

**NEW ISSUE  
BOOK-ENTRY ONLY**

**RATING: Moody's: MIG-1  
(See "RATING" herein)**

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

**\$115,000,000  
School District of Palm Beach County, Florida  
Tax Anticipation Notes, Series 2012**

**Dated: Date of Delivery**

**Due: January 29, 2013**

The Tax Anticipation Notes, Series 2012 (the "Notes") are being issued by the School District of Palm Beach County, Florida (the "District") to provide interim funds for the payment of operating expenses of the District for its fiscal year commencing July 1, 2012 and ending June 30, 2013 (the "Current Fiscal Year"), in anticipation of the receipt of the ad valorem taxes as herein described.

The Notes and the interest thereon will be limited obligations of the District, payable from and secured by a pledge of the ad valorem taxes levied and collected for the benefit of the District during its Current Fiscal Year for operating purposes (excluding ad valorem taxes collected for other purposes) and amounts on deposit in a sinking fund (collectively, the "Pledged Revenues"), all as defined and described in the resolution authorizing their issuance (the "Resolution") adopted by The School Board of Palm Beach County, Florida (the "Board") on September 5, 2012. If necessary, the Notes are additionally payable from, but are not secured by, all legally available funds of the District derived from sources other than ad valorem taxation (the "Non-Ad Valorem Funds"). See "SECURITY FOR THE NOTES" herein.

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

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

<u>Interest Rate</u>	<u>Yield</u>	<u>Initial CUSIP No.</u>
1.000%	0.130%	696552EP9

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

The Notes are offered when, as and if delivered subject to the approval of their legality by Greenberg Traurig, P.A., Miami, Florida, Note Counsel. Greenberg Traurig, P.A., Miami, Florida, is also acting as Disclosure Counsel to the District. Public Financial Management, Inc., Orlando, Florida is acting as Financial Advisor to the District. It is expected that the Notes will be available for delivery through DTC in New York, New York on or about October 4, 2012.

Dated: September 19, 2012

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

**BOARD MEMBERS**

Frank A. Barbieri, Jr., Chairman  
Debra L. Robinson, M.D., Vice Chair  
Monroe Benaim, M.D.  
Chuck Shaw  
Karen M. Brill  
Marcia Andrews  
Jennifer Prior Brown, Esq.

**SUPERINTENDENT OF SCHOOLS**

E. Wayne Gent

**CHIEF OPERATING OFFICER**

Michael J. Burke

**TREASURER**

Leanne Evans, CTP

**GENERAL COUNSEL TO THE SCHOOL BOARD**

Sheryl G. Woods, Esq.

**FINANCIAL ADVISOR**

Public Financial Management, Inc.  
Orlando, Florida

**NOTE COUNSEL/DISCLOSURE COUNSEL**

Greenberg Traurig, P.A.  
Miami, Florida

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

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

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

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

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

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

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## OFFICIAL STATEMENT

**\$115,000,000**

### **SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA TAX ANTICIPATION NOTES, SERIES 2012**

#### **INTRODUCTORY STATEMENT**

The purpose of this Official Statement, which includes the cover page, the Summary Statement, and the Appendices hereto, is to provide information concerning the School District of Palm Beach County, Florida (the "District"), and its \$115,000,000 aggregate principal amount of Tax Anticipation Notes, Series 2012 (the "Notes"). Capitalized terms used, but not defined, herein shall have the meaning assigned thereto in the Resolution (as defined under "PURPOSE OF THE NOTES" below) included as "APPENDIX E – AUTHORIZING RESOLUTION" hereto.

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

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

#### **PURPOSE OF THE NOTES**

The Notes are being issued pursuant to Section 1011.13, Florida Statutes, as amended, and other applicable provisions of law, and a resolution of The School Board of Palm Beach County, Florida (the "Board"), as the governing body of the District, adopted on September 5, 2012 (the "Resolution"). The Note proceeds will be used by the District to provide interim funds for the payment of current operating expenses of the District incurred during its fiscal year beginning July 1, 2012 and ending June 30, 2013 (the "Current Fiscal Year"), in anticipation of the receipt of ad valorem taxes levied and collected for operating purposes for such fiscal year, and to pay expenses incurred in issuing the Notes to the extent not paid from other legally available funds of the District. See "APPENDIX E – AUTHORIZING RESOLUTION."

#### **SECURITY FOR THE NOTES**

##### **General**

The Notes and interest thereon will be limited obligations of the District, payable solely from and secured by (a) gross, real, and tangible personal property ad valorem tax receipts collected by the Palm Beach County Tax Collector (the "Tax Collector") for the benefit of the District during the Current Fiscal Year, but only to the extent such tax receipts are for operating purposes (excluding ad valorem taxes collected to pay the principal of and interest on bonds of the District issued pursuant to Sections 1010.40 – 1010.55, Florida Statutes, or to pay the principal of and interest on any obligations issued by the District pursuant to Section 1011.14, Florida Statutes; or otherwise levied pursuant to Section 1011.71(2), Florida Statutes), and (b) amounts on deposit in the Sinking Fund established pursuant to the Resolution (collectively, the "Pledged Revenues"). If necessary, the Notes are additionally payable from, but are not secured by, all legally available funds of the District derived from sources other than ad valorem taxation (the "Non-Ad Valorem Funds").

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

NO HOLDER OF ANY NOTES SHALL EVER HAVE THE RIGHT TO COMPEL THE EXERCISE OF THE AD VALOREM TAXING POWER OF THE BOARD, THE DISTRICT, THE COUNTY, THE STATE, OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF, OR TAXATION IN ANY FORM ON ANY REAL OR PERSONAL PROPERTY THEREIN, TO PAY THE NOTES OR INTEREST THEREON, EXCEPT FOR THE PLEDGED REVENUES OF THE DISTRICT. THE NOTES AND THE OBLIGATION EVIDENCED THEREBY SHALL NOT CONSTITUTE A LIEN UPON ANY PROPERTY OF OR IN THE DISTRICT, OTHER THAN THE LEVY WITH RESPECT TO THE PLEDGED REVENUES IN THE MANNER PROVIDED IN THE RESOLUTION.

### **The Sinking Fund**

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

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

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

The proceeds of the Notes are not pledged as security for payment of principal and interest on the Notes and will be expended by the District to pay the obligations created by the District in accordance with its budget for the 2012-13 fiscal year. The Noteholders will have no responsibility for use of the proceeds of the Notes, and the use of such proceeds by the District will in no way affect the rights of such Noteholders.

## **Permitted Investments**

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

## **Defeasance**

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

## **DESCRIPTION OF THE NOTES**

### **General**

The Notes are authorized to be issued pursuant to Section 1011.13, Florida Statutes, as amended, and other applicable provisions of law, and the Resolution. The Notes will be dated the date of delivery (currently expected to be October 4, 2012) and will bear interest from such date at the rate specified on the cover page of this Official Statement, calculated on a 360-day year basis comprised of twelve 30-day months. Both the principal and interest on the Notes will be payable at maturity upon presentation and surrender thereof at the principal office of the Board in its capacity as Registrar and Paying Agent.

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

### **No Redemption**

The Notes are not subject to redemption prior to maturity.

### **Book-Entry Provisions**

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

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

of DTC. One fully-registered note certificate will be issued for the Notes and will be deposited with DTC.

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

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

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

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

Beneficial Owners may wish to provide their names and addresses to the Paying Agent and request that copies of notices are provided directly to them.

