

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 2013

Dated: Date of Delivery

Due: January 30, 2014

The Tax Anticipation Notes, Series 2013 (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, 2013 and ending June 30, 2014 (the "Current Fiscal Year"), in anticipation of the receipt of the ad valorem taxes as herein described.

The Notes and the interest thereon will be limited obligations of the District, payable from and secured by a pledge of the ad valorem taxes levied and collected for the benefit of the District during its Current Fiscal Year for operating purposes (excluding ad valorem taxes collected for other purposes) and amounts on deposit in a sinking fund (collectively, the "Pledged Revenues"), all as defined and described in the resolution authorizing their issuance (the "Resolution") adopted by The School Board of Palm Beach County, Florida (the "Board") on August 21, 2013. 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>
4.500%	0.120%	696552 EQ7

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 September 26, 2013.

BofA Merrill Lynch

Dated: September 11, 2013

SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA

BOARD MEMBERS

Chuck Shaw, Chairman
Debra L. Robinson, M.D., Vice Chair
Frank A. Barbieri, Jr., Esq.
Mike Murgio
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

JulieAnn Rico, 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.

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

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APPENDICES

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APPENDIX B:	BASIC FINANCIAL STATEMENTS OF THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA FOR FISCAL YEAR ENDED JUNE 30, 2012
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APPENDIX E:	AUTHORIZING RESOLUTION
APPENDIX F:	FORM OF MATERIAL EVENTS NOTICE CERTIFICATE

OFFICIAL STATEMENT

\$115,000,000 **SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA** **TAX ANTICIPATION NOTES, SERIES 2013**

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 2013 (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 August 21, 2013 (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, 2013 and ending June 30, 2014 (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 2013-14 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 September 26, 2013) 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 and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+." The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as 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 be applied by the District first 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 2012 population of 1,335,415. 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 April 29, 2013, the District included 182 schools and had approximately 178,481 full time equivalent students and over 21,000 full-time and part-time employees, including approximately 14,874 instructional personnel. Management of the schools is independent of the County and the various municipal governments in the County. The Tax Collector collects ad valorem taxes for the District, but the County exercises no control over expenditures by the District. Additional information concerning the County is contained in "APPENDIX A – INFORMATION REGARDING PALM BEACH COUNTY, FLORIDA."

The Board

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

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

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

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

<u>Name/Office</u>	<u>Term Expires</u>
Chuck Shaw, Chairman	November, 2016
Debra L. Robinson, M.D., Vice Chair	November, 2014
Mike Murgio, Member	November, 2016
Frank A. Barbieri, Jr., Esq., 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-eight 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 April 29, 2013 was 21,076, the largest number of employees of any single 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 April 29, 2013, the Board employed 21,076 full-time persons representing the following groups:

Instructional	14,874
School and District Administrators	735
Clerical, Police, Secretarial, Professional Staff	2,120
Bus, Custodial, Maintenance and Mechanics	<u>3,347</u>
Total	21,076

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

Teachers	June 30, 2014
Clerical	December 31, 2013
Police	December 31, 2013
Bus, Custodial, Maintenance and Mechanics	December 31, 2014

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, 2012.”

The School District of Palm Beach County, Florida Outstanding Long-Term Direct Debt June 30, 2013 (Unaudited)

<u>Description</u>	<u>Principal Amount Outstanding</u>
Self-Supporting State Bonds: ⁽¹⁾	
State Board of Education, Capital Outlay Bonds, Series 2005-A	\$ 8,460,000
State Board of Education, Capital Outlay Bonds, Series 2005-B	1,690,000
State Board of Education, Capital Outlay Bonds, Series 2009-A	1,070,000
State Board of Education, Capital Outlay Bonds, Series 2010-A	10,100,000
State Board of Education, Capital Outlay Bonds, Series 2011-A	5,050,000
Sub-Total State Board Bonds:	<u>\$26,370,000</u>
Certificates of Participation: ⁽²⁾	
Certificates of Participation, Series 2002A	7,710,000
Certificates of Participation, Series 2002B	115,350,000
Certificates of Participation, Series 2002E	37,495,000
Certificates of Participation, Series 2002-QZAB	950,000
Certificates of Participation, Series 2003A	10,715,000
Certificates of Participation, Series 2003B	124,295,000
Certificates of Participation, Series 2004A	10,015,000
Certificates of Participation, Series 2004-QZAB	2,923,000
Certificates of Participation, Series 2005A	123,295,000
Certificates of Participation, Series 2005-QZAB	2,150,000
Certificates of Participation, Series 2006A	187,355,000
Certificates of Participation, Series 2007A	217,020,000
Certificates of Participation, Series 2007C	189,575,000
Certificates of Participation, Series 2007D	14,295,000
Certificates of Participation, Series 2007E	139,070,000
Certificates of Participation, Series 2010A	67,665,000
Certificates of Participation, Series 2011A	112,425,000
Certificates of Participation, Series 2011B	165,245,000
Certificates of Participation, Series 2011C	15,155,000
Certificates of Participation, Series 2011D	24,845,000
Certificates of Participation, Series 2012A	20,085,000
Certificates of Participation, Series 2012B	116,555,000
Certificates of Participation, Series 2012C	67,145,000
Sub-Total Certificates of Participation:	<u>\$1,771,333,000</u>
TOTAL LONG-TERM DIRECT DEBT OUTSTANDING	<u>\$1,797,703,000</u>

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

⁽²⁾ Subject to annual appropriation.

