Agreement, and the creation, execution and issuance of the Series 2015B Certificates subject to the terms thereof, have in all respects been duly authorized;

NOW, THEREFORE, THIS SERIES 2015B SUPPLEMENTAL TRUST AGREEMENT WITNESSETH:

ARTICLE I

DEFINITIONS

SECTION 101. DEFINITIONS. Words and terms that are defined in the Master Trust Agreement shall have the same meanings ascribed to them when used herein, except the context or use indicates a different meaning or intent. In addition to the words and terms defined in the Master Trust Agreement or elsewhere defined in this Series 2015B Supplemental Trust Agreement, the following words and terms as used herein with respect to the Series 2015B Certificates shall have the following meaning unless the context or use indicates otherwise:

“Amended and Restated Schedule 2006A-1” shall mean that certain Schedule 2006A-1 to the Master Lease dated as of May 1, 2006, as amended and restated as of January 1, 2015, by and among the School Board, the Corporation and the Trustee as assigns of the Corporation.

“Business Day” shall mean a day other than (a) a Saturday, Sunday or day on which banks in the State of New York or banks located in each of the cities in which the designated corporate trust office of the Trustee is located are required or authorized by law or executive order to close for business; and (b) a day on which the New York Stock Exchange is closed.

“Closing Date” shall mean the date of delivery of the Series 2015B Certificates to the respective Series 2015B Underwriters against payment therefor.

“Disclosure Agreement” shall mean that certain Disclosure Dissemination Agreement, dated January 14, 2015, by and between the School Board and Digital Assurance Certification, L.L.C., executed and delivered in connection with the issuance of the Series 2015B Certificates.

“Interest Payment Date” shall mean (a) each February 1 and August 1, commencing August 1, 2015, (b) with respect to any Series 2015B Certificates which are to be prepaid, any date on which such prepayment is made, and (c) the applicable Maturity Date.

“Maturity Date” shall mean each of the dates set forth as such in Section 101(b).

“Participating Underwriter” shall mean any of the original underwriters of the Series 2015B Certificates required to comply with the Rule in connection with the offering of the Series 2015B Certificates.

“Record Date” shall mean the fifteenth (15th) calendar day, whether or not a Business Day, of the month preceding an Interest Payment Date.
“Refunded Certificates” shall mean the portion of the Series 2006A Certificates maturing on and after August 1, 2017.

“Series 2006A-1 Lease” shall mean the Master Lease as supplemented by Amended and Restated Schedule 2006A-1.

“Series 2015B Certificates” shall mean the $145,535,000 Certificates of Participation, Series 2015B Evidencing Undivided Proportionate Interests of the Owners thereof in Basic Lease Payments to be made by The School Board of Palm Beach County, Florida, as Lessee, pursuant to a Master Lease Purchase Agreement with Palm Beach School Board Leasing Corp., as Lessor.

“Series 2015B Cost of Issuance Account” shall mean the Series 2015B Cost of Issuance Account within the Project Fund established in Section 401 hereof.

“Series 2015B Interest” means the interest portion of Basic Lease Payments represented by the Series 2015B Certificates.

“Series 2015B Principal” means the principal portion of Basic Lease Payments represented by the Series 2015B Certificates.


ARTICLE II
THE SERIES 2015B CERTIFICATES

SECTION 201. AUTHORIZATION OF SERIES 2015B CERTIFICATES.

(a) There is hereby created a Series of Certificates to be issued under the Trust Agreement to be known as “Certificates of Participation, Series 2015B, Evidencing Undivided Proportionate Interests of the Owners thereof in Basic Lease Payments to be made by The School Board of Palm Beach County, Florida, as Lessee, pursuant to a Master Lease Purchase Agreement with Palm Beach School Board Leasing Corp., as Lessor”. The Series 2015B Certificates shall be issued for the purpose of (i) providing for the payment of the principal and interest portions of Basic Lease Payments represented by the Refunded Certificates and (ii) paying Costs of Issuance of the Series 2015B Certificates.

(b) The Series 2015B Certificates shall be dated as of the Closing Date and shall also show the date of authentication thereof. The Series 2015B Interest shall be payable from the Interest Payment Date next preceding the date of execution and delivery to which payment has been made or provided for, unless a Series 2015B Certificate is issued prior to August 1, 2015, in which case the Series 2015B Certificate shall represent the right to receive interest from the principal amount of Series 2015B Certificates upon their request in writing received no later than the Record Date next preceding any Interest Payment Date. The Trustee may charge the Series 2015B Certificate holder a reasonable fee for the cost of the wire transfer.

So long as there shall be maintained a book-entry only system with respect to the Series 2015B Certificates, the following provisions shall apply:

The Series 2015B Certificates shall initially be issued in the name of Cede & Co. as nominee for The Depository Trust Company (“DTC”), which will act initially as securities depository for the Series 2015B Certificates and as long as the Series 2015B Certificates are held in book-entry only form, Cede & Co. shall be considered the registered owner for all purposes hereof. On original issue, the Series 2015B Certificates shall be deposited with DTC, which shall be responsible for maintaining a book-entry only system for recording the ownership interest of its participants (“DTC Participants”) and other institutions that clear through or maintain a custodial relationship with DTC Participants, either directly or indirectly (“Indirect Participants”). The DTC Participants and Indirect Participants will be responsible for maintaining records with respect to the beneficial ownership interests of individual purchasers of the Series 2015B Certificates (“Beneficial Owners”).

The principal and interest portions of Basic Lease Payments represented by the Series 2015B Certificates shall be payable directly to Cede & Co. in care of DTC. Disbursement of such amounts to DTC Participants shall be the responsibility of DTC. Payments by DTC Participants to Indirect Participants, and by DTC Participants and Indirect Participants to Beneficial Owners, shall be the responsibility of DTC Participants and Indirect Participants and not of DTC, the Trustee, the Corporation or the School Board.

The Series 2015B Certificates shall initially be issued in the form of one fully registered Series 2015B Certificate for each maturity (and for each interest rate within a maturity) 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 certificate Series 2015B Certificates, through DTC Participants and Indirect Participants.

DURING THE PERIOD FOR WHICH Cede & CO. IS REGISTERED OWNER OF THE SERIES 2015B CERTIFICATES, ANY NOTICE TO BE PROVIDED TO ANY REGISTERED OWNER WILL BE PROVIDED TO Cede & CO. DTC SHALL BE RESPONSIBLE FOR NOTICE TO DTC PARTICIPANTS, DTC SHALL BE RESPONSIBLE FOR NOTICE TO INDIRECT PARTICIPANTS, AND DTC PARTICIPANTS AND INDIRECT PARTICIPANTS SHALL BE RESPONSIBLE FOR NOTICE TO INDIVIDUAL PURCHASERS OF BENEFICIAL INTERESTS.

The School Board and the Trustee have entered into a Blanket Issuer Letter of Representations with DTC providing for such book-entry only system. Such agreement may be terminated at any time by either DTC or the School Board. In the event of such termination, the School Board shall select another securities depository. If the School Board does not replace DTC, the Trustee will register and deliver to the Beneficial Owners replacement Series 2015B Certificates in the form of fully registered Series 2015B Certificates in denominations of $5,000 or integral multiples thereof, in accordance with instructions from Cede & Co.