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

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

NEITHER THE BOARD NOR THE DISTRICT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY PARTICIPANT, (2) THE PAYMENT BY DTC OR ANY PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OF OR INTEREST ON THE NOTES, (3) THE DELIVERY BY DTC OR ANY PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO NOTEHOLDERS UNDER THE TERMS OF THE RESOLUTION, OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY CEDE & CO., AS THE NOMINEE OF DTC, AS REGISTERED OWNER. SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE NOTES, AS NOMINEE OF DTC, REFERENCES IN THIS OFFICIAL STATEMENT TO THE NOTEHOLDERS OR REGISTERED OWNERS OF THE NOTES (OTHER THAN UNDER THE CAPTION "TAX EXEMPTION" HEREIN) SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE NOTES.

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

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

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

through DTC (or a successor securities depository). In that event, certificated Notes will be printed and delivered.

### **APPLICATION OF NOTE PROCEEDS**

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

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

#### **The District**

The District is organized under Section 4, Article IX, of the Constitution of Florida and Chapter 1001, Florida Statutes. The District is the twelfth 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 2011 population of 1,325,743. It is the third largest county in Florida in terms of population and encompasses a land area of approximately 2,023 square miles. The District services the unincorporated areas of the County and all 38 incorporated municipalities within the boundaries of the County, including the municipalities of Palm Beach, West Palm Beach, Lake Worth, Jupiter, Delray Beach and Boca Raton.

As of May 7, 2012, the District included 182 schools and had approximately 175,083 full time equivalent students and over 20,000 full-time and part-time employees, including approximately 14,816 instructional personnel. Management of the schools is independent of the County and the various municipal governments in the County. The Tax Collector collects ad valorem taxes for the District, but the County exercises no control over expenditures by the District. Additional information concerning the County is contained in “APPENDIX A – INFORMATION REGARDING PALM BEACH COUNTY, FLORIDA.”

#### **The Board**

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

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

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

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

<u>Name/Office</u>	<u>Term Expires</u>
Frank A. Barbieri, Jr., Esq., Chairman	November, 2016
Debra L. Robinson, M.D., Vice Chair	November, 2014
Monroe Benaim, M.D., Member	November, 2012
Chuck Shaw, Member	November, 2016
Karen M. Brill, Member	November, 2014
Jennifer Prior Brown, Esq., Member	November, 2014
Marcia Andrews, Member	November, 2014

### **Administration**

The chief executive officer of the District is the Superintendent of Schools (the “Superintendent”), who is appointed by and serves at the discretion of the Board, and serves pursuant to a negotiated contract. The Superintendent oversees operations of the school system, makes policy recommendations to the Board and performs the duties assigned by law and the regulations of the State of Florida Department of Education. The Superintendent prepares the annual budget for approval by the Board, recommends the tax levy based upon needs illustrated by the budget, recommends debt issuance and borrowing plans of the District when necessary, provides recommendations for the investment of District funds and keeps records with respect to all funds and financial transactions of the District.

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

**E. Wayne Gent**, Superintendent, accepted the responsibilities of Superintendent 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.

## **Total School Personnel**

The professional staff of the District includes supervisors, analysts, specialists, administrators, and instructional personnel. Other personnel include teachers' aides, clerks and secretaries, bus drivers, cafeteria personnel, custodial and maintenance workers, mechanics and warehousemen. The total number of school personnel as of August 3, 2011 was 20,755, the largest number of employees of any one employer in the County.

## **Employee Relations**

Approximately 60% of all employees of the District are represented by the Palm Beach County Classroom Teachers Association ("CTA"), which is affiliated with Florida Education Association-United. Another 31% are represented by non-instructional collective bargaining agents and 10% are non-union represented staff.

As of August 3, 2011 the Board employed 20,755 full-time persons representing the following groups:

Instructional	14,807
School and District Administrators	724
Clerical, Police, Secretarial, Professional Staff	2,120
Bus, Custodial, Maintenance and Mechanics	<u>3,104</u>
Total	20,755

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

Teachers	June 30, 2014
Clerical	December 31, 2011
Police	December 31, 2011
Bus, Custodial, Maintenance and Mechanics	December 31, 2011

The District is currently negotiating new contracts with the Clerical, Police and Bus, Custodial, Maintenance and Mechanics Unions. Until the new contracts are agreed upon, the current contracts will remain operative.

## Indebtedness

Set forth below is selected information regarding outstanding debt of the District. For more detailed financial information concerning the District, see “APPENDIX B – BASIC FINANCIAL STATEMENTS OF THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA FOR FISCAL YEAR ENDED JUNE 30, 2011.”

**The School District of Palm Beach County, Florida  
Outstanding Long-Term Direct Debt  
June 30, 2012 (Unaudited)**

<u>Description</u>	<u>Principal Amount Outstanding</u>
Self-Supporting State Bonds: <sup>(1)</sup>	
State Board of Education, Capital Outlay Bonds, Series 2002-A	\$0
State Board of Education, Capital Outlay Bonds, Series 2002-B	0
State Board of Education, Capital Outlay Bonds, Series 2003-A	260,000
State Board of Education, Capital Outlay Bonds, Series 2005-A	10,770,000
State Board of Education, Capital Outlay Bonds, Series 2005-B	1,940,000
State Board of Education, Capital Outlay Bonds, Series 2009-A	1,220,000
State Board of Education, Capital Outlay Bonds, Series 2010-A	10,640,000
Sub-Total State Board Bonds:	<u>\$30,650,000</u>
Certificates of Participation: <sup>(2)</sup>	
Certificates of Participation, Series 2002A	15,135,000
Certificates of Participation, Series 2002B	115,350,000
Certificates of Participation, Series 2002C	3,990,000
Certificates of Participation, Series 2002D	0
Certificates of Participation, Series 2002E	48,010,000
Certificates of Participation, Series 2002-QZAB	950,000
Certificates of Participation, Series 2003A	14,080,000
Certificates of Participation, Series 2003B	124,295,000
Certificates of Participation, Series 2004A	84,345,000
Certificates of Participation, Series 2004-QZAB	2,923,000
Certificates of Participation, Series 2005A	123,505,000
Certificates of Participation, Series 2005-QZAB	2,150,000
Certificates of Participation, Series 2006A	193,400,000
Certificates of Participation, Series 2007A	228,175,000
Certificates of Participation, Series 2007B	0
Certificates of Participation, Series 2007C	190,350,000
Certificates of Participation, Series 2007D	18,615,000
Certificates of Participation, Series 2007E	143,310,000
Certificates of Participation, Series 2010A	67,665,000
Certificates of Participation, Series 2011A	112,425,000
Certificates of Participation, Series 2011B	166,270,000
Certificates of Participation, Series 2011C	15,355,000
Certificates of Participation, Series 2011D	25,065,000
Certificates of Participation, Series 2012A	20,085,000
Certificates of Participation, Series 2012B	116,555,000
Sub-Total Certificates of Participation:	<u>\$1,832,003,000</u>
<b>TOTAL LONG-TERM DIRECT DEBT OUTSTANDING</b>	<u><b>\$1,862,653,000</b></u>

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

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

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

**The School District of Palm Beach County, Florida**  
**Direct and Overlapping General Obligation Debt**  
**June 30, 2012**  
**(in thousands)**

Direct Debt	
General Obligation	\$0
Special Obligation <sup>(1)</sup>	<u>30,650</u>
Total Direct Debt	\$30,650
Overlapping Debt <sup>(2)</sup>	
Palm Beach County Debt	<u>\$1,438,698</u>
Estimated Percentage Applicable	<u>15.74%</u>
Total Overlapping Debt	\$226,545
 Total Direct and Overlapping Debt	 <u>\$257,190</u>