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, 2013
(in thousands)

Direct Debt	
General Obligation	\$ 0
Special Obligation ⁽¹⁾	<u>26,370</u>
Total Direct Debt	\$26,370
Overlapping Debt ⁽²⁾	
Palm Beach County Debt	\$1,332,815
Estimated Percentage Applicable	15.56%
Total Overlapping Debt	\$207,340
Total Direct and Overlapping Debt	<u>\$287,385</u>

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

⁽²⁾ 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 ⁽¹⁾	Expenditures per F.T.E. Student ⁽²⁾
2012-13	182	14,874	177,793	\$6,605
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

⁽¹⁾ Unweighted, includes adults.

⁽²⁾ 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 2008-09 through 2012-13 was as follows:

School District of Palm Beach, Florida
Profile of Enrollments – Unweighted Full-Time Equivalent Students⁽¹⁾
2008-09 – 2012-13

	<u>2008-09</u>	<u>2009-20</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13⁽²⁾</u>
Grades K-3	43,954	45,052	44,719	45,516	46,724
Grades 4-8	61,098	60,903	61,664	62,089	62,330
Grades 9-12	43,784	44,943	45,149	46,120	49,702
Exceptional Education	1,387	1,337	1,423	1,505	1,490
Vocational Education	5,226	5,060	4,947	4,968	1,726
At Risk Programs	<u>14,105</u>	<u>14,427</u>	<u>14,927</u>	<u>14,885</u>	<u>15,821</u>
Total	<u>169,554</u>	<u>171,722</u>	<u>172,829</u>	<u>175,083</u>	<u>177,793</u>
Percentage Change	0.16%	1.28%	0.64%	1.30%	1.55%

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

⁽²⁾ As of April 19, 2013, 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>
2012-13	Tax Anticipation Notes, Series 2012	\$115,000,000
2011-12	Tax Anticipation Notes, Series 2011	115,000,000
2010-11	Tax Anticipation Notes, Series 2010	115,000,000
2009-10	Tax Anticipation Notes, Series 2009	85,000,000
2008-09	Tax Anticipation Notes, Series 2008	85,000,000

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 could be reduced to certain constitutional class size maximums by the beginning of the 2010 school year. Amendment 9 and Section 1003.03, Florida Statutes, which implements Amendment 9 are referred to herein as the “Class Size Legislation.”

The Class Size Legislation established constitutional class size maximums limiting students per class to no more than 18 for pre-kindergarten through 3rd grade, 22 for grades 4 through 8 and 25 for grades 9 through 12. Such legislation generally provided for a phased-in compliance which would be determined on a school-by-school basis through and including Fiscal Year 2009-10, with final compliance on an individual classroom basis beginning in Fiscal Year 2010-11. In the event a school district is not in compliance with such requirements, the legislation provides that the State will 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 2012 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 2013-2014 at the October 2013 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.

Reading Mandate

The 2012 Legislature mandated that all elementary schools which are determined to be among the lowest 100 schools in the State for reading performance must provide an additional hour of reading instruction beyond the normal school day. The State has provided an additional \$3.4 million in reading and supplemental academic instructional categorical funds. With the recent release of school grades, the State has determined that 16 District schools fall into the low 100 designation. One additional school also has an extended day for Fiscal Year 2013, because it is sharing a campus with one of the affected schools, while the school is being replaced. The cost of implementing an additional hour of reading at the 16 schools is \$5.8 million. The District has redirected \$2.4 million to cover the funding shortfall. Grant funding is being utilized for the 17th school’s extended day.

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 2013-2014 is expected to be adopted by the Board on September 11, 2013. 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 2011-12 and 2012-2013 were \$99,432,989 and \$187,319,642, respectively, and is budgeted at \$259,155,415 for fiscal year 2013-14.

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 \$202,703,933 and \$206,593,660 for fiscal years 2011-12 and 2012-13, respectively, and is budgeted at \$217,084,374 for fiscal year 2013-14.

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, increased by over 2,000 for fiscal year 2010, increased 1,000 for fiscal year 2011, and increased by 2,700 for fiscal year 2012. Student enrollment for fiscal year 2013 is 177,793, 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 2013-14, local property taxes will provide 62.9% 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 \$7.320 million and \$10.436 million in Florida School Recognition Program revenues for fiscal years 2011-12 and 2012-13, respectively, and the District budgeted \$10.436 million in Florida School Recognition Program revenues for fiscal year 2013-14. The District received \$600,592 in Discretionary Lottery revenues for fiscal year 2011-12, none in 2012-13, and the District has budgeted no Discretionary Lottery revenues for fiscal year 2013-14.

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 the millage certified by the Commissioner of the State of Florida Department of Education as the “required local effort,” which is set each year by the State Legislature.

In addition to the “required local effort,” school districts are entitled to levy 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, 2014, the District’s operating discretionary millage and capital outlay discretionary millage are budgeted to be 0.7270 mills and 0.0210 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 2013-14:

<u>Operating Millage</u>	<u>District Levy</u>	<u>Description</u>	<u>Max</u>
Required Local Effort	5.088 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	5.088 mills
Current Operating Discretionary Millage	0.727 mills	Non-voted; not to exceed amount established annually by the State Legislature	0.727 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 \$814,334 and \$893,601 in fiscal years 2011-12 and 2012-13, respectively, and are budgeted at \$797,000 for fiscal year 2013-14. Federal funds through the State totaled \$7,302,940 and \$6,300,427 in fiscal years 2011-12 and 2012-13, respectively, and are budgeted to be \$6,100,000 in fiscal year 2013-14.

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, 2012.”

The following table summarizes results of operations for the general fund of the District for the fiscal years ended June 30, 2010, through June 30, 2013, and the budgeted results of operations for the fiscal year ending June 30, 2014.