SECTION 202. ISSUANCE OF SERIES 2015B CERTIFICATES.

The Series 2015B Certificates shall be issued upon delivery to the Trustee of the documents referred to in Section 304 of the Master Trust Agreement and the payment of the purchase price therefor.

ARTICLE III
PREPAYMENTS

SECTION 301. EXTRAORDINARY PREPAYMENT.

The Series 2015B Principal or Prepayment Price of the Series 2015B Certificates shall be payable at the designated corporate trust office of the Trustee. Except as otherwise provided in connection with a book-entry only system of registration of ownership of the Series 2015B Certificates, the Series 2015B Interest shall be payable by check or draft of the Trustee mailed to the Series 2015B Certificate holder at the address of such Series 2015B Certificate holder shown on the registration records maintained by the Trustee as of the Record Date next preceding the Interest Payment Date. Such Series 2015B Interest may be paid by wire transfer within the United States to the registered owners of $1,000,000 or more in aggregate

Certificates in the form of fully registered Series 2015B Certificates in denominations of $5,000 or integral multiples thereof, in accordance with instructions from Cede & Co.

THE SERIES 2015B CERTIFICATES

(c) The Series 2015B Principal due at maturity or upon prepayment thereof, whichever is earlier, shall represent undivided proportionate interests in a portion of the principal portion of the Basic Lease Payments due on each of the Lease Payment Dates set forth on Amended and Restated Schedule 2006A-1, payable equally and ratably with the unfunded Series 2006A Certificates, to and including the maturity or earlier prepayment date of each Series 2015B Certificate.

ARTICLE IV
ESTABLISHMENT OF ACCOUNTS; APPLICATION OF SERIES 2015B CERTIFICATE PROCEEDS

SECTION 401. ESTABLISHMENT OF ACCOUNTS.

(a) There is hereby established within the Project Fund the Series 2015B Cost of Issuance Account therein, more particularly described in Section 402 of the Master Trust Agreement. The Series 2006A Supplemental Trust Agreement has established the Series 2006A

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persons holding Series 2015B Certificates through nominees, depositories or other consent with respect to, or to dispose of ownership of, any Series 2015B Certificates (including "Beneficial Owner" means any person which (a) has the power, directly or indirectly, to vote or comply with its obligations under the Series 2006A-1 Lease. For purposes of this Section, including seeking mandate or specific performance by court order, to cause the School Board to Certificates or Beneficial Owner may take such actions as may be necessary and appropriate, the amount of Outstanding Series 2015B Certificates, shall) or any owner of the Series 2015B request of any Participating Underwriter or the Holders of at least 25% aggregate principal were proceeding under Section 602 of the Master Trust Agreement, the Trustee may (and, at the satisfactorily indemnified in accordance with Section 602 of the Master Trust Agreement as if it agreement shall not be considered an Event of Default; however, provided it has been provision of the Trust Agreement, failure of the School Board to comply with the Disclosure disclosure requirements, and the Corporation shall have no liability to the owners of the Series 2015B Certificates or any other person with respect to the Rule. Notwithstanding any other disclosure, the Corporation shall have no liability to the owners of the Series 2015B Certificates. ARTICLE V MISCELLANEOUS PROVISIONS RELATING TO SERIES 2015B CERTIFICATES

SECTION 501. CONTINUING DISCLOSURE. Pursuant to the Series 2006A-1 Lease, the School Board has undertaken all responsibility for compliance with continuing disclosure requirements, and the Corporation shall have no liability to the owners of the Series 2015B Certificates or any other person with respect to the Rule. Notwithstanding any other provision of the Trust Agreement, failure of the School Board to comply with the Disclosure Agreement shall not be considered an Event of Default; however, provided it has been satisfactorily indemnified in accordance with Section 602 of the Master Trust Agreement as if it were proceeding under Section 602 of the Master Trust Agreement, the Trustee may (and, at the request of any Participating Underwriter or the Holders of at least 25% aggregate principal amount of Outstanding Series 2015B Certificates, shall) or any owner of the Series 2015B Certificates or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the School Board to comply with its obligations under the Series 2006A-1 Lease. For purposes of this Section, "Beneficial Owner" means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2015B Certificates (including persons holding Series 2015B Certificates through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2015B Certificates for federal income tax purposes.

SECTION 502. PROVISIONS OF MASTER TRUST AGREEMENT NOT OTHERWISE MODIFIED. Except as expressly modified or amended hereby, the Master Trust Agreement shall remain in full force and effect. To the extent of any conflict between the terms of the Master Trust Agreement and this Series 2015B Supplemental Trust Agreement, the terms hereof shall control.

SECTION 503. COUNTERPARTS. This Series 2015B Supplemental Trust Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 504. HEADINGS. Any heading preceding the text of the several Articles hereof, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Series 2015B Supplemental Trust Agreement, nor shall they affect its meaning, construction or effect.

SECTION 505. LAWS. This Series 2015B Supplemental Trust Agreement shall be construed and governed in accordance with the laws of the State of Florida, without giving effect to principles of conflict of laws.

SECTION 506. NO BROKER CONFIRMATIONS. With respect to the Series 2015B Certificates, the Corporation and the School Board hereby agree that broker confirmations of investments are not required to be issued by the Trustee for each month in which a monthly statement is rendered by the Trustee.

[Signature Page to Follow]
SERIES 2006A
ASSIGNMENT AGREEMENT

BETWEEN

PALM BEACH SCHOOL BOARD LEASING CORP.

AND

THE BANK OF NEW YORK TRUST COMPANY, N.A.
(successor in interest to NationsBank of Florida, N.A.)
As Trustee

Dated as of May 1, 2006
and the effective date of the sale, assignment and conveyance of the Corporation's rights under the Series 2006A Lease and the Series 2006A Certificate, the facts stated below are and will be true and correct:

1.04 Pursuant to the Series 2006A Lease, the School Board and the Corporation have agreed that (i) there shall be acquired, constructed, installed and equipped for lease-purchase by the School Board or certain educational facilities and improvements and there shall be financed-vested educational facilities and improvements as described in Schedule 2006A-1 to the Master Lease (the "Series 2006A-1 Facility Sites") and (ii) there shall be acquired, constructed, installed and equipped for lease-purchase by the School Board or certain educational facilities and improvements and there shall be financed-vested educational facilities and improvements as described in Schedule 2006A-2 to the Master Lease (the "Series 2006A-2 Facility Sites").

The execution, delivery and performance of the Series 2006A Lease, the Trust Agreement and this Agreement do not contravene any provision of the Articles of Incorporation or Bylaws of the Corporation, and do not and will not conflict with, violate or result in any breach of or constitute a default under any agreement or instrument to which the Corporation is a party or by which it is bound or to which any of its properties and by which the Corporation or any of its property is bound.

F. The Corporation has complied and will at all times hereafter comply with and satisfy all the terms and conditions of the Series 2006A Certificate, the Series 2006A Lease, the Trust Agreement and this Agreement and the Trust Agreement and this Agreement do not contravene any provision of the Articles of Incorporation or Bylaws of the Corporation, and do not and will not conflict with, violate or result in any breach of or constitute a default under any agreement or instrument to which the Corporation is a party or by which it is bound or to which any of its properties and by which the Corporation or any of its property is bound.