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

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

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

**Certain Statistical Information**

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

School Year	Number of Schools	Number of Instructional Personnel at Fiscal Year End	Average F.T.E. Enrollment <sup>(1)</sup>	Expenditures per F.T.E. Student <sup>(2)</sup>
2011-12	182	14,816	175,083	\$6,453
2010-11	182	14,449	172,829	7,218
2009-10	182	13,975	171,722	7,014
2008-09	181	14,031	169,554	8,815
2007-08	168	14,129	169,280	9,184
2006-07	166	13,989	169,824	7,957
2005-06	165	10,779	172,527	8,294

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

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

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

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## FTE Growth

The Full-Time Equivalent (FTE) Enrollment for School Years 2007-08 through 2011-12 were as follows:

**School District of Palm Beach, Florida**  
**Profile of Enrollments – Unweighted Full-Time Equivalent Students<sup>(1)</sup>**  
**2007-08 – 2011-12**

	<u>2007-08</u>	<u>2008-09</u>	<u>2009-20</u>	<u>2010-11</u>	<u>2011-12<sup>(2)</sup></u>
<b>Grades K-3</b>	43,355	43,954	45,052	44,719	45,516
<b>Grades 4-8</b>	60,078	61,098	60,903	61,664	62,089
<b>Grades 9-12</b>	44,233	43,784	44,943	45,149	46,120
<b>Exceptional Education</b>	1,502	1,387	1,337	1,423	1,505
<b>Vocational Education</b>	5,334	5,226	5,060	4,947	4,968
<b>At Risk Programs</b>	<u>14,778</u>	<u>14,105</u>	<u>14,427</u>	<u>14,927</u>	<u>14,885</u>
<b>Total</b>	<u>169,280</u>	<u>169,554</u>	<u>171,722</u>	<u>172,829</u>	<u>175,083</u>
<b>Percentage Change</b>	(0.32)%	0.16%	1.28%	0.64%	1.30%

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

<sup>(2)</sup> As of May 7, 2012, 4th calculation.

## Tax Anticipation Notes

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

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

<u>Fiscal Year</u>	<u>Description</u>	<u>Amount Issued</u>
2011-12	Tax Anticipation Note, Series 2011	\$115,000,000
2010-11	Tax Anticipation Notes, Series 2010	115,000,000
2009-10	Tax Anticipation Notes, Series 2009	85,000,000
2008-09	Tax Anticipation Notes, Series 2008	85,000,000
2007-08	Tax Anticipation Notes, Series 2007	115,000,000

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

### Class Size Reduction

Amendment 9 to the State Constitution requires that the State Legislature provide funding for sufficient classrooms so that class sizes can be reduced to certain constitutional class size maximums by the beginning of the 2010 school year. Amendment 9 and Section 1003.03, Florida Statutes, which implements Amendment 9 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 provides for a phased-in compliance which would be

determined on a school-by-school basis through and including Fiscal Year 2009-10, with final compliance on an individual classroom basis beginning in Fiscal Year 2010-11. In the event a school district is not in compliance with such requirements, the legislation provides that the State shall reduce categorical funds due to such school district for operational purposes.

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

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

Through Fiscal Year 2009-10, the District complied with the requirements of the Class Size Legislation which was based on average class size at each school. Beginning in Fiscal Year 2010-11, the requirements were based on the number of students in each individual classroom. As of the October 2011 Survey, the week during which the DOE determines compliance with class size maximums, the District had 100% of the classrooms in compliance. The District plans to meet for 2012-2013 at the October 2012 Survey.

#### Pre-K Programs

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

The Pre-K Legislation provides State funding for the Pre-K Program.

#### **New Reading Mandate**

The 2012 Legislature has mandated that all elementary schools which are determined to be the low 100 in the State for reading performance must provide an additional hour of reading instruction beyond the normal school day. The State has provided an additional \$3.4 million in reading and supplemental academic instructional categorical funds. The State has determined that 16 District schools fall into the low 100 designation. The cost of complying with this mandate is being determined at this time, and the District may need to redirect appropriations to cover costs which exceed the additional categorical funding.

## **Budgetary Process**

Florida law requires the Board to adopt in each fiscal year a tentative budget and a final budget, each of which is required to be balanced with available funds. The Superintendent, with input from staff, principals and interested community groups, prepares and submits to the Board a recommended budget. The Board adopts the recommended budget, with such modifications, as it deems necessary, as the tentative budget for the District. After public hearings on the tentative budget, the Board adopts a final budget and forwards it to the State of Florida Department of Education. When approved by the State of Florida Department of Education, the final budget is designated as the official budget and governs the general operations for the fiscal year, unless subsequently amended by the Board. After public hearings the final budget for Fiscal Year 2012-2013 was adopted by the Board on September 5, 2012. Revisions may be made to the adopted budget in accordance with Florida law.

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

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

### **State Sources**

Florida Education Finance Program. The major portion of State support is distributed under the provisions of the Florida Education Finance Program, which was enacted by the State Legislature in 1973. Basic FEFP funds are provided on a weighted full-time equivalent ("FTE") student basis and through a formula that takes into account: (i) varying program costs; (ii) cost differentials between districts; (iii) differences in per-student costs due to the density of student population; and (iv) the required level of local support. Program cost factors are determined by the State Legislature each year. The amount of FEFP funds disbursed by the State is adjusted four times during each year to reflect changes in FTE and in other variables comprising the formula, as well as to compensate for increases or decreases in ad valorem tax revenue resulting from adjustments to the valuation of non-exempt property in each county. To participate in FEFP funding, the District must levy a minimum millage for operating purposes, which is set by the State Department of Education. The District's general fund receipts from the State for FEFP pursuant to the above formula for fiscal years 2010-11 and 2011-2012 were \$123,994,717 and 99,432,989, respectively (such amount does not include the \$59,704,413 of federal stimulus funds under the American Recovery & Reinvestment Act received by the District for fiscal year 2010-11) and is budgeted at \$188,759,226 for fiscal year 2012-13.

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. Among the larger categorical programs are the programs for school bus transportation, instructional materials and class size reduction. Allocations for these categorical appropriations are based on funding formula and discretionary State Department of Education grants. The majority of the funds available require actual appropriation by the Board for the purposes for which they were provided. Total State categorical aid was \$196,254,961 and \$202,703,933 for fiscal years 2010-11 and 2011-12, respectively, and is budgeted at \$205,099,101 for fiscal year 2012-13.

While total FEFP funding dropped in Fiscal Year 2009 for the first time since Fiscal Year 1992, the funding was increased in Fiscal Years 2010 and 2011, and decreased in 2012. The District expects to receive \$188,759,226 in FEFP funding in Fiscal Year 2012-13.

Student enrollment trends have changed over the past few years. Following five years of high growth, more than 5,000 students per year, from Fiscal Year 2001 through Fiscal Year 2005, enrollment was flat in Fiscal Year 2006, and decreased by 3,000 students during Fiscal Year 2007. Enrollment was flat again during Fiscal Years 2008 and 2009, but increased by over 2,000 for Fiscal Year 2010 and 1,000 for Fiscal Year 2011. Student enrollment for Fiscal Year 2012 is 175,083 which is slightly higher than the peak of Fiscal Year 2006. Future enrollment is projected 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 2012-13, local property taxes will provide 72.6% of the FEFP funds.

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 \$10.594 million and \$7.320 million in Florida School Recognition Program revenues for Fiscal Year 2010-11 and 2011-12, respectively, and the District budgeted \$8.888 million in Florida School Recognition Program revenues for Fiscal Year 2012-13. The District received \$686,216 and \$600,592 in Discretionary Lottery revenues for Fiscal Years 2010-11 and 2011-12, respectively, and the District has budgeted no Discretionary Lottery revenues for Fiscal Year 2012-13.