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>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013⁽¹⁾</u>	<u>2014</u>
Beginning Fund Balance:	\$92.4	\$97.1	\$186.9	\$166.7	\$133.3
Revenues:					
Local Sources and Other Financing Sources:					
Ad Valorem Taxes	\$873.4	\$859.2	\$846.7	\$802.1	\$814.2
Interest Income and Other	\$1.5	\$8.7	\$3.4	\$3.1	\$3.5
Other Revenue	\$54.6	\$55.0	\$56.0	\$53.5	45.8
Transfers In	<u>\$83.8</u>	<u>\$89.8</u>	<u>\$89.2</u>	<u>\$87.0</u>	<u>84.9</u>
Total Local Sources and Other Financing Sources:	<u>\$1,013.3</u>	<u>\$1,012.7</u>	<u>\$995.3</u>	<u>\$945.7</u>	<u>\$948.4</u>
State Sources:					
FL Educ. Finance Pro. & Lottery	\$62.1	\$123.9	\$98.8	\$187.3	\$259.2
Categorical Grants	\$222.7	\$206.2	\$211.7	\$217.0	\$217.3
Other	<u>\$0.9</u>	<u>\$21.5</u>	<u>\$21.5</u>	<u>\$23.3</u>	<u>\$22.8</u>
Total State Sources	<u>\$285.7</u>	<u>\$351.6</u>	<u>\$332.0</u>	<u>\$427.6</u>	<u>\$499.3</u>
Federal Sources	<u>\$5.9</u>	<u>\$6.3</u>	<u>\$6.5</u>	<u>\$7.2</u>	<u>\$6.9</u>
Total Revenues	<u>\$1,304.9</u>	<u>\$1,370.6</u>	<u>\$1,333.8</u>	<u>\$1,380.5</u>	<u>\$1,454.6</u>
Adjustments to Fund Balance					
Total Rev. & Fund Balance	<u>\$1,397.3</u>	<u>\$1,467.7</u>	<u>\$1,520.7</u>	<u>\$1,547.2</u>	<u>\$1,587.9</u>
Expenditures:					
Salaries	\$788.8	\$748.9	\$842.7	\$880.8	\$910.8
Employee Benefits	\$244.2	\$245.7	\$255.0	\$255.1	\$290.8
Purchased Services and other	\$259.9	\$286.1	\$256.3	\$278.0	\$338.2
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>\$1,292.9</u>	<u>\$1,280.7</u>	<u>\$1,354.0</u>	<u>\$1,413.9</u>	<u>\$1,539.8</u>
Excess of Revenues Over (Under) Expenditures	\$12.0	\$89.9	(\$20.2)	(\$33.4)	(\$85.2)
Ending Fund Balance					
Nonspendable	\$14.8	\$12.5	\$5.7	\$11.3	\$0.0
Restricted	\$13.2	\$17.1	\$23.3	\$27.8	\$0.0
Committed	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Assigned	\$24.7	\$102.7	\$86.6	\$49.8	\$0.0
Unassigned	\$44.4	\$54.6	\$51.1	\$44.4	\$46.2
Total Fund Balance	<u>\$97.1</u>	<u>\$186.9</u>	<u>\$166.7</u>	<u>\$133.3</u>	<u>\$46.2</u>
Total Expenditures & Fund Balance	<u>\$1,390.0</u>	<u>\$1,467.6</u>	<u>\$1,520.7</u>	<u>\$1,547.2</u>	<u>\$1,586.0</u>

⁽¹⁾ Unaudited.

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

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

	Jul-12 Actual	Aug-12 Actual	Sep-12 Actual	Oct-12 Actual	Through Nov 22 Actual	After Nov 22 Actual	Dec-12 Actual	Jan-13 Actual	Feb-13 Actual	Mar-13 Actual	Apr-13 Actual	May-13 Actual	Jun-13 Actual	Total
*Beginning C&I Balance	249,551	214,761	153,798	236,192	161,090	78,224	159,582	657,943	479,057	462,392	419,346	367,717	325,638	
Receipts:														
Federal Revenues														
Medicaid	26	-	1,083	-	4	-	1,895	57	33	978	38	45	2,141	6,300
ROTC	-	14	15	146	-	64	125	59	62	70	110	66	163	894
State Revenues:														
FL Ed. Finance Program	18,332	16,159	16,159	16,159	-	16,159	16,159	13,896	13,896	13,896	13,896	16,306	16,303	187,320
Instructional Material	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lottery	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
School Recognition Funds	-	-	-	-	-	-	-	-	10,436	-	-	-	-	10,436
Class Size Reduction	16,497	16,497	16,497	16,497	-	16,497	16,497	16,634	18,072	18,072	18,072	18,072	18,690	206,594
Other State Revenues	1,654	1,684	1,730	2,007	-	1,991	1,916	1,987	1,895	1,941	1,875	1,891	2,684	23,255
Local Revenues:														
AD Valorem Tax	22,464	3,997	808	-	10,940	50,151	561,380	39,886	11,776	48,457	33,991	16,464	-	800,314
Interest	(212)	51	33	29	19	19	107	102	82	79	84	75	55	523
Other Local Revenues	3,776	6,657	2,585	4,724	2,655	2,656	4,493	5,941	4,022	7,130	2,812	4,972	1,743	54,166
Loss Recoveries	135	136	1,570	419	142	142	55	141	132	225	300	95	617	4,109
Transfers In	230	231	18,019	6,154	6,155	251	6,408	6,234	6,229	6,228	6,341	14,362	6,330	83,172
2012 Note Proceeds	-	-	115,110	-	-	-	-	-	-	-	-	-	-	115,110
Total Receipts	62,902	45,426	173,609	46,135	19,915	87,930	609,035	84,937	66,635	97,076	77,519	72,348	48,726	1,492,193
Disbursements:														
Salaries	60,577	78,462	57,101	69,039	66,666	-	68,391	100,009	43,469	93,322	80,581	69,196	92,503	879,316
Benefits	14,476	7,571	14,956	23,712	18,042	-	19,911	20,831	21,430	23,171	27,392	19,248	42,964	253,704
Vendors	22,639	20,356	19,158	28,486	18,073	6,572	22,372	27,873	18,401	23,629	21,175	25,983	24,654	279,371
Transfers Out	-	-	-	-	-	-	-	-	-	-	-	-	29	29
2012 Note Payment	-	-	-	-	-	-	-	115,110	-	-	-	-	-	115,110
Total Disbursements	97,692	106,389	91,215	121,237	102,781	6,572	110,674	263,823	83,300	140,122	129,148	114,427	160,150	1,527,530
Ending C&I Balance	214,761	153,798	236,192	161,090	78,224	159,582	657,943	479,057	462,392	419,346	367,717	325,638	214,214	
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	
Total Balance	150,054	89,091	171,485	96,383	13,517	94,875	593,236	414,350	397,685	354,639	303,010	260,931	149,507	