The Corporation desires to sell, assign and convey all of its right, title and interest in and to the Series 2006A Lease, the Trust Agreement and this Agreement are in full force and effect.

The execution, delivery and performance of the Series 2006A Lease, the Trust Agreement and this Agreement do not contravene any provision of the Articles of Incorporation or Bylaws of the Corporation, and do not and will not conflict with, violate or result in any breach of or constitute a default under any agreement or instrument to which the Corporation is a party or by which it is bound or to which any of its properties and by which the Corporation or any of its property is bound.

The Corporation desires to sell, assign and convey all of its right, title and interest in and to the Series 2006A Lease, the Trust Agreement and this Agreement do not contravene any provision of the Articles of Incorporation or Bylaws of the Corporation, and do not and will not conflict with, violate or result in any breach of or constitute a default under any agreement or instrument to which the Corporation is a party or by which it is bound or to which any of its properties and by which the Corporation or any of its property is bound.

The Corporation desires to sell, assign and convey all of its right, title and interest in and to the Series 2006A Lease, the Trust Agreement and this Agreement do not contravene any provision of the Articles of Incorporation or Bylaws of the Corporation, and do not and will not conflict with, violate or result in any breach of or constitute a default under any agreement or instrument to which the Corporation is a party or by which it is bound or to which any of its properties and by which the Corporation or any of its property is bound.

The Corporation desires to sell, assign and convey all of its right, title and interest in and to the Series 2006A Lease, the Trust Agreement and this Agreement do not contravene any provision of the Articles of Incorporation or Bylaws of the Corporation, and do not and will not conflict with, violate or result in any breach of or constitute a default under any agreement or instrument to which the Corporation is a party or by which it is bound or to which any of its properties and by which the Corporation or any of its property is bound.

The Corporation desires to sell, assign and convey all of its right, title and interest in and to the Series 2006A Lease, the Trust Agreement and this Agreement do not contravene any provision of the Articles of Incorporation or Bylaws of the Corporation, and do not and will not conflict with, violate or result in any breach of or constitute a default under any agreement or instrument to which the Corporation is a party or by which it is bound or to which any of its properties and by which the Corporation or any of its property is bound.

The Corporation desires to sell, assign and convey all of its right, title and interest in and to the Series 2006A Lease, the Trust Agreement and this Agreement do not contravene any provision of the Articles of Incorporation or Bylaws of the Corporation, and do not and will not conflict with, violate or result in any breach of or constitute a default under any agreement or instrument to which the Corporation is a party or by which it is bound or to which any of its properties and by which the Corporation or any of its property is bound.

The Corporation desires to sell, assign and convey all of its right, title and interest in and to the Series 2006A Lease, the Trust Agreement and this Agreement do not contravene any provision of the Articles of Incorporation or Bylaws of the Corporation, and do not and will not conflict with, violate or result in any breach of or constitute a default under any agreement or instrument to which the Corporation is a party or by which it is bound or to which any of its properties and by which the Corporation or any of its property is bound.

The Corporation desires to sell, assign and convey all of its right, title and interest in and to the Series 2006A Lease, the Trust Agreement and this Agreement do not contravene any provision of the Articles of Incorporation or Bylaws of the Corporation, and do not and will not conflict with, violate or result in any breach of or constitute a default under any agreement or instrument to which the Corporation is a party or by which it is bound or to which any of its properties and by which the Corporation or any of its property is bound.

The Corporation desires to sell, assign and convey all of its right, title and interest in and to the Series 2006A Lease, the Trust Agreement and this Agreement do not contravene any provision of the Articles of Incorporation or Bylaws of the Corporation, and do not and will not conflict with, violate or result in any breach of or constitute a default under any agreement or instrument to which the Corporation is a party or by which it is bound or to which any of its properties and by which the Corporation or any of its property is bound.

The Corporation desires to sell, assign and convey all of its right, title and interest in and to the Series 2006A Lease, the Trust Agreement and this Agreement do not contravene any provision of the Articles of Incorporation or Bylaws of the Corporation, and do not and will not conflict with, violate or result in any breach of or constitute a default under any agreement or instrument to which the Corporation is a party or by which it is bound or to which any of its properties and by which the Corporation or any of its property is bound.
through any act or omission of the Corporation or any person claiming by, through or under it, except the rights of the School Board under the Series 2006A Lease and the Series 2006A Ground Lease, including the fact that fee title to the Series 2006A-1 Facility Sites is vested in the School Board.

2.01 Except as otherwise set forth in Section 2.01, from and after the date of delivery to the Trustee of this Agreement, the Corporation shall have no further rights or interests under the Series 2006A Ground Lease or the Series 2006A Lease or in any Series 2006A Lease Payments or other moneys due with respect thereto or to become due under the Series 2006A Lease.

2.02 The Corporation agrees to execute and deliver to the Trustee upon request by the Trustee, any documents deemed necessary by the Trustee to further evidence or perfect the assignment and conveyance herein made with respect to the Series 2006A Ground Lease and the Series 2006A Lease.

2.03 Except as otherwise set forth in Section 2.01, from and after the date of delivery to the Trustee of this Agreement, the Corporation shall have no further rights or interests under the Series 2006A Ground Lease or the Series 2006A Lease or in any Series 2006A Lease Payments or other moneys due with respect thereto or to become due under the Series 2006A Lease.

2.04 The Corporation agrees to execute and deliver to the Trustee upon request by the Trustee, any documents deemed necessary by the Trustee to further evidence or perfect the assignment and conveyance herein made with respect to the Series 2006A Ground Lease and the Series 2006A Lease.

2.05 The Corporation hereby irrevocably constitutes and appoints the Trustee, its successors and assigns, as its lawful attorney, with full power of substitution and resubstitution, to collect and to sue on behalf of the Corporation in the name of the Corporation or otherwise in any court for any Series 2006A Lease Payment or other amounts due under the Series 2006A Lease, to withdraw or settle any claims, suits or proceedings pertaining to or arising out of the Series 2006A Lease, or to take possession of and to endorse in the name of the Corporation any instrument for the payment of Series 2006A Lease Payments or other amounts due under the Series 2006A Lease.

2.06 The Corporation agrees that it will authorize and direct the School Board to pay to the Trustee, its successors and assigns, all Series 2006A Lease Payments and all other amounts coming due under the Series 2006A Lease.

2.07 Upon request of the Trustee, the Corporation agrees to cooperate in the Trustee's efforts to collect and cause to be remitted to the Trustee any Series 2006A Lease Payment or other amount due under the Series 2006A Lease.

2.08 In the event the Corporation receives notice from the School Board that it will exercise its option under Section 7.2 of the Master Lease to prepay the Series 2006A Lease Payments to become due thereunder or that the Series 2006A Lease will not be renewed as a result of any event of non-appropriation under the Lease, the Corporation shall notify the Trustee of this fact in writing no later than five Business Days after such receipt provided, however, that failure to provide such notice shall not create any liability on the part of the Corporation.

Section 3. Administrative Provisions.