## **Local Sources**

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

The Florida Constitution limits the non-voted millage rate that school boards may levy on an annual basis for operational funds to 10 mills (\$10 per \$1,000 of taxable real and personal property value). Chapter 1011, Florida Statutes, as amended, further limits the millage levy for operational purposes to an amount established each year by the State appropriations act and finally certified by the Commissioner of the State of Florida Department of Education. Within this operational limit, each school district desiring to participate in the State’s allocation of FEFP funds for current operations must levy a non-voted millage rate that is determined annually by the State Legislature and certified by the Commissioner of the State of Florida Department of Education and is referred to as the “district required local effort.”

In addition to the “required local effort,” school districts are entitled 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, 2013, the District’s operating discretionary millage and capital outlay discretionary millage are budgeted to be 0.7020 mills and 0.0460 mills, respectively. See “AD VALOREM TAXATION - Millage Rates” and “Historical Millages” herein.

For Fiscal Year 2007-08, the District was able to levy 0.1030 mills under statutory provisions allowing districts to levy no more than .25 mills for operating purposes designed to raise up to but not more than \$100 per full-time equivalent student. For Fiscal Year 2008-09, the District was able to levy

0.1050 mills under these provisions. The supplemental discretionary operating millage described in this paragraph was discontinued beginning in Fiscal Year 2009-10.

In addition to the foregoing, the District, by a super majority vote, was permitted to levy an additional 0.25 mills for critical capital outlay needs or for critical operating needs for two Fiscal Years. Continuation of such levy after Fiscal Year 2010-11 for an additional two years required the approval of the voters of the District. As the District did not seek voter approval to continue such levy after Fiscal Year 2010-11, such millage has not been levied after Fiscal Year 2010-11. Instead, the District chose, pursuant to authority granted in Section 1011.71(9), Florida Statutes, to seek voter approval for the levy of an additional 0.25 mills for operating expenses for a period of four years, commencing with Fiscal Year 2011-12. The voters approved such levy at the November 2010 general election. See “AD VALOREM TAXATION - Millage Rates” herein.

The following table sets forth the District’s tentatively budgeted operating millage levies for Fiscal Year 2012-13:

<u>Operating Millage</u>	<u>District Levy</u>	<u>Description</u>	<u>Max</u>
Required Local Effort	5.280 mills	Each school district desiring to participate in the State’s allocation of FEFP funds for current operations must levy a non-voted millage rate that is determined annually by the State Legislature	5.280 mills
Current Operating Discretionary Millage	0.702 mills	Non-voted; not to exceed amount established annually by the State Legislature	0.702 mills
Additional Operating Millage (Voter Approved)	0.250 mills	School boards may, upon approval by voters in a local referendum or general election, levy an additional millage for operating needs up to an amount that when combined with the non-voted millage does not exceed 10 mills. Such levy shall be for a maximum of four years.	0.250 mills

Historically, budgeted revenues from ad valorem taxes were based on applying millage levies to ninety-five percent (95%) of the non-exempt assessed valuation of real and personal property within the County. However, due to a change in applicable law, revenues derived from ad valorem property taxes are now required to be budgeted on the application of millage levies to ninety-six percent (96%) of the non-exempt assessed valuation of property in the County.

Federal Sources. The District receives certain Federal moneys, both directly and through the State, substantially all of which are restricted for specific programs. Direct Federal revenue sources were \$818,729 and \$814,334 in fiscal years 2010-11 and 2011-12, respectively, and are budgeted at \$666,000 for fiscal year 2012-13. Federal funds through the State totaled \$5,180,443 and \$7,302,940 in fiscal years 2010-11 and 2011-12, respectively, and are budgeted to be \$5,700,000 in fiscal year 2012-13.

General Fund Operations. The following tables briefly describe revenues available to the District for operating purposes, financial results of the District and certain District liabilities. For additional information concerning such matters see “APPENDIX B - BASIC FINANCIAL STATEMENTS OF THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA FOR FISCAL YEAR ENDED JUNE 30, 2011.”

The following table summarizes results of operations for the general fund of the District for the fiscal years ended June 30, 2009 through June 30, 2012 and the budgeted results of operations for the fiscal year ending June 30, 2013.

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

For the Fiscal Years Ended June 30

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u> <sup>(1)</sup>	<u>2013</u>
<b>Beginning Fund Balance:</b>	\$120.7	\$92.4	\$97.1	\$186.9	\$166.7
<b>Revenues:</b>					
Local Sources and Other Financing Sources:					
Ad Valorem Taxes	\$887.3	\$873.4	\$859.2	\$846.8	\$796.0
Interest Income and Other	\$5.8	\$1.5	\$8.7	\$3.0	\$0.6
Other Revenue	\$59.3	\$54.6	\$55.0	\$56.3	\$51.2
Transfers In	<u>\$61.3</u>	<u>\$83.8</u>	<u>\$89.8</u>	<u>\$89.1</u>	<u>\$82.9</u>
Total Local Sources and Other Financing Sources:	<u>\$1,013.7</u>	<u>\$1,013.3</u>	<u>\$1,012.7</u>	<u>\$995.2</u>	<u>\$930.7</u>
State Sources:					
FL Educ. Finance Pro. & Lottery	\$78.7	\$62.1	\$123.9	\$118.2	\$208.3
Categorical Grants	\$231.7	\$222.7	\$206.2	\$213.1	\$214.0
Other	<u>\$17.5</u>	<u>\$0.9</u>	<u>\$21.5</u>	<u>\$0.8</u>	<u>\$3.7</u>
Total State Sources	<u>\$327.9</u>	<u>\$285.7</u>	<u>\$351.6</u>	<u>\$332.1</u>	<u>\$426.0</u>
Federal Sources	<u>\$6.4</u>	<u>\$5.9</u>	<u>\$6.3</u>	<u>\$6.5</u>	<u>\$6.4</u>
Total Revenues	<u>\$1,348.0</u>	<u>\$1,304.9</u>	<u>\$1,370.6</u>	<u>\$1,333.8</u>	<u>\$1,363.1</u>
Adjustments to Fund Balance					
Total Rev. & Fund Balance	<u>\$1,468.7</u>	<u>\$1,397.3</u>	<u>\$1,467.7</u>	<u>\$1,520.7</u>	<u>\$1,529.8</u>
<b>Expenditures:</b>					
Salaries	\$850.6	\$788.8	\$748.9	\$842.7	\$866.2
Employee Benefits	\$260.5	\$244.2	\$245.7	\$255.0	\$279.7
Purchased Services and other	\$265.2	\$259.9	\$286.1	\$256.3	\$327.9
Transfer Out	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>
Total Expenditures	<u>\$1,376.3</u>	<u>\$1,292.9</u>	<u>\$1,280.7</u>	<u>\$1,354.0</u>	<u>\$1,473.8</u>
Excess of Revenues Over (Under)					
Expenditures	(\$28.3)	\$12.0	\$89.9	(\$20.2)	(\$110.7)
Ending Fund Balance					
Nonspendable	\$6.0	\$14.8	\$12.5	\$5.7	\$0.0
Restricted	\$12.1	\$13.2	\$17.1	\$23.3	\$0.0
Committed	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Assigned	\$34.9	\$24.7	\$102.7	\$86.6	\$0.0
Unassigned	\$39.4	\$44.4	\$54.6	\$51.1	\$0.0
<b>Total Fund Balance</b>	<u>\$92.4</u>	<u>\$97.1</u>	<u>\$186.9</u>	<u>\$166.7</u>	<u>\$56.0</u>
<b>Total Expenditures &amp; Fund Balance</b>	<u>\$1,468.7</u>	<u>\$1,390.0</u>	<u>\$1,467.6</u>	<u>\$1,520.7</u>	<u>\$1,529.8</u>