The School Board of Palm Beach County
General Fund Cash Flow
Fiscal Year July 1, 2013 Through June 30, 2014

	Jul-13 Projected	Aug-13 Projected	Sep-13 Projected	Oct-13 Projected	Through Nov 22 Projected	After Nov 22 Projected	Dec-13 Projected	Jan-14 Projected	Feb-14 Projected	Mar-14 Projected	Apr-14 Projected	May-14 Projected	Jun-14 Projected	Total
*Beginning C&I Balance	214,214	136,017	81,776	140,796	86,111	45,189	77,714	570,272	420,015	371,399	345,501	301,201	258,408	
Receipts:														
Federal Revenues														
Medicaid	9	2	-	4	-	1,198	1,717	22	22	58	-	2,590	478	6,100
ROTC	-	50	82	55	-	51	41	98	50	50	128	61	131	797
State Revenues:														
FL Ed. Finance Program	21,596	21,596	21,596	21,596	10,798	10,798	21,596	21,596	21,596	21,596	21,596	21,596	21,599	259,155
Instructional Material	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lottery	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
School Recognition Funds	-	-	-	-	-	-	-	-	10,436	-	-	-	-	10,436
Class Size Reduction	17,221	17,221	17,221	17,221	-	17,221	17,221	17,221	17,221	17,221	17,221	17,221	17,218	206,649
Other State Revenues	1,924	1,924	1,924	1,924	957	957	1,924	1,924	1,924	1,924	1,924	1,924	1,939	23,093
Local Revenues:														
AD Valorem Tax	-	4,184	846	-	11,452	52,497	587,644	41,752	12,327	50,724	35,581	17,234	-	814,242
Interest	53	53	53	53	-	53	53	53	53	53	53	53	57	640
Other Local Revenues	4,054	4,054	4,054	4,054	-	4,054	4,054	4,054	4,054	4,054	4,054	4,054	4,050	48,644
Loss Recoveries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers In	235	236	18,382	6,278	6,279	256	6,537	6,360	6,355	6,354	6,469	14,651	6,458	84,848
2013 Note Proceeds	-	-	115,000	-	-	-	-	-	-	-	-	-	-	115,000
Total Receipts	45,092	49,320	179,158	51,185	29,486	87,085	640,787	93,080	74,037	102,034	87,026	79,385	51,930	1,569,604
Disbursements:														
Salaries	74,014	74,014	74,014	51,603	35,245	35,245	104,673	68,767	69,103	76,395	68,592	71,019	108,106	910,790
Benefits	16,462	8,609	17,007	26,964	10,258	10,258	22,642	23,688	24,369	26,349	31,149	21,888	51,146	290,790
Vendors	32,813	20,938	29,117	27,302	24,905	9,057	20,915	35,771	29,182	25,187	31,585	29,271	22,181	338,222
Transfers Out	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2013 Note Payment	-	-	-	-	-	-	-	115,110	-	-	-	-	-	115,110
Total Disbursements	123,289	103,561	120,138	105,870	70,408	54,560	148,230	243,336	122,654	127,932	131,326	122,178	181,432	1,654,912
Ending C&I Balance	136,017	81,776	140,796	86,111	45,189	77,714	570,272	420,015	371,399	345,501	301,201	258,408	128,906	
LESS: Working Capital Reserve	70,621	70,621	70,621	70,621	70,621	70,621	70,621	70,621	70,621	70,621	70,621	70,621	70,621	
Total Balance	65,396	11,155	70,175	15,490	(25,432)	7,093	499,651	349,394	300,778	274,880	230,580	187,787	58,285	

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 2010-11, the District’s unreserved General Fund balance was 3.98% of General Fund Revenues and in fiscal year 2011-12 the District’s unreserved General Fund balance was 3.38% of General Fund Revenues. Based on unaudited numbers, the District’s unreserved General Fund Balance for Fiscal Year 2012-13 was 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, 2012, are included as “APPENDIX B – BASIC FINANCIAL STATEMENTS OF THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA FOR THE FISCAL YEAR ENDED JUNE 30, 2012” 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, 2012 and June 30, 2013, the District contributed \$44,838,000 and \$50,190,000, 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, 2012 and June 30, 2013, the District contributed \$8,575 and \$9,698, respectively. See Note 12 in “APPENDIX B – BASIC FINANCIAL STATEMENTS OF THE SCHOOL

BOARD OF PALM BEACH COUNTY, FLORIDA FOR THE FISCAL YEAR ENDED JUNE 30, 2012” for additional information regarding the retirement plans.