3.01 This Agreement shall be construed and governed in accordance with the laws of the State of Florida.

3.02 Any provision of this Agreement found to be prohibited by applicable laws shall be ineffective only to the extent of such prohibition, and shall not invalidate the remainder of this Agreement.

3.03 This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

3.04 This Agreement shall be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same Agreement.

Section 4. Non-Recourse.

4.01 The assignment contained in this Agreement is agreed to be non-recourse with respect to the Corporation and the Corporation shall have no liability to the Trustee, or any Certificate holders hereunder with respect to the occurrence of any event of default by the School Board under the Series 2006A Lease whether such default consists of failure to pay Series 2006A Lease Payments or otherwise, provided, however, that nothing contained in this Section 4 shall excuse the Corporation from performance of its obligations under Section 2.04 through 2.06 hereof.

IN WITNESS WHEREOF, the parties hereto have executed this Series 2006A Assignment Agreement on the date set forth below their respective signatures and as of the day and year first written above.

THE BANK OF NEW YORK TRUST COMPANY, N.A., as Trustee

[Signature]
Barbara Buck
Vice President
The undersigned, a Notary Public in and for the said County in the State aforesaid, do hereby certify that Thomas E. Lynch and Dr. Art Johnson, personally known to me to be the same persons whose names are, respectively, as President and Secretary, respectively of PALM BEACH LEASING CORP., a Florida not-for-profit corporation, subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that they, being thereof duly authorized, signed, sealed with the seal of said corporation, and delivered the said instrument, as the free and voluntary act of said corporation and as their own free and voluntary act, for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal this 2 day of May, 2006.

NOTARY PUBLIC

(Notary Public, Print, Stamp or Type as Commissioned.)

Personally known to me, or

Produced identification:

(Type of Identification Produced)

STATE OF FLORIDA
COUNTY OF PALM BEACH

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APPENDIX E

FORM OF CO-SPECIAL TAX COUNSEL OPINION
APPENDIX E
PROPOSED FORM OF CO-SPECIAL TAX COUNSEL OPINION

On the date of issuance of the Series 2015B Certificates in definitive form, Greenberg Traurig, P.A., and Edwards & Associates, P.A., Co-Special Tax Counsel, propose to render their approving opinions in substantially the following form.

____________ , 2015

The School Board of Palm Beach County, Florida
3300 Forest Hill Boulevard
West Palm Beach, Florida 33406

Re: Certificates of Participation, Series 2015B Evidencing Undivided Proportionate Interests of the Owners Thereof in Basic Lease Payments to be Made by The School Board of Palm Beach County, Florida, as Lessee, Pursuant to a Master Lease Purchase Agreement with Palm Beach School Board Leasing Corp., as Lessor

Ladies and Gentlemen:

We have acted as special tax counsel in connection with the issuance of $145,535,000 aggregate principal amount of Certificates of Participation, Series 2015B, evidencing undivided proportionate interests of the owners thereof in Basic Lease Payments to be made by The School Board of Palm Beach County, Florida, as Lessee, pursuant to a Master Lease Purchase Agreement with Palm Beach School Board Leasing Corp., as Lessor (the “Series 2015B Certificates”), and in connection with the Master Lease Purchase Agreement described below. In that capacity, we have reviewed the Master Lease Purchase Agreement dated as of November 1, 1994 (the “Master Lease”), between The School Board of Palm Beach County, Florida (the “School Board”), and Palm Beach School Board Leasing Corp. (the “Corporation”); Schedule 2006A-1 dated as of May 1, 2006, as amended and restated as of January 1, 2015 (“Schedule 2006A-1”), attached to the Master Lease and executed by the School Board, the Corporation and The Bank of New York Mellon Trust Company, N.A. (successor in interest to NationsBank of Florida, N.A.), Jacksonville, Florida, as trustee (the “Trustee”) and as assignee of the Corporation (Schedule 2006A-1, together with the Master Lease being hereinafter referred to as the “Series 2006A-1 Lease”); the Series 2006A Ground Lease dated as of May 1, 2006, between the School Board and the Corporation; the Series 2006A Assignment Agreement dated as of May 1, 2006, between the Corporation and the Trustee; the Master Trust Agreement, dated as of November 1, 1994, as supplemented by a Series 2015B Supplemental Trust Agreement, dated as of January 1, 2015 (collectively, the “Trust Agreement”), between the Corporation and the Trustee; the form of the Series 2015B Certificates; and various other related documents and certificates. The Series 2015B Certificates are payable from a portion of the Basic Lease Payments made pursuant to the Series 2006A-1 Lease payable equally and ratably with the
The Basic Lease Payments are payable from funds appropriated by the School Board from current and other funds authorized by law and regulations of the Department of Education of the State of Florida. The School Board is not legally required to appropriate money for such purpose. None of the School Board, the School District of Palm Beach County, Florida (the “District”), the State of Florida, or any political subdivision thereof shall be obligated to pay, except from appropriated funds, any sums due under the Series 20076-1 Lease from any source of taxation, and the full faith and credit of the School Board and the District is not pledged for payment of such sums due thereunder and such sums do not constitute an indebtedness of the School Board or the District within the meaning of any constitutional or statutory provision or limitation.

As to questions of fact material to our opinion, we have relied upon the representations of the School Board contained in the Series 2006A-1 Lease and in the certified proceedings and other certifications of officials furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that:

1. The Series 2006A-1 Lease has been duly authorized, executed and delivered by the School Board and, assuming due authorization, execution and delivery by the Corporation, constitutes the valid and legally binding agreement of the School Board enforceable in accordance with its terms, except as the same may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting generally the enforcement of creditors’ rights or by the exercise of judicial discretion in accordance with general principles of equity.

2. The Series 2015B Certificates evidence an undivided proportionate interest of the owners thereof in the Basic Lease Payments to be made by the School Board pursuant to the Series 2006A-1 Lease payable equally and ratably with the Series 2006A Certificates that will remain Outstanding upon issuance of the Series 2015B Certificates.

3. Under existing statutes, regulations, rulings and court decisions, subject to the assumptions stated in the following paragraph, the portion of the Basic Lease Payments designated and paid as interest to the owners of the Series 2015B Certificates is excludable from gross income for federal income tax purposes. Furthermore, the portion of the Basic Lease Payments designated and paid as interest to the owners of the Series 2015B Certificates is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest portion of the Basic Lease Payments is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. We express no opinion regarding other federal tax consequences resulting from the receipt or accrual of the interest portion of the
Basic Lease Payments designated and paid as interest to the owners of the Series 2015B Certificates, or the ownership or disposition of the Series 2015B Certificates. Furthermore, no opinion is expressed with respect to the federal income tax consequences of any payments received with respect to the Series 2015B Certificates following termination of the Master Lease as a result of non-appropriation of funds or the occurrence of an Event of Default thereunder.

In rendering the opinion in the preceding paragraph, we have assumed continuing compliance by the School Board with the requirements of the Internal Revenue Code of 1986, as amended, and applicable regulations thereunder that must be met after the issuance of the Series 2015B Certificates in order that the portion of the Basic Lease Payments designated and paid as interest to the owners of the Series 2015B Certificates be and remain excludable from gross income for federal income tax purposes. The School Board’s failure to meet such requirements may cause the portion of the Basic Lease Payments designated and paid as interest to the owners of the Series 2015B Certificates to be included in gross income for federal income tax purposes retroactively to the commencement date of the Series 2015B Certificates. The School Board has covenanted to comply with such requirements.