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

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

**TABLE 11**  
**The School Board of Palm Beach County**  
**General Fund Cash Flow**  
**Fiscal Year July 1, 2011 Through June 30, 2012**

	Jul-11 Actual	Aug-11 Actual	Sep-11 Actual	Oct-11 Actual	Through Nov 22 Actual	After Nov 22 Actual	Dec-11 Actual	Jan-12 Actual	Feb-12 Actual	Mar-12 Actual	Apr-12 Actual	May-12 Actual	Jun-12 Actual	Total
*Beginning C&I Balance	240,182	159,822	87,678	153,702	88,856	51,858	131,800	615,530	468,361	451,324	363,492	326,272	278,047	
Receipts:														
Federal Revenues														
Medicaid	9	2	-	4	-	1,198	1,717	26	24	58	-	2,603	79	5,720
ROTC	-	50	82	55	-	51	41	94	48	50	128	57	158	814
State Revenues:														
FL Ed. Finance Program	11,991	10,827	10,265	10,462	-	10,478	10,289	8,780	9,160	9,160	9,160	8,725	8,960	118,257
Instructional Material	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lottery	24	3	3	22	-	28	55	72	24	17	11	308	308	875
Transportation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
School Recognition Funds	-	-	-	-	-	-	-	-	7,320	-	-	-	-	7,320
Class Size Reduction	16,159	16,159	16,159	16,159	-	16,158	16,158	17,436	17,436	16,860	17,629	18,175	18,216	202,704
Other State Revenues	31	119	75	311	-	328	284	220	280	299	240	270	449	2,906
Local Revenues:														
AD Valorem Tax	-	822	3,635	3	16,583	94,258	556,977	33,531	40,485	17,615	33,132	20,030	29,666	846,737
Interest	(310)	58	55	83	-	35	66	63	47	97	240	66	2,374	2,874
Other Local Revenues	2,463	10,010	9,342	4,792	1,819	5,456	103	5,731	7,935	3,250	4,078	5,076	10,091	70,146
Loss Recoveries	4	277	772	75	78	11	717	545	77	236	223	36	382	3,433
Transfers In	257	247	17,531	6,011	5,760	251	5,992	5,992	5,986	5,983	5,952	5,950	19,874	85,786
2011 Note Proceeds	-	-	115,000	-	-	-	-	-	-	-	-	-	-	115,000
<b>Total Receipts</b>	<b>30,628</b>	<b>38,574</b>	<b>172,919</b>	<b>37,977</b>	<b>24,240</b>	<b>128,252</b>	<b>592,399</b>	<b>72,490</b>	<b>88,822</b>	<b>53,625</b>	<b>70,793</b>	<b>61,296</b>	<b>90,557</b>	<b>1,462,572</b>
Disbursements:														
Salaries	66,374	68,152	63,467	61,872	32,470	31,850	65,756	60,286	63,009	99,494	61,540	64,279	86,943	825,492
Benefits	21,552	22,883	18,462	18,952	9,993	9,632	17,287	19,075	19,271	22,692	23,688	19,049	33,823	256,359
Vendors	23,062	19,683	24,966	21,999	18,775	6,828	25,626	25,188	23,579	19,271	22,785	26,193	(1,739)	256,216
Transfers Out	-	-	-	-	-	-	-	-	-	-	-	-	26	26
2011 Note Payment	-	-	-	-	-	-	-	115,110	-	-	-	-	-	115,110
<b>Total Disbursements</b>	<b>110,988</b>	<b>110,718</b>	<b>106,895</b>	<b>102,823</b>	<b>61,238</b>	<b>48,310</b>	<b>108,669</b>	<b>219,659</b>	<b>105,859</b>	<b>141,457</b>	<b>108,013</b>	<b>109,521</b>	<b>119,053</b>	<b>1,453,203</b>
Ending C&I Balance	159,822	87,678	153,702	88,856	51,858	131,800	615,530	468,361	451,324	363,492	326,272	278,047	249,551	
LESS: Working Capital Reserve	64,707	64,707	64,707	64,707	64,707	64,707	64,707	64,707	64,707	64,707	64,707	64,707	64,707	
<b>Total Balance</b>	<b>95,115</b>	<b>22,971</b>	<b>88,995</b>	<b>24,149</b>	<b>(12,849)</b>	<b>67,093</b>	<b>550,823</b>	<b>403,654</b>	<b>386,617</b>	<b>298,785</b>	<b>261,565</b>	<b>213,340</b>	<b>184,844</b>	

**TABLE 11**  
**The School Board of Palm Beach County**  
**General Fund Cash Flow**  
**Fiscal Year July 1, 2012 Through June 30, 2013**

	Jul-12 Projected	Aug-12 Projected	Sep-12 Projected	Oct-12 Projected	Through Nov 22 Projected	After Nov 22 Projected	Dec-12 Projected	Jan-13 Projected	Feb-13 Projected	Mar-13 Projected	Apr-13 Projected	May-13 Projected	Jun-13 Projected	Total
*Beginning C&I Balance	249,551	160,947	84,251	11,840	73,876	22,758	106,384	539,764	378,333	351,438	297,324	255,018	201,966	
Receipts:														
Federal Revenues														
Medicaid	9	2	-	4	-	1,198	1,717	22	22	58	-	2,590	78	5,70
ROTC	-	50	82	55	-	51	41	98	50	50	128	61	-	66
State Revenues:														
FL Ed. Finance Program	17,360	17,360	17,360	17,360	-	17,360	17,360	17,360	17,360	17,360	17,360	17,360	17,355	208,31
Instructional Material	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lottery	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
School Recognition Funds	-	-	-	-	-	-	-	-	8,888	-	-	-	-	8,88
Class Size Reduction	17,092	17,092	17,092	17,092	-	17,092	17,092	17,092	17,092	17,092	17,092	17,092	17,088	205,10
Other State Revenues	315	315	315	315	-	315	315	315	315	315	315	315	319	3,78
Local Revenues:														
AD Valorem Tax	-	-	-	3	16,189	91,741	542,347	32,650	37,071	17,152	32,262	19,504	7,038	795,95
Interest	53	53	53	53	-	53	53	53	53	53	53	53	57	64
Other Local Revenues	4,269	4,269	4,269	4,269	-	4,269	4,269	4,269	4,269	4,269	4,269	4,269	4,263	51,22
Loss Recoveries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers In	257	247	17,531	3,005	3,006	6,011	5,992	5,992	5,986	5,983	5,952	5,950	16,934	82,84
2012 Note Proceeds	-	-	1,150	113,850	-	-	-	-	-	-	-	-	-	115,00
<b>Total Receipts</b>	<b>39,355</b>	<b>39,388</b>	<b>57,852</b>	<b>156,006</b>	<b>19,195</b>	<b>138,090</b>	<b>589,186</b>	<b>77,851</b>	<b>91,106</b>	<b>62,332</b>	<b>77,431</b>	<b>67,194</b>	<b>63,132</b>	<b>1,478,11</b>
Disbursements:														
Salaries	71,167	71,167	71,167	49,619	33,889	33,889	100,647	66,122	66,445	73,457	65,953	68,287	94,433	866,24
Benefits	23,979	23,979	23,979	17,049	11,519	11,519	34,244	22,340	22,374	17,802	22,199	22,687	26,025	279,69
Vendors	32,813	20,938	35,117	27,302	24,905	9,057	20,915	35,771	29,182	25,187	31,585	29,271	5,894	327,93
Transfers Out	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2012 Note Payment	-	-	-	-	-	-	-	115,050	-	-	-	-	-	115,05
<b>Total Disbursements</b>	<b>127,959</b>	<b>116,084</b>	<b>130,263</b>	<b>93,969</b>	<b>70,313</b>	<b>54,465</b>	<b>155,806</b>	<b>239,283</b>	<b>118,001</b>	<b>116,446</b>	<b>119,737</b>	<b>120,246</b>	<b>126,352</b>	<b>1,588,92</b>
Ending C&I Balance	160,947	84,251	11,840	73,876	22,758	106,384	539,764	378,333	351,438	297,324	255,018	201,966	138,746	
LESS: Working Capital Reserve	66,905	66,905	66,905	66,905	66,905	66,905	66,905	66,905	66,905	66,905	66,905	66,905	66,905	
<b>Total Balance</b>	<b>94,042</b>	<b>17,346</b>	<b>(55,065)</b>	<b>6,972</b>	<b>(44,146)</b>	<b>39,479</b>	<b>472,860</b>	<b>311,428</b>	<b>284,533</b>	<b>230,420</b>	<b>188,113</b>	<b>135,061</b>	<b>71,842</b>	