During its 2011 regular session, the State Legislature adopted legislation that made significant changes to the FRS with respect to employee contributions and employer contributions, among other things. Effective July 1, 2011, all members of FRS are 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 9.85% to 20.92% 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.

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 be 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 million. The calculation of the accrued actuarial liability and the ARC is, by definition and necessity, based upon a number of assumptions, including interest rate on investments, average retirement age, life expectancy, healthcare costs per employee and insurance premiums, many of which factors are subject to future economic and demographic variations. The Actuary also calculated the District’s net, end-of-year

OPEB obligation to be \$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 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.

Constitutional Amendments Affecting Ad Valorem Taxes

Save Our Homes Amendment. By voter referendum held on November 2, 1992, Article VII, Section 4 of the Florida Constitution was amended by adding thereto a subsection which, in effect, limits the increases in assessed just value of homestead property to the lesser of (1) three percent of the assessment for the prior year or (2) the percentage change in the Consumer Price Index for all urban consumers, U.S. City Average, all items 1967=100, or successor reports for the preceding calendar year as initially reported by the United States Department of Labor, Bureau of Labor Statistics. Further, the amendment provides that (1) no assessment shall exceed just value, (2) after any change of ownership of homestead property or upon termination of homestead status such property shall be reassessed at just value as of January 1 of the year following the year of sale or change of status, (3) new homestead property shall be assessed at just value as of January 1 of the year following the establishment of the homestead, and (4) changes, additions, reductions or improvements to homestead shall initially be assessed as provided for by general law, and thereafter as provided in the amendment. The amendment is known as the "Save Our Homes" amendment. The effective date of the amendment was January 5, 1993 and, pursuant to a ruling by the Supreme Court of the State of Florida it began to affect homestead property valuations commencing January 1, 1995 with 1994 assessed values being the base year for determining compliance.

In the November 7, 2006 general election, the voters of Florida approved amendments to the State Constitution, which provide for an increase in the homestead (ad valorem tax) exemption to \$50,000 from \$25,000 for certain low-income seniors effective January 1, 2007 and provide a discount from the amount of ad valorem taxes for certain permanently disabled veterans effective December 7, 2006, respectively.

Recent Legislative Initiatives and Constitutional Amendments Affecting Ad Valorem Taxes

Several amendments to the Florida Constitution affecting Ad Valorem Taxes have been approved by voters in the recent past including the following.

Constitutional amendments related to ad valorem exemptions. On January 29, 2008, in a special election held in conjunction with Florida's presidential primary, the requisite number of voters approved amendments to the State Constitution exempting certain portions of a property's assessed value from taxation. The following is a brief summary of certain important provisions contained in such amendments:

1. Provides for an additional exemption for the assessed value of homestead property between \$50,000 and \$75,000, thus doubling the existing homestead exemption for property with an assessed value equal to or greater than \$75,000. See "AD VALOREM RELATED MATTERS –

Procedure for Property Assessment” for a description of the homestead exemption. This exemption does not apply to school district taxes.

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

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

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

The amendments were effective for the 2008 tax year (2008-2009 fiscal year for local governments). While certain members of the Florida Legislature publicly indicated that they would seek to replace the ad valorem revenues lost by school districts with other revenue sources, the Florida Legislature approved significant budget cuts for education during recent legislative sessions. However, the 2013-2014 State budget does include a slight increase in funding for education.

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

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

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

Local Option Millage Levy are insufficient to make payments under a lease-purchase agreement entered into prior to June 30, 2008, an amount equal to the revenue generated from 0.50 mills of the operating millage levy may be used to make such lease payments.

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

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

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

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

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

Each of the above described amendments was approved by the voters on November 6, 2012. At present, the impact of the amendments on the District’s finances cannot be accurately ascertained. There can be no assurance that similar or additional legislative or other proposals will not be introduced or

enacted in the future that would, or might apply to, or have a material adverse effect upon, the District's finances.

Other Proposals Affecting Ad Valorem Taxation and District Finances

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

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 a n 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 2013:

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

Fiscal Year Ended June 30	Property Taxes Levied	Current Tax Collections ⁽¹⁾	Total Tax Collections ⁽²⁾	Percent of Current Tax Collected To Property Taxes Levied
2013	\$827,754	\$795,917	\$802,185	96.15%
2012	874,150	840,529	847,399	96.15
2011	893,948	848,596	859,191	94.92
2010	908,715	838,198	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

⁽¹⁾ Reflects percentage of current (rather than total) tax collections to taxes levied. Also, such figures are not adjusted to take into account discounts for early payment of property taxes.

⁽²⁾ Collections through June 30, 2013

Source: The School District of Palm Beach County, Florida Comprehensive Annual Financial Report for the Fiscal Year Ending June 30, 2012 for fiscal years ending June 30, 2006-2012. The School District of Palm Beach County, Florida for the Fiscal Year ending June 30, 2013.

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>	<u>2014</u>
General Fund						
Required Local Effort	4.898	5.485	5.656	5.682	5.280	5.088
Discretionary	0.603	0.650	0.928	0.938	0.702	0.727
Additional Voted	<u>0.000</u>	<u>0.000</u>	<u>0.250</u>	<u>0.250</u>	<u>0.250</u>	<u>0.250</u>
Millage Subtotal	5.501	6.135	6.584	6.620	6.232	6.065
Debt Service	0.000	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>	<u>1.521</u>
Total Millage Levy	<u>7.251</u>	<u>7.983</u>	<u>8.154</u>	<u>8.180</u>	<u>7.778</u>	<u>7.586</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 7.3360 nonvoted mills for fiscal year ending June 30, 2014.