4. The Series 2015B Certificates and the portion of the Basic Lease Payments designated and paid as interest to the owners of the Series 2015B Certificates 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; provided, however, that no opinion is expressed with respect to tax consequences under the laws of the State of Florida of any payments received with respect to the Series 2015B Certificates following termination of the Master Lease as a result of non-appropriation of funds or the occurrence of an event of default thereunder.

We express no opinion regarding the perfection or priority of the lien on the Trust Estate (as defined in the Trust Agreement). Further, we express no opinion regarding tax consequences arising with respect to any payments received with respect to the Series 2015B Certificates other than as expressly set forth herein.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Very truly yours,

GREENBERG TRAURIG, P.A.
EDWARDS & ASSOCIATES, P.A.
APPENDIX F

FORM OF DISCLOSURE DISSEMINATION AGENT AGREEMENT
DISCLOSURE DISSEMINATION AGENT AGREEMENT

THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA

$145,535,000
Certificates of Participation, Series 2015B

This Disclosure Dissemination Agent Agreement (the “Disclosure Agreement”), dated January 14, 2015, is executed and delivered by The School Board of Palm Beach County, Florida (the “School Board”) and Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent (the “Disclosure Dissemination Agent” or “DAC”), for the benefit of the Holders (hereinafter defined) of the captioned certificates (the “Certificates”) and in order to provide certain continuing disclosure with respect to the Certificates (hereinafter defined) in accordance with Rule 15c2-12 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 (the “Rule”).

The services provided under this Disclosure Agreement solely relate to the execution of instructions received from the School Board through use of the DAC system and do not constitute “advice” within the meaning of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Act”). DAC will not provide any advice or recommendation to the School Board or anyone on the School Board’s behalf regarding the “issuance of municipal securities” or any “municipal financial product” as defined in the Act and nothing in this Disclosure Agreement shall be interpreted to the contrary.

SECTION 1. Definitions. Capitalized terms not otherwise defined in this Disclosure Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the Rule, in the Official Statement (hereinafter defined). The capitalized terms shall have the following meanings:

“Annual Report” means an Annual Report described in and consistent with Section 3 of this Disclosure Agreement.

“Annual Filing Date” means the date, set forth in Sections 2(a) and 2(f), by which the Annual Report is to be filed with the MSRB (as hereinafter defined).

“Annual Financial Information” means annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(a) of this Disclosure Agreement.

“Audited Financial Statements” means the financial statements (if any) of the School Board for the prior fiscal year, certified by an independent auditor as prepared in accordance with generally accepted accounting principles or otherwise, as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(b) of this Disclosure Agreement.

“Certificates” means the certificates as listed on the attached Exhibit A, with the 9-digit CUSIP numbers relating thereto.
“Certification” means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure delivered to the Disclosure Dissemination Agent is the Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure required to be submitted to the MSRB under this Disclosure Agreement. A Certification shall accompany each such document submitted to the Disclosure Dissemination Agent by the School Board and include the full name of the Certificates and the 9-digit CUSIP numbers for all Certificates to which the document applies.

“Disclosure Representative” means the Chief Finance Officer of the District, or such other person as the School Board shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

“Disclosure Dissemination Agent” means Digital Assurance Certification, L.L.C, acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by the School Board pursuant to Section 9 hereof.

“District” means the School District of Palm Beach County, Florida.

“Failure to File Event” means the School Board’s failure to file an Annual Report on or before the Annual Filing Date.

“Force Majeure Event” means: (i) acts of God, war, or terrorist action; (ii) failure or shutdown of the Electronic Municipal Market Access system maintained by the MSRB; or (iii) to the extent beyond the Disclosure Dissemination Agent’s reasonable control, interruptions in telecommunications or utilities services, failure, malfunction or error of any telecommunications, computer or other electrical, mechanical or technological application, service or system, computer virus, interruptions in Internet service or telephone service (including due to a virus, electrical delivery problem or similar occurrence) that affect Internet users generally, or in the local area in which the Disclosure Dissemination Agent or the MSRB is located, or acts of any government, regulatory or any other competent authority the effect of which is to prohibit the Disclosure Dissemination Agent from performance of its obligations under this Disclosure Agreement.

“Holder” means any person (a) having the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Certificates (including persons holding Certificates through nominees, depositories or other intermediaries) or (b) treated as the owner of any Certificates for federal income tax purposes.

“Information” means, collectively, the Annual Reports, the Audited Financial Statements (if any), the Notice Event notices, the Failure to File Event notices, the Voluntary Event Disclosures and the Voluntary Financial Disclosures.

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.
“Notice Event” means any of the events enumerated in paragraph (b)(5)(i)(C) of the Rule.

“Obligated Person” means the School Board, who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all, or part of the obligations on the Certificates (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities), as shown on Exhibit A.

“Official Statement” means that certain Offering Statement prepared by the School Board in connection with the Certificates, as described on Exhibit A.

“Trustee” means the institution identified as such in the document under which the Certificates were issued.

“Voluntary Event Disclosure” means information of the category specified in any of subsections (e)(vi)(1) through (e)(vi)(11) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(a) of this Disclosure Agreement.

“Voluntary Financial Disclosure” means information of the category specified in any of subsections (e)(vii)(1) through (e)(vii)(9) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(b) of this Disclosure Agreement.

SECTION 2. Provision of Annual Reports. (a) The School Board shall provide, annually, an electronic copy of the Annual Report and Certification to the Disclosure Dissemination Agent, together with a copy for the Trustee, not later than the Annual Filing Date. Promptly upon receipt of an electronic copy of the Annual Report and the Certification, the Disclosure Dissemination Agent shall provide an Annual Report to the MSRB via EMMA not later than January 15 of each fiscal year of the District, commencing January 15, 2014. Such date and each anniversary thereof is the “Annual Filing Date.” The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 3 of this Disclosure Agreement.

(b) If on the fifteenth (15th) day prior to the Annual Filing Date, the Disclosure Dissemination Agent has not received a copy of the Annual Report and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail) to remind the School Board of its undertaking to provide the Annual Report pursuant to Section 2(a). Upon such reminder, the Disclosure Representative shall either (i) provide the Disclosure Dissemination Agent with an electronic copy of the Annual Report and the Certification) no later than two (2) business days prior to the Annual Filing Date, or (ii) instruct the Disclosure Dissemination Agent in writing that the School Board will not be able to file the Annual Report within the time required under this Disclosure Agreement, state the date by which the Annual Report for such year will be provided and instruct the Disclosure Dissemination Agent that a Failure to File Event has occurred and to immediately send a notice to the MSRB in substantially the form attached as Exhibit B, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(c) If the Disclosure Dissemination Agent has not received an Annual Report and Certification by 6:00 p.m. Eastern Time on the Annual Filing Date (or, if such Annual Filing
Date falls on a Saturday, Sunday or holiday, then the first business day thereafter) for the Annual Report, a Failure to File Event shall have occurred and the School Board irrevocably directs the Disclosure Dissemination Agent to immediately send a notice to the MSRB in substantially the form attached as Exhibit B without reference to the anticipated filing date for the Annual Report, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(d) If Audited Financial Statements of the School Board are prepared but not available prior to the Annual Filing Date, the School Board shall, when the Audited Financial Statements are available, provide in a timely manner an electronic copy to the Disclosure Dissemination Agent, accompanied by a Certification, together with a copy for the Trustee, for filing with the MSRB.