The Florida Legislature in January, 2009 adopted legislation creating Section 1011.051, Florida Statutes, entitled “Guidelines for general funds.” This new section requires that if a school district's unreserved General Fund balance 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 unreserved General Fund balance 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 2009-10, the District's unreserved General Fund balance was 5.97% of General Fund Revenues and in Fiscal Year 2010-11 the District's unreserved General Fund balance was 3.98% of General Fund Revenues. For Fiscal Year 2011-12, the District's unreserved General Fund balance was projected to be 3.38% of General Fund Revenues. For purposes of these calculations, the District considers funds categorized as Undesignated and Reserved for Board Contingency to be unreserved funds.

### **Basic Financial Statements**

The audited basic financial statements of the District for the fiscal year ended June 30, 2011, are included as “APPENDIX B – BASIC FINANCIAL STATEMENTS OF THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA FOR THE FISCAL YEAR ENDED JUNE 30, 2011” to this Official Statement. Such excerpts from the Comprehensive Annual Financial Report have been included in this Official Statement as public documents and consent from the auditor was not requested. The auditor has not performed any services relating to, and is therefore not associated with, the issuance of the Notes.

### **Accreditation**

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

### **Florida Retirement System**

The State has established the State of Florida Retirement System (“FRS”) for state, county, municipal and school district employees. All employees hired after 1970, and those employed prior to 1970 who elected to be enrolled, are covered by the FRS. Accordingly, substantially all employees of the District are covered by the FRS. The Division of Retirement, Department of Administration of the State of Florida administers the FRS. Contribution rates are established by law for all participating governmental units. The District's liability for participation in the plan is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. For the fiscal years ended June 30, 2011 and June 30, 2012, the District contributed \$100,752,000 and \$44,838,000, 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, 2011 and June 30, 2012, the District contributed \$16,009.27 and \$8,575.47, respectively. See Note 10 in “APPENDIX B – BASIC FINANCIAL STATEMENTS OF

THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA FOR THE FISCAL YEAR ENDED JUNE 30, 2011” for additional information regarding the retirement plans.

During its 2011 regular session, the State Legislature adopted legislation that makes significant changes to the FRS with respect to employee contributions and employer contributions, among other items. Effective July 1, 2011, all members of FRS will be required to contribute 3% of their gross compensation toward their retirement. In addition, the legislation reduces the required employer contribution rates for each membership class and subclass of the FRS. For Fiscal Year 2010-11, contribution rates ranged from 10.77% to 23.25% of annual covered payroll. Under the adopted legislation, employer contribution rates range from 4.91% to 14.10% of annual covered payroll. The savings resulting from such reduced contributions were used by the District to partially offset the reduction in State education funding for Fiscal Year 2012. 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. On June 20, 2011, the Florida Education Association, a teachers union, announced it has filed a class action lawsuit challenging the constitutionality of such legislative changes with respect to existing employees. The suit alleges the legislation unlawfully impairs state employee contracts, constitutes a taking of private property without full compensation and violates government workers constitutional right to collective bargaining.

On March 6, 2012, the Circuit Court issued its ruling in favor of the plaintiffs holding that the required 3% contribution and elimination of the cost-of-living adjustment for employees who were FRS members prior to July 1, 2011 unlawfully impaired State employee contracts, constituted a taking of private property without full compensation and violated the public employees right to collective bargaining. The Circuit Court ordered the State to reimburse, with interest, the funds deducted or withheld from the compensation or cost-of-living adjustments from such employees. The State appealed the Circuit Court's ruling to the First District Court of Appeals, which automatically stays the effectiveness of the Circuit Court ruling. The First District Court of Appeals certified the case to the Florida Supreme Court as a matter of great public importance. On March 28, 2012, the Florida Supreme Court accepted jurisdiction in the case and scheduled oral arguments for September 5, 2012. At present, the final outcome of such lawsuit cannot be determined. However, if the plaintiffs are ultimately successful, the impact to the District's finances could be substantial given the current State economy and level of education funding.

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

### **Other Post Employment Benefits**

In addition to its contributions under the State's retirement plan described above, the District provides other postemployment benefits (“OPEB”) for certain of its retired employees in the form of an implicit rate subsidy by providing access to health insurance plans requiring the use of a single “blended” or “common” rate for both active and retired employees. The offering of this health insurance coverage is required by Section 112.0801, Florida Statutes.

As with all governmental entities providing similar plans, the District is required to comply with the Governmental Accounting Standard's Board Statement No. 45 - Accounting and Financial Reporting by Employers for Postemployment Benefit Plans other than Pension Plans ("GASB 45"). The District has historically accounted for its OPEB contributions on a pay as you go basis. GASB 45 applies accounting methodology similar to that used for pension liabilities to OPEB and attempts to more fully reveal the costs of employment by requiring governmental units to include future OPEB costs in their financial statements. While GASB 45 requires recognition and disclosure of the unfunded OPEB liability, there is no requirement that the liability of such plan be funded. The District retained an actuary (the "Actuary") to review the District's OPEB liabilities and provide the District with a written valuation. The Actuary determined the District's actuarial accrued liability related to OPEB, which approximates the present value of all future expected postretirement life and medical premiums and administrative costs which are attributable to the past service of those retired and active employees, at \$168.9 million as of June 30, 2012. The Actuary also determined the District's annual required contribution ("ARC"), which is the portion of the total accrued actuarial liability allocated to the current fiscal year needed to pay both normal costs (current and future benefits earned) and to amortize the unfunded accrued liability (past benefits earned, but not previously provided for). The Actuary estimated the ARC to be \$14.1. 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 \$78.7 million as of June 30, 2012, which reflects the District's approximately \$5.9 million contribution towards its OPEB liability during Fiscal Year 2011-12.

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

## **AD VALOREM TAXATION**

### **General**

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

### **Property Assessment**

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

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

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

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

In 2011, the Florida Legislature created Section 194.014, Florida Statutes, which 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 will apply 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, (ii) if the revenue from the 1.5 mills is insufficient to make payments due under a lease purchase agreement entered into prior to June 30, 2009 or to meet other critical school district fixed capital outlay needs, authorize a school board to levy up to an additional .25 mills of Local Option Millage Levy in addition to the 1.5 mills, in lieu of levying an equivalent amount of the discretionary mills for operations. In 2012, the Florida Legislature further amended Section 1011.71, Florida Statutes to waive the 75% limitation on the use of Local Option Millage Levy revenues for lease-purchase agreements originally entered into prior to June 30, 2009. The Local Option Millage Levy revenues are not available to pay debt service on the Notes.