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 2004 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

Source: The School District of Palm Beach County, Florida Comprehensive Annual Financial Report for the Fiscal Year Ending June 30, 2012; 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⁽¹⁾</u>	<u>Total Taxable Value for Operating Millages</u>	<u>% Taxable to Total Assessed Value</u>
2014 ⁽³⁾	N/A	\$138,661,345	N/A
2013 ⁽²⁾	\$163,255,148	133,036,113	81.49%
2012	163,284,612	132,258,526	80.82
2011	166,379,429	134,698,184	80.68
2010	189,794,833	148,119,877	78.04

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

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

⁽³⁾ Preliminary (July 1, 2013) 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, 2012 for fiscal years ending June 30, 2010-2012. 2013 figures provided by Palm Beach County, Florida Property Appraiser. 2014 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 September 30, 2012.

**Palm Beach County, Florida
Principal Property Tax Payers
September 30, 2012
(in thousands)**

<u>Taxpayer</u>	<u>Taxes Levied</u>	<u>% of Total Aggregate Tax Levy</u>
Florida Power & Light Company	\$75,124	1.91%
BellSouth	7,250	0.85
Town Center	6,956	0.81
U.S. Sugar Corporation	5,162	0.60
Gardens Venture, LLC	4,584	0.54
Breakers Palm Beach, Inc.	4,391	0.51
Panthers BRHC Ltd.	3,448	0.51
Okeelanta Corporation	3,429	0.40
Comcast of Florida/Georgia LLC	3,283	0.38
Phillips Point II LLC	<u>2,966</u>	<u>0.35</u>
Total	<u>\$116,593</u>	<u>13.63%</u>

Source: The School District of Palm Beach County, Florida Comprehensive Annual Financial Report for the Fiscal Year Ending September 30, 2012.

LITIGATION

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

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

TAX EXEMPTION

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

In the opinion of Note Counsel, assuming the accuracy of certain representations and certifications of the District and continuing compliance by the District with the tax covenants referred to above, under existing statutes, regulations, rulings and court decisions, the interest on the Notes will be excludable from gross income for federal income tax purposes. Furthermore, interest on the Notes will

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

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

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

Possibility of Future Changes in Tax Law

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

Tax Treatment of Note Premium

The Notes were offered at a price in excess of the principal amount thereof. Under the Code, the excess of the cost basis of a note over the amount payable at maturity or earlier call date is generally

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

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

APPROVAL OF LEGALITY

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

The form of the proposed opinion is attached to this Official Statement as “APPENDIX 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, 23rd Floor, New York, New York 10007.

FINANCIAL ADVISOR

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

NOTEHOLDERS’ RISKS

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

In particular, the adequacy of the Pledged Revenues to provide for repayment of the Notes depends upon (1) the ability of taxpayers in the County to pay the ad valorem taxes levied in 2013, (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 Merrill Lynch, Pierce, Fenner & Smith Incorporated (the “Underwriter”) at an aggregate purchase price of \$116,734,200.00 (which represents the \$115,000,000 principal amount of the Notes plus a premium of \$1,734,200.00). The offer of the Underwriter to purchase the Notes provides for the purchase of all of the Notes if any are purchased. The Underwriter re-offered the Notes at a price of 101.508% of the principal amount thereof, resulting in compensation to the Underwriter in the amount of \$1,150. After the initial public offering, the Underwriter may change the offering price from time to time.

CONTINUING DISCLOSURE

On the date of issuance of the Notes, the District will execute a Material Event Notice Certificate in the form attached hereto as “APPENDIX 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 has engaged Digital Assurance Certification, L.L.C. as its dissemination agent, in order to ensure ongoing and future compliance with its obligations under the Rule, particularly as it relates to material event filings.

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/ Chuck Shaw
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 A

INFORMATION CONCERNING PALM BEACH COUNTY, FLORIDA

General Information

Palm Beach County (the "County") was founded in 1909 and encompasses an area of 2,578 square miles. It is located on the lower east coast of the Florida peninsula with 46 miles of Atlantic Ocean frontage and 25 miles of frontage on Lake Okeechobee. The County has a semi-tropical climate with an average temperature of 75.3 degrees and an average rainfall of 61.7 inches. These and other natural amenities, including 88 local, State and federal recreational areas of more than 10 acres and 163 golf courses, have enabled the County to develop a year-round tourist industry.

There are 38 municipalities within the County, encompassing a total of 324 square miles, or approximately 16% of the County's area. An estimated 56% of the County's population resides within the municipalities. West Palm Beach is the County seat and is the largest city in the County. The County had a 2012 population of 1,335,415.

Population

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

Population Growth 2003 - 2012

	<u>Palm Beach County</u>		<u>Florida</u>		<u>United States</u>	
<u>Year</u>	<u>Population</u>	<u>Change</u>	<u>Population</u>	<u>Change</u>	<u>Population</u>	<u>Change</u>
2003	1,211,448	1.8%	16,981,183	1.8%	290,326,418	0.9%
2004	1,242,270	2.4	17,375,259	2.3	293,045,739	0.9
2005	1,265,900	1.7	17,783,868	2.4	295,753,151	0.9
2006	1,287,987	0.5	18,088,505	1.7	298,593,212	1.0
2007	1,295,033	0.0	18,277,888	1.0	301,579,895	1.0
2008	1,294,654	0.4	18,423,878	0.8	304,374,846	0.9
2009	1,287,344	1.7	18,537,969	0.6	307,006,550	0.9
2010	1,320,134	2.6	18,801,310	1.4	308,745,538	0.6
2011	1,325,758	0.4	19,057,542	1.3	311,591,917	0.9
2012	1,335,415	0.1				