(e) The Disclosure Dissemination Agent shall:

(i) verify the filing specifications of the MSRB each year prior to the Annual Filing Date;

(ii) upon receipt, promptly file each Annual Report received under Sections 2(a) and 2(b) with the MSRB;

(iii) upon receipt, promptly file each Audited Financial Statement received under Section 2(d) with the MSRB;

(iv) upon receipt, promptly file the text of each Notice Event received under Sections 4(a) and 4(b)(ii) with the MSRB, identifying the Notice Event as instructed by the School Board pursuant to Section 4(a) or 4(b)(ii) (being any of the categories set forth below) when filing pursuant to Section 4(c) of this Disclosure Agreement:

1. “Principal and interest payment delinquencies;”

2. “Non-Payment related defaults, if material;”

3. “Unscheduled draws on debt service reserves reflecting financial difficulties;”

4. “Unscheduled draws on credit enhancements reflecting financial difficulties;”

5. “Substitution of credit or liquidity providers, or their failure to perform;”

6. “Adverse tax opinions, IRS notices or events affecting the tax status of the security;”

7. “Modifications to rights of securities holders, if material;”

8. “Certificate calls, if material;”

9. “Defeasances;”

F-4
10. “Release, substitution, or sale of property securing repayment of the securities;”

11. “Rating changes;”

12. “Tender Offers;”

13. “Bankruptcy, insolvency or receivership or similar event of the Obligated Person;”

14. “Merger, consolidation or acquisition of the Obligated Person, if material;”

15. “Appointment of a successor or additional trustee, or the change of name of a trustee, if material;”

(v) upon receipt (or irrevocable direction pursuant to Section 2(c) of this Disclosure Agreement, as applicable), promptly file a completed copy of Exhibit B to this Disclosure Agreement with the MSRB, identifying the filing as “Failure to provide annual financial information as required” when filing pursuant to Section 2(b)(ii) or Section 2(c) of this Disclosure Agreement;

(vi) upon receipt, promptly file the text of each Voluntary Event Disclosure received under Section 7(a) with the MSRB, identifying the Voluntary Event Disclosure as instructed by the School Board pursuant to Section 7(a) (being any of the categories set forth below) when filing pursuant to Section 7(a) of this Disclosure Agreement:

1. “amendment to continuing disclosure undertaking;”

2. “change in obligated person;”

3. “notice to investors pursuant to bond documents;”

4. “certain communications from the Internal Revenue Service;”

5. “secondary market purchases;”

6. “bid for auction rate or other securities;”

7. “capital or other financing plan;”

8. “litigation/enforcement action;”

9. “change of tender agent, remarketing agent, or other on-going party;”

10. “derivative or other similar transaction;” and

11. “other event-based disclosures;”
(vii) upon receipt, promptly file the text of each Voluntary Financial Disclosure received under Section 7(b) with the MSRB, identifying the Voluntary Financial Disclosure as instructed by the School Board pursuant to Section 7(b) (being any of the categories set forth below) when filing pursuant to Section 7(b) of this Disclosure Agreement:

1. “quarterly/monthly financial information;”
2. “change in fiscal year/timing of annual disclosure;”
3. “change in accounting standard;”
4. “interim/additional financial information/operating data;”
5. “budget;”
6. “investment/debt/financial policy;”
7. “information provided to rating agency, credit/liquidity provider or other third party;”
8. “consultant reports;” and
9. “other financial/operating data.”

(viii) provide the School Board evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Disclosure Dissemination Agent under this Disclosure Agreement.

(f) The School Board may adjust the Annual Filing Date upon change of its fiscal year by providing written notice of such change and the new Annual Filing Date to the Disclosure Dissemination Agent, Trustee and the MSRB, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year. The District’s fiscal year commences on July 1 and ends on the immediately succeeding June 30.

(g) Any Information received by the Disclosure Dissemination Agent before 6:00 p.m. Eastern time on any business day that it is required to file with the MSRB pursuant to the terms of this Disclosure Agreement and that is accompanied by a Certification and all other information required by the terms of this Disclosure Agreement will be filed by the Disclosure Dissemination Agent with the MSRB no later than 11:59 p.m. Eastern time on the same business day; provided, however, the Disclosure Dissemination Agent shall have no liability for any delay in filing with the MSRB if such delay is caused by a Force Majeure Event provided that the Disclosure Dissemination Agent uses reasonable efforts to make any such filing as soon as possible.
SECTION 3. **Content of Annual Reports.**

(a) Each Annual Report shall contain Annual Financial Information with respect to the School Board, including, to the extent not set forth in the CAFR (as hereinafter defined):

1. Updates of information in the Offering Statement relating to:
   a. Statistical and financial information about the District under the heading “THE DISTRICT;” and
   b. Revenue sources and millage levels as described under the headings “OPERATING REVENUES OF THE DISTRICT” and “AVAILABLE REVENUES FOR CAPITAL OUTLAY PROJECTS.”

2. Description of any material litigation which would have been disclosed in the Offering Statement if such litigation were pending at the time the Offering Statement was prepared.

3. Any other financial information or operating data of the type included in the Offering Statement which would be material to a holder or prospective holder of the Certificates.

(b) If available at the time of such filing, the Audited Financial Statements of the School Board for the prior fiscal year, prepared in accordance with generally accepted auditing standards, and Government Auditing Principles issued by the Comptroller General of the United States. If the School Board’s Audited Financial Statements are not available by the time the Annual Report is required to be filed pursuant to Section 2(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Offering Statement, and the Audited Financial Statements shall be filed in the same manner as the Annual Report when they become available. Audited Financial Statements (if any) will be provided pursuant to Section 2(d).

(c) The School Board’s Comprehensive Annual Financial Report (“CAFR”) for the immediately preceding Fiscal Year.

Any or all of the items listed above may be included by specific reference from other documents, including official statements of debt issues with respect to which the School Board is an “obligated person” (as defined by the Rule), which have been previously filed with the Securities and Exchange Commission or available on the MSRB Internet Website. If the document incorporated by reference is a final offering statement, it must be available from the MSRB. The School Board will clearly identify each such document so incorporated by reference.