The millage limitations are applicable to taxes levied for operational purposes, such as the taxes pledged to secure repayment of the Notes. The millage limitation does not apply to taxes approved at referendum by qualified electors in the County for general obligation bonds.

Each respective millage rate, except as limited by law, is set on the basis of estimates of revenue needs and the total taxable property values within the taxing authority's respective jurisdiction. Revenues derived from ad valorem property taxes are budgeted, as required by Florida law, on the application of millage levies to 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 redeemed, in whole or in part, by any person at any time before a tax deed is issued or the property is placed on the list of lands available for sale, at a price equal to the face amount of the certificate or portion thereof together with all interest, costs, charges and omitted taxes due. The proceeds of such a redemption are paid to the Tax Collector who transmits to the holder of the certificate such proceeds less service charges, and the certificate is canceled. Any holder, other than the county, of a tax certificate that has not been redeemed has seven years from the date of issuance of the tax certificate during which to act against the land that is the subject of the tax certificate.

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

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

### Historical Ad Valorem Tax Collections

The following table sets forth the amounts billed and collected for ad valorem property taxes levied by the District for the fiscal years 2006 through 2012:

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

<u>Fiscal Year Ended June 30</u>	<u>Property Taxes Levied</u>	<u>Current Tax Collections<sup>(1)</sup></u>	<u>Total Tax Collections<sup>(2)</sup></u>	<u>Percent of Current Tax Collected To Property Taxes Levied</u>
2012	\$874,150	\$840,529	\$847,399	96.15%
2011	893,948	848,596	859,191	94.92
2010	908,715	838,198	848,798	92.78
2009	922,611	846,495	848,999	91.76
2008	912,729	835,511	836,012	91.54
2007	921,630	853,088	853,632	92.56
2006	768,215	721,060	721,979	93.86

<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.

<sup>(2)</sup> Collections through June 30, 2012

Source: The School District of Palm Beach County, Florida Comprehensive Annual Financial Report for the Fiscal Year Ending June 30, 2011 for fiscal years ending June 30, 2006-2011. The School District of Palm Beach County, Florida for the Fiscal Year ending June 30, 2012.

### Historical Millages

The following table contains current and historical millage levels for the Board (see “AD VALOREM TAXATION - Millage Rates” above for a discussion of recent legislation reducing the maximum amount of the Local Option Millage Levy for school districts).

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

	Fiscal Year ended June 30				
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General Fund					
Required Local Effort	4.898	5.485	5.656	5.682	5.280
Discretionary	0.603	0.650	0.928	0.938	0.702
Additional Voted Millage	<u>0.000</u>	<u>0.000</u>	<u>0.250</u>	<u>0.250</u>	<u>0.250</u>
Subtotal	5.501	6.135	6.584	6.620	6.232
Debt Service	0.000	0.000	0.000	0.000	0.000
Capital Improvement	<u>1.750</u>	<u>1.848</u>	<u>1.570</u>	<u>1.560</u>	<u>1.546</u>
Total Millage Levy	<u>7.251</u>	<u>7.983</u>	<u>8.154</u>	<u>8.180</u>	<u>7.778</u>

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

Pursuant to Article VII of the Constitution of the State of Florida, the Board may not levy ad valorem taxes, exclusive of voted taxes levied for the payment of debt service on bonds, in excess of 10 mills. The Board levied 7.778 nonvoted mills for fiscal year ending June 30, 2013.

In the November 2010 general election, the voters of Palm Beach County approved a 0.25 mill operating 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 tax years 2003 through 2012.

**County Wide Ad Valorem Millage Rates**

<u>Tax Year</u>	<u>District</u>	<u>County</u>	<u>Total Water District</u>	<u>Total County Wide</u>
2012	8.180	6.9619	.3739	15.5158
2011	8.154	7.0163	.5346	15.7049
2010	7.983	6.5202	.5346	15.0378
2009	7.251	5.6879	.5346	13.4735
2008	7.356	5.5775	.5346	13.4681
2007	7.872	6.2059	.5970	14.6749
2006	8.106	6.6264	.5970	15.3294
2005	8.432	6.6964	.5970	15.7254
2004	8.571	6.7497	.5970	15.9177
2003	8.779	6.6997	.5970	16.0757

Source: The School District of Palm Beach County, Florida Comprehensive Annual Financial Report for the Fiscal Year Ending June 30, 2011; Palm Beach County, Florida Property Appraiser.

**Assessed Valuation**

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

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

<u>Fiscal Year Ended June 30</u>	<u>Gross Assessed Value<sup>(1)</sup></u>	<u>Total Taxable Value for Operating Millages</u>	<u>% Taxable to Total Assessed Value</u>
2013 <sup>(3)</sup>	N/A	\$133,036,113	-
2012 <sup>(2)</sup>	\$163,642,421	132,258,526	80.82%
2011	166,960,572	134,698,184	80.68
2010	189,794,833	148,119,877	78.04
2009	222,676,827	167,717,027	75.32
2008	236,349,113	170,412,459	72.10

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

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

<sup>(3)</sup> Preliminary (July 1, 2012) certified figures. Subject to adjustment.

N/A= Not available.

Source: The School District of Palm Beach County, Florida Comprehensive Annual Financial Report for the Fiscal Year Ending June 30, 2011 for fiscal years ending June 30, 2008-2010. 2012 figures provided by Palm Beach County, Florida Property Appraiser. 2013 figures provided by the School District of Palm Beach County, Florida.

The following table contains the list of the County's ten largest property taxpayers for the fiscal year ended June 30, 2011.

**Palm Beach County, Florida  
Principal Property Tax Payers  
September 30, 2011  
(in thousands)**

<u>Taxpayer</u>	<u>Taxes Levied</u>	<u>% of Total Aggregate Tax Levy</u>
Florida Power & Light Company	\$59,125	1.92%
BellSouth	8,055	0.26
Town Center	7,286	0.24
U.S. Sugar Corporation	5,597	0.18
Landry, Lawrence L.	4,804	0.16
Comcast of Florida/Georgia LLC	3,562	0.12
Okeelanta Corporation	3,475	0.11
Panthers BRHC Ltd.	3,359	0.11
TJ Palm Beach Assoc LTD Ptnrs.	3,309	0.11
Breakers Palm Beach Inc.	<u>3,222</u>	<u>0.10</u>
Total	<u>\$101,795</u>	<u>3.31%</u>

Source: The School District of Palm Beach County, Florida Comprehensive Annual Financial Report for the Fiscal Year Ending September 30, 2011.

### LITIGATION

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

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

### TAX EXEMPTION

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

In the opinion of Note Counsel, assuming the accuracy of certain representations and certifications of the District and continuing compliance by the District with the tax covenants referred to above, under existing statutes, regulations, rulings and court decisions, the interest on the Notes will be excludable from gross income for federal income tax purposes. Furthermore, interest on the Notes will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest will be taken into account in determining adjusted

current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. Note Counsel is further of the opinion that the Notes and the interest thereon will not be subject to taxation under the laws of the State, except as to estate taxes and taxes under Chapter 220, Florida Statutes, on interest, income or profits on debt obligations owned by corporations as defined in said Chapter 220. Note Counsel will express no opinion as to any other tax consequences regarding the Notes. Prospective purchasers of the Notes should consult their own tax advisors as to the status of interest on the Notes under the tax laws of any state other than Florida.