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

Income

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

Per Capita Personal Income 2001-2011

<u>Year</u>	<u>Palm Beach County</u>			<u>Florida</u>		<u>U.S.</u>
	<u>Dollars</u>	<u>% of Florida</u>	<u>% of U.S.</u>	<u>Dollars</u>	<u>% of U.S.</u>	<u>Dollars</u>
2001	\$44,016	147.6%	141.3%	\$29,809	95.7%	\$31,157
2002	44,832	147.1	142.4	30,462	96.8	31,481
2003	44,740	143.2	138.5	31,241	96.7	32,295
2004	48,994	146.4	144.5	33,463	98.7	33,909
2005	51,693	145.6	145.8	35,489	100.1	35,452
2006	56,665	149.1	150.2	37,996	101.7	37,725
2007	59,768	152.3	151.3	39,256	99.4	39,506
2008	60,909	152.4	148.8	39,958	97.6	40,947
2009	57,461	153.7	147.9	37,387	96.2	38,846
2010	52,526	137.4	131.5	38,222	95.7	39,945
2011	N/A	N/A	N/A	39,563	94.9	41,663

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

Note: Data for 2011 for the County is not available.

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

Palm Beach County Population Distribution by Age Group 1990-2015

<u>Age Group</u>	<u>1990</u>	<u>2000</u>	<u>2010⁽¹⁾</u>	<u>2015⁽²⁾</u>
0-19	21.7%	23.4%	23.0%	22.7%
20-34	21.3%	16.3%	16.7%	17.4%
35-54	22.9%	27.7%	26.7%	25.5%
55-64	9.8%	9.6%	11.9%	13.3%
65+	24.3%	23.1%	22.8%	21.0%

Source: Business Development Board of Palm Beach County, Florida.

⁽¹⁾ Estimated.

⁽²⁾ Projected.

Employment

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

Palm Beach County, Florida Employment Distribution by Major Industry 2006-2011

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Manufacturing	20,400	19,200	18,300	16,300	15,000	14,700
Contract Construction	47,100	45,500	36,100	27,500	24,000	23,000
Transportation	10,000	10,300	10,300	9,600	8,000	8,800
Trade	96,300	97,600	95,100	88,500	87,000	88,900
Finance	40,600	40,700	38,900	34,900	35,000	35,900
Services	305,600	308,100	277,300	261,300	265,000	270,100
Government	65,700	65,500	67,200	66,700	66,000	62,500
<u>Total</u>	585,700	586,900	547,208	504,800	500,000	503,900

Source: Florida Department of Labor and Employment Security, Division of Employment Security (not seasonally adjusted).

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

Palm Beach County Annual Average Labor Force and Unemployment Estimates 2003-2012

<u>Year</u>	<u>Civilian</u> <u>Labor Force</u>	<u>Unemployment Rates</u>		
		<u>Palm Beach</u> <u>County</u>	<u>Florida</u>	<u>United States</u>
2003	584,597	5.6%	5.1%	6.0%
2004	596,059	5.2	4.7	5.7
2005	616,401	4.2	3.8	5.1
2006	631,038	3.6	3.3	4.6
2007	639,916	4.3	4.0	4.6
2008	628,273	6.5	6.2	5.8
2009	619,344	10.8	10.5	9.3
2010	618,694	11.7	11.6	9.6
2011	620,081	10.7	10.5	9.0
2012 ⁽¹⁾	618,855	9.2	8.9	8.3

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

⁽¹⁾ Preliminary. Average through August 2012 (not seasonally adjusted)

Largest Private Employers

The following table shows employment at the ten largest private employers in the County for the Fiscal Year ended September 30, 2012.

	<u>No. of Employees</u>
Tenet Healthcare Corp.....	6,100
NextEra Energy (Florida Power & Light)	3,635
G4s (Wackenhut Corporation)	3,658
Hospital Corporation of America	2,714
Bethesda Memorial Hospital	2,391
Office Depot	2,250
Boca Raton Community Hospital.....	2,250
Veterans Health Administration	2,207
Boca Raton Resort & Club	1,800
Breakers Hotel – Palm Beach.....	1,800

Source: Palm Beach County Business Development Board.

Principal Property Taxpayers

The following table shows the principal property taxpayers in the County in 2012.

<u>Taxpayer</u>	<u>Total Tax</u> (in thousands)	<u>Rank</u>	<u>Percent of Total Taxes Levied</u>
Florida Power & Light	\$75,124	1	8.79%
BellSouth Telecommunications	7,250	2	0.85
Town Center	6,956	3	0.81
U.S. Sugar Corporation	5,162	4	0.60
Gardens Venture LLC	4,585	5	0.54
Breakers Palm Beach, Inc.	4,391	6	0.51
Panthers BRHC Ltd.	3,475	7	0.40
Okeelanta Corporation	3,429	8	0.40
Comcast of Florida Georgia LLC	3,284	9	0.38
Phillips Point II LLC	2,967	10	0.35
<u>TOTAL</u>	<u>\$116,597</u>		<u>13.63%</u>

Source: Palm Beach County, Office of the Tax Collector.

Tourism

Visitors to the Palm Beaches have a significant economic impact on the County. According to the Florida Department of Business and Professional Regulation, there are 231 licensed hotels and motels in the County, having a total of over 15,000 rooms. The Tourism Development Council of Palm Beach County estimates that approximately 4.5 million people visit the County annually and spend approximately \$1.3 billion.