SECTION 4. **Reporting of Notice Events.**

(a) The occurrence of any of the following events with respect to the Certificates constitutes a Notice Event:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;

4. Unscheduled draws on credit enhancements relating to the Certificates reflecting financial difficulties;

5. Substitution of credit or liquidity providers, or their failure to perform;

6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the interest portion of Basic Lease Payments represented by the Certificates, or other material events affecting the tax-exempt status of the interest portion of Basic Lease Payments represented by the Certificates;

7. Modifications to rights of Certificate holders, if material;

8. Certificate calls, if material, and tender offers;

9. Defeasances;

10. Release, substitution, or sale of property securing repayment of the Certificates, if material;

11. Rating changes on the Certificates;

12. Bankruptcy, insolvency, receivership or similar event of the Obligated Person;

**Note to subsection (a)(12) of this Section 4:** For the purposes of the event described in subsection (a)(12) of this Section 4, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

13. The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
14. **Appointment of a successor or additional trustee or the change of name of a trustee, if material.**

The School Board shall, in a timely manner not in excess of ten (10) business days after its occurrence, notify the Disclosure Dissemination Agent in writing of the occurrence of a Notice Event. Such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c) and shall be accompanied by a Certification. Such notice or Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the School Board desires to make, contain the written authorization of the School Board for the Disclosure Dissemination Agent to disseminate such information, and identify the date the School Board desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(b) The Disclosure Dissemination Agent is under no obligation to notify the School Board or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Disclosure Dissemination Agent so notifies the Disclosure Representative, the Disclosure Representative will within two (2) business days of receipt of such notice (but in any event not later than the tenth business day after the occurrence of the Notice Event, if the School Board determines that a Notice Event has occurred), instruct the Disclosure Dissemination Agent that (i) a Notice Event has not occurred and no filing is to be made or (ii) a Notice Event has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to subsection (c) of this Section 4, together with a Certification. Such Certification shall identify the Notice Event that has occurred (which should be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the School Board desires to make, contain the written authorization of the School Board for the Disclosure Dissemination Agent to disseminate such information, and identify the date the School Board desires for the Disclosure Dissemination Agent to disseminate the information, (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(c) If the Disclosure Dissemination Agent has been instructed by the School Board as prescribed in subsection (a) or (b)(ii) of this Section 4 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with the MSRB, in accordance with Section 2(e)(iv) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

**SECTION 5. CUSIP Numbers.** Whenever providing information to the Disclosure Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference to the Annual Reports, Audited Financial Statements, Notice Event notices, Failure to File Event notices, Voluntary Event Disclosures and Voluntary Financial Disclosures, the School Board shall indicate the full name of the Certificates and the 9-digit CUSIP numbers for the Certificates as to which the provided information relates.

**SECTION 6. Additional Disclosure Obligations.** The School Board acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the School Board, and that the duties and responsibilities of the Disclosure Dissemination Agent do not extend to providing legal advice regarding such laws. The School Board acknowledges and
understands that the duties of the Disclosure Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Agreement.

SECTION 7. Voluntary Filing.

(a) The School Board may instruct the Disclosure Dissemination Agent to file Voluntary Event Disclosure with the MSRB, from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Event Disclosure (which shall be any of the categories set forth in Section 2(e)(vi) of this Disclosure Agreement), include the text of the disclosure that the School Board desires to make, contain the written authorization of the School Board for the Disclosure Dissemination Agent to disseminate such information, and identify the date the School Board desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the School Board as prescribed in this Section 7(a) to file a Voluntary Event Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Event Disclosure with the MSRB in accordance with Section 2(e)(vi) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-2.

(b) The School Board may instruct the Disclosure Dissemination Agent to file a Voluntary Financial Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Financial Disclosure (which shall be any of the categories set forth in Section 2(e)(vii) of this Disclosure Agreement), include the text of the disclosure that the School Board desires to make, contain the written authorization of the School Board for the Disclosure Dissemination Agent to disseminate such information, and identify the date the School Board desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the School Board as prescribed in this Section 7(b) to file a Voluntary Financial Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Financial Disclosure with the MSRB in accordance with Section 2(e)(vii) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-2.

(c) The parties hereto acknowledge that the School Board is not obligated pursuant to the terms of this Disclosure Agreement to file any Voluntary Event Disclosure pursuant to Section 7(a) hereof or any Voluntary Financial Disclosure pursuant to Section 7(b) hereof.

(d) Nothing in this Disclosure Agreement shall be deemed to prevent the School Board from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Disclosure Agreement or including any other information in any Annual Report, Annual Financial Statement, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure, in addition to that required by this Disclosure Agreement. If the School Board chooses to include any information in any Annual Report, Annual Financial Statement, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure, in addition to that which is specifically required by this Disclosure Agreement, the School Board shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Annual Financial Statement, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure.
SECTION 8. Termination of Reporting Obligation. The obligations of the School Board and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to the Certificates upon the legal defeasance, prior redemption or payment in full of all of the Certificates, when the School Board is no longer an obligated person with respect to the Certificates, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of nationally recognized special tax counsel to the effect that continuing disclosure is no longer required.

SECTION 9. Disclosure Dissemination Agent. The School Board has appointed Digital Assurance Certification, L.L.C. as exclusive Disclosure Dissemination Agent under this Disclosure Agreement. The School Board may, upon thirty days written notice to the Disclosure Dissemination Agent and the Trustee, replace or appoint a successor Disclosure Dissemination Agent. Upon termination of DAC’s services as Disclosure Dissemination Agent, whether by notice of the School Board or DAC, the School Board agrees to appoint a successor Disclosure Dissemination Agent or, alternately, agrees to assume all responsibilities of Disclosure Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Certificates.Notwithstanding any replacement or appointment of a successor, the School Board shall remain liable until payment in full for any and all sums owed and payable to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing thirty days’ prior written notice to the School Board.

SECTION 10. Remedies in Event of Default. In the event of a failure of the School Board or the Disclosure Dissemination Agent to comply with any provision of this Disclosure Agreement, the Holders’ rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Disclosure Agreement. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default on the Certificates or under any other document relating to the Certificates, and all rights and remedies shall be limited to those expressly stated herein.

SECTION 11. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Disclosure Dissemination Agent’s obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the School Board has provided such information to the Disclosure Dissemination Agent as required by this Disclosure Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information or any other information, disclosures or notices provided to it by the School Board and shall not be deemed to be acting in any fiduciary capacity for the School Board, the Holders of the Certificates or any other party. The Disclosure Dissemination Agent shall have no responsibility for the School Board’s failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether the School Board has complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon certifications of the School Board at all times.
(b) The Disclosure Dissemination Agent may, from time to time, consult with legal
counsel (either in-house or external) of its own choosing in the event of any disagreement or
controversy, or question or doubt as to the construction of any of the provisions hereof or its
respective duties hereunder, and shall not incur any liability and shall be fully protected in acting
in good faith upon the advice of such legal counsel. If the School Board has given its consent to
the use of external counsel, the reasonable fees and expenses of such external counsel shall be
payable by the School Board.

(c) All documents, reports, notices, statements, information and other materials
provided to the MSRB under this Agreement shall be provided in an electronic format and
accompanied by identifying information as prescribed by the MSRB.