Except as described above, Note Counsel will express no opinion regarding the federal income tax consequences resulting from the receipt or accrual of the interest on the Notes, or the ownership or disposition of the Notes. Prospective purchasers of Notes should be aware that the ownership of Notes may result in other collateral federal tax consequences, including (i) the denial of a deduction for interest on indebtedness incurred or continued to purchase or carry the Notes, (ii) the reduction of the loss reserve deduction for property and casualty insurance companies by 15 percent of certain items, including the interest on the Notes, (iii) the inclusion of the interest on the Notes in the earnings of certain foreign corporations doing business in the United States for purposes of a branch profits tax, (iv) the inclusion of the interest on the Notes in the passive income subject to federal income taxation of certain Subchapter S corporations with Subchapter C earnings and profits at the close of the taxable year and (v) the inclusion of interest on the Notes in the determination of the taxability of certain Social Security and Railroad Retirement benefits to certain recipients of such benefits. The nature and extent of the other tax consequences described above will depend on the particular tax status and situation of each owner of the Notes. Prospective purchasers of the Notes should consult their own tax advisors as to the impact of these other tax consequences.

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

### **Tax Treatment of Note Premium**

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

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

## **APPROVAL OF LEGALITY**

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

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

## **DISCLOSURE REQUIRED BY FLORIDA BLUE SKY REGULATIONS**

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

## **RATING**

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

## **FINANCIAL ADVISOR**

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

## **NOTEHOLDERS’ RISKS**

The Notes are limited obligations of the District payable solely from the Pledged Revenues as described herein, and are not secured by the full faith and credit and taxing power of the District. Because the Notes are limited obligations, the sources of money pledged to secure payment of the Notes may be insufficient therefor, and the Noteholders would not be able to compel the levy of taxes (other

than the taxes levied for operating purposes for the Current Fiscal Year) or the institution of foreclosure proceedings against any property of the District to provide for payment of the Notes and the interest thereon. Certain factors may affect the adequacy of the Pledged Revenues to provide for payment of the Notes, and there can be no assurance that the Pledged Revenues will be adequate to provide for payment of the Notes and the interest thereon.

In particular, the adequacy of the Pledged Revenues to provide for repayment of the Notes depends upon (1) the ability of taxpayers in the County to pay the ad valorem taxes levied in 2012, (2) the percentage of collection of ad valorem taxes for the Current Fiscal Year, (3) the receipt by the District of the federal and State funds upon which it depends, in part, for the funding of its operations for the Current Fiscal Year, and (4) the absence of the need for extraordinary, unforeseen expenditures during the Current Fiscal Year. These matters are largely dependent upon factors beyond the control of the District, and any adverse developments with respect to these or other factors could affect the ability of the District to pay the principal of and interest on the Notes. See also “THE SCHOOL DISTRICT AND SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA – Constitutional Amendments Related to Class Size Legislation and Pre-K Programs” herein for information concerning certain amendments to the Florida Constitution and other proposed legislation that could materially adversely affect the School Board’s financial situation.

## **UNDERWRITING**

The Notes are being purchased by Morgan Stanley & Co. LLC (the “Underwriter”) at an aggregate purchase price of \$115,313,950 (which represents the \$115,000,000 principal amount of the Notes plus a premium of \$313,950). The offer of the Underwriter to purchase the Notes provides for the purchase of all of the Notes if any are purchased. The Underwriter re-offered the Notes at a price of 100.277% of the principal amount thereof, resulting in compensation to the Underwriter in the amount of \$4,600. After the initial public offering, the Underwriter may change the offering price from time to time.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, an underwriter of the Notes, has entered into a retail brokerage joint venture with Citigroup Inc. As part of the joint venture, Morgan Stanley & Co. LLC will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Morgan Stanley & Co. LLC will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Notes.

## **CONTINUING DISCLOSURE**

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

Pursuant to the Material Events Notice Certificate, the District will provide in a timely manner not in excess of ten (10) business days after the occurrence of the event to the Municipal Securities Rulemaking Board (“MSRB”) through its Electronic Municipal Market Access (EMMA), notice of the occurrence of any of the following events with respect to the Notes: (a) principal and interest payment delinquencies; (b) non-payment related defaults, if material; (c) unscheduled draws on debt service

reserves reflecting financial difficulties; (d) unscheduled draws on credit enhancements reflecting financial difficulties; (e) substitution of credit or liquidity providers, or their failure to perform; (f) adverse tax opinions or events affecting the tax-exempt status of the Notes; (g) modification of rights of registered owners of the Notes, if material; (h) Note calls, if material; (i) defeasances; (j) release, substitution or sale of property securing the repayment of the Notes, if material; (k) rating changes; (l) bankruptcy, insolvency, receivership or a similar event of the District; (m) events relating to mergers, consolidations or acquisitions of an obligated person with respect to the Notes, if material; (n) appointment of successor or additional trustee, if material; and (o) tender offers. Such obligation of the District will remain in effect, subject to the following sentence, so long as the Notes are outstanding in accordance with their terms. The intent of the District's undertaking in the Material Events Notice Certificate is to provide notice of material events described in the Rule and, accordingly, the District reserves the right to modify its obligations under the Material Events Notice Certificate so long as any such modification is made in a manner consistent with the Rule. Furthermore, to the extent that the Rule no longer requires the issuers of municipal securities to provide all or any portion of the notice the District has agreed to provide pursuant to the Material Events Notice Certificate, the obligation of the District to provide such information also shall cease immediately.

The District previously failed to timely file certain material event notices, namely with respect to the defeasance of certain refunded certificates of participation and rating changes related to downgrades of municipal bond insurers insuring certain of the District's outstanding certificates of participation. The District subsequently filed such information with the MSRB as required by the Rule and is current in all its filings to date. The District intends to fully comply with all current and future continuing disclosure undertakings. In furtherance thereof, the District is conducting a review of its internal policies and procedures and will modify its policies and procedures as necessary in order to ensure such ongoing and future compliance with its obligations under the Rule, particularly as it relates to material event filings.

The Treasurer shall be the contact person on behalf of the District from whom the foregoing notices may be obtained. The name, address and telephone number of the contact person is Leanne Evans, Treasurer, the School District of Palm Beach County, Florida, 3300 Forest Hill Boulevard Suite A-334, West Palm Beach, Florida 33406-5813, Telephone (561) 434-8142.

#### **MISCELLANEOUS**

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

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

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

Notes, the security for the payment of the Notes and the rights and obligations of the owners thereof and to each such statute, report or instrument.

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

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

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

**AUTHORIZATION OF AND CERTIFICATION  
CONCERNING OFFICIAL STATEMENT**

This Official Statement has been duly authorized by the Board. Concurrently with the delivery of the Notes, the Board will furnish its certificate to the effect that, to the best of its knowledge, this Official Statement did not as of its date, and does not as of the date of delivery of the Notes, contain any untrue statement of a material fact or omit to state a material fact which should be included herein for the purpose for which this Official Statement is to be used or which is necessary in order to make the statements herein, in the light of the circumstances in which they were made, not misleading.

SCHOOL DISTRICT OF PALM BEACH  
COUNTY, FLORIDA

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

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

**APPENDIX A**

**INFORMATION REGARDING PALM BEACH COUNTY, FLORIDA**

**APPENDIX B**

**BASIC FINANCIAL STATEMENTS OF  
THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA  
FOR FISCAL YEAR ENDED JUNE 30, 2011**

**APPENDIX C**  
**OFFICIAL NOTICE OF SALE**

**APPENDIX D**

**FORM OF NOTE COUNSEL OPINION**

**APPENDIX E**

**AUTHORIZING RESOLUTION**

**APPENDIX F**

**FORM OF MATERIAL EVENTS NOTICE CERTIFICATE**