SECTION 12. Amendment; Waiver. Notwithstanding any other provision of this
Disclosure Agreement, the School Board and the Disclosure Dissemination Agent may amend
this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if
such amendment or waiver is supported by an opinion of counsel expert in federal securities laws
acceptable to both the School Board and the Disclosure Dissemination Agent to the effect that
such amendment or waiver does not materially impair the interests of Holders of the Certificates
and would not, in and of itself, cause the undertakings herein to violate the Rule if such
amendment or waiver had been effective on the date hereof but taking into account any
subsequent change in or official interpretation of the Rule; provided neither the School Board or
the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying
their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, the Disclosure Dissemination Agent shall have
the right to adopt amendments to this Disclosure Agreement necessary to comply with
modifications to and interpretations of the provisions of the Rule as announced by the Securities
and Exchange Commission from time to time by giving not less than 20 days written notice of
the intent to do so together with a copy of the proposed amendment to the School Board. No
such amendment shall become effective if the School Board shall, within 10 days following the
giving of such notice, send a notice to the Disclosure Dissemination Agent in writing that it
objects to such amendment.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit
of the School Board, the Trustee of the Certificates, the Disclosure Dissemination Agent, the
underwriter, and the Holders from time to time of the Certificates, and shall create no rights in
any other person or entity.

SECTION 14. Governing Law. This Disclosure Agreement shall be governed by the
laws of the State of Florida (other than with respect to conflicts of laws).

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several
counterparts, each of which shall be an original and all of which shall constitute but one and the
same instrument.

[Remainder of Page Intentionally Left Blank]
The Disclosure Dissemination Agent and the School Board have caused this Disclosure Agreement to be executed, on the date first written above, by their respective officers duly authorized.

**DIGITAL ASSURANCE CERTIFICATION, L.L.C., as Disclosure Dissemination Agent**

By: __________________________

Name: __________________________

Title: __________________________

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

By: __________________________

Chuck Shaw
Chairman
EXHIBIT A

NAME AND CUSIP NUMBERS OF CERTIFICATES

Name of Issuer: THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA

Obligated Persons: The School Board of Palm Beach County, Florida

Name of Certificate Issue: $145,535,000 Certificates of Participation, Series 2015B

Date of Issuance: January 14, 2015

Date of Offering Statement: December 10, 2014

Initial CUSIP Numbers: See below

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EXHIBIT B

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA

Obligated Persons: The School Board of Palm Beach County, Florida

Name of Certificate Issue: $145,535,000 Certificates of Participation, Series 2015B

Date of Issuance: January 14, 2015

Date of Offering Statement: December 10, 2014

NOTICE IS HEREBY GIVEN that the School Board has not provided an Annual Report with respect to the above-named Certificates as required by the Disclosure Agreement, dated January 14, 2015, between the School Board and Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent. The School Board has notified the Disclosure Dissemination Agent that it anticipates that the Annual Report will be filed by ______________.

Dated: __________________________

Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent, on behalf of the School Board

cc: The School Board of Palm Beach County, Florida Obligated Person
EXHIBIT C-1

EVENT NOTICE COVER SHEET

This cover sheet and accompanying “event notice” will be sent to the Municipal Securities Rulemaking Board pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

School Board’s and/or Other Obligated Person’s Name:
The School Board of Palm Beach County, Florida

Name of Certificate Issue:  $145,535,000 Certificates of Participation, Series 2015B

School Board’s Six-Digit CUSIP Number: 696550

Nine-Digit CUSIP Number(s) of the Certificates to which this event notice relates:

Initial
CUSIP No.

Number of pages of attached material event notice:  _____

Description of Notice Event (Check One):

1. ___Principal and interest payment delinquencies
2. ___Non-Payment related defaults, if material
3. ___Unscheduled draws on debt service reserves reflecting financial difficulties
4. ___Unscheduled draws on credit enhancements reflecting financial difficulties
5. ___Substitution of credit or liquidity providers, or their failure to perform
6. ___Adverse tax opinions, IRS notices or events affecting the tax status of the Certificates
7. ___Modifications to rights of Certificate holders, if material
8. ___Certificate calls, if material
9. ___Defeasances
10. ___Release, substitution, or sale of property securing repayment of the Certificates, if material
11. ___Rating changes
12. ___Tender offers
13. ___Bankruptcy, insolvency or receivership or similar event of the Obligated Person
14. ___Merger, consolidation or acquisition of the Obligated Person, if material
15. ___Appointment of a successor or additional trustee, or the change of name of a trustee, if material

___Failure to provide annual financial information as required [C6]

I hereby represent that I am authorized by the School Board or its agent to distribute this information publicly:

Signature:

Name: [C6] Title: [C7]

Employer: Digital Assurance Certification, L.L.C.  Address: [C8]
This cover sheet and accompanying “voluntary event disclosure” will be sent to the Municipal Securities Rulemaking Board, pursuant to the Disclosure Dissemination Agent Agreement dated January 14, 2015, between the School Board and DAC.

School Board’s and/or Other Obligated Person’s Name:
The School Board of Palm Beach County, Florida

Name of Certificate Issue:  $145,535,000 Certificates of Participation, Series 2015B

School Board’s Six-Digit CUSIP Number: 696550

Nine-Digit CUSIP Number(s) of the certificates to which this event notice relates:

Number of pages of attached material event notice:  _____

Description of Voluntary Event Disclosure (Check One):

1. “amendment to continuing disclosure undertaking;”
2. “change in obligated person;”
3. “notice to investors pursuant to bond documents;”
4. “certain communications from the Internal Revenue Service;”
5. “secondary market purchases;”
6. “bid for auction rate or other securities;”
7. “capital or other financing plan;”
8. “litigation/enforcement action;”
9. “change of tender agent, remarketing agent, or other on-going party;”
10. “derivative or other similar transaction;” and
11. “other event-based disclosures.”

I hereby represent that I am authorized by the School Board or its agent to distribute this information publicly:   Signature:

Name: [C6]_____________________________ Title: [C7]_____________________________
Employer: Digital Assurance Certification, L.L.C.  Address: [C8]__________________________
City, State, Zip Code: __________________________________________________________
Voice Telephone Number: [C9]____________________________________________________
Date:________________________
EXHIBIT C-3
VOLUNTARY FINANCIAL DISCLOSURE COVER SHEET

This cover sheet and accompanying “voluntary financial disclosure” will be sent to the Municipal Securities Rulemaking Board, pursuant to the Disclosure Dissemination Agent Agreement dated January 14, 2015, between the School Board and DAC.

School Board’s and/or Other Obligated Person’s Name:
The School Board of Palm Beach County, Florida

Name of Certificate Issue: $145,535,000 Certificates of Participation, Series 2015B

School Board’s Six-Digit CUSIP Number: 696550

Nine-Digit CUSIP Number(s) of the certificates to which this event notice relates:

Initial
CUSIP No.

Number of pages of attached material event notice: _____

Description of Voluntary Financial Disclosure (Check One):

1. “quarterly/monthly financial information;”
2. “change in fiscal year/timing of annual disclosure;”
3. “change in accounting standard;”
4. “interim/additional financial information/operating data;”
5. “budget;”
6. “investment/debt/financial policy;”
7. “information provided to rating agency, credit/liquidity provider or other third party;”
8. “consultant reports;” and
9. “other financial/operating data."

I hereby represent that I am authorized by the School Board or its agent to distribute this information publicly:

Signature:

____________________________________________________________________________________
Name: [C6] __________________________ Title: [C7] __________________________
Employer: Digital Assurance Certification, L.L.C. Address: [C8] __________________________
City, State, Zip Code: __________________________
Voice Telephone Number: [C9] __________________________
Date: __________________________