Aerospace

The County has significant aerospace engineering and manufacturing facilities. Pratt & Whitney employs approximately 850 at its two West Palm Beach facilities. Pratt & Whitney is a world leader in the design, manufacture and service of aircraft engines, industrial gas turbines, and space propulsion systems. Sikorsky Aircraft Corporation, a sister company of Pratt & Whitney, manufactures helicopters at its Florida Assembly and Flight Test Operations Center in northern Palm Beach County.

Agriculture

Agriculture, together with the related service industries, are the leading sources of income for the County's residents. In 2010-2011, the 459,865 acres dedicated to agriculture represented 36 percent of the County's total land mass. The "Glades" region of the County is one of the nation's most productive agricultural areas. Palm Beach County is the largest agricultural county in Florida and the fourth largest in the United States, with annual sales in excess of \$2 billion. The County ranks third in Florida in nursery production with estimated sales of \$200 million, and leads the State in agricultural wages and salary with over \$347 million. Palm Beach County leads the State in the production of rice, lettuce, radishes, and celery.

Bio-Technology & Manufacturing

Electronics and other high tech products also play an important role in the County's local economy. The arrival of Scripps Research Institute ("Scripps") and the Max Planck Florida Institute is providing a boost to the area's technology industry. These two internationally recognized research institutes anchor an eight million square foot Bioscience Cluster in Northern Palm Beach County. A "cluster of related bio-tech businesses will form a hub around Scripps, strengthening the County's position as a leader in this industry.

Construction

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

Property Value of Building Permits Issued and Construction Last Ten Fiscal Years
(amounts expressed in thousands)

<u>Fiscal Year</u>	<u>Commercial Construction</u> ⁽¹⁾		<u>Residential Construction</u> ⁽¹⁾	
	Commercial and Public Building <u>Valuation</u>	Other <u>Valuation</u> ⁽²⁾	Single and Multi-Family <u>Units</u>	Residential <u>Valuation</u>
2003	\$85,738	\$351,562	3,483	\$465,791
2004	139,777	272,255	5,184	1,011,437
2005	91,537	471,841	4,414	1,191,043
2006	190,414	654,135	7,806	1,068,926
2007	192,791	568,717	2,264	504,192
2008	167,621	376,894	1,196	340,385
2009	185,484	331,606	634	186,886
2010	118,420	266,392	768	215,254
2011	118,137	188,835	1,049	278,202
2012	166,583	140,035	1,580	411,211

⁽¹⁾ Palm Beach County Planning, Zoning and Building. Data represents the unincorporated area of Palm Beach County.

⁽²⁾ Includes hotels, motels, cabins, mobile home parks, and non-residential alterations and additions.

Source: The School District of Palm Beach, Florida Comprehensive Annual Financial Report for Fiscal Year ended June 30, 2012

Banking and Property Values

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

**Bank Deposits and Property Values in Palm Beach County, Florida
2003-2012**
(amounts expressed in thousands)

<u>Fiscal Year</u>	<u>Bank Deposits</u>		<u>Property Values</u>			
	<u>Commercial</u>	Savings and <u>Loans</u>	<u>Commercial</u>	<u>Residential</u>	<u>Government</u>	<u>Total Value</u>
2003	15,856,000	11,543,000	18,100,581	84,268,815	4,600,300	106,969,696
2004	18,173,000	12,815,000	19,533,667	97,806,780	4,996,862	122,337,309
2005	20,201,000	14,270,000	21,415,633	115,518,819	5,369,972	142,304,424
2006	21,335,000	15,585,000	24,661,710	141,606,809	6,329,122	172,597,641
2007	25,313,000	12,603,000	31,123,445	186,122,863	7,683,455	224,929,763
2008	26,760,000	9,501,000	33,559,342	186,691,396	7,971,919	228,222,657
2009	31,813,000	7,217,000	34,630,140	171,730,204	8,694,043	215,054,387
2010	32,093,000	6,499,000	33,102,719	138,064,954	8,722,186	179,889,858
2011	32,136,000	5,773,000	28,909,178	119,853,487	8,180,089	156,942,754
2012	N/A	N/A	27,681,108	118,197,808	7,979,243	153,858,160

Source: The School District of Palm Beach County, Florida Comprehensive Annual Financial Report for Fiscal Year ended June 30, 2012.

Transportation

Surface transportation is provided in the county by the Florida East Coast and CSX railroads. A network of national, state and local highways, including the Florida Turnpike and Interstate 95, traverse the County. The County operates a bus system (Palm-Tran) and shares in the operations of the Tri-County Commuter Rail System, which serves Miami-Dade and Broward Counties as well as Palm Beach County.

The Port of Palm Beach, the fourth busiest port in Florida with \$7 billion in goods passing through annually, operates ship terminal facilities on approximately 220 acres of land located in Riviera Beach and fronting on Lake Worth. A 33-foot deep channel to the Lake Worth Inlet provides access to the port facilities. Imports consist primarily of bulk cement and Bunker-C petroleum, while exports include sugar products and general cargo bound for the Caribbean and South America. A free trade zone has been designated near the port.

Commercial air service is provided at Palm Beach International Airport (“PBIA”) by fifteen major and commuter airlines. PBIA has 28 aircraft gates with the potential for 24 more at a later time, and includes a 560,000 square foot terminal. The annual volume of passengers enplaning and deplaning at PBIA during the 12 month period ended December, 2010 was 5,887,723 down 1.8% from the previous year. PBIA also serves general aviation traffic, and there are five general aviation airports in the County.

APPENDIX B

**BASIC FINANCIAL STATEMENTS OF
THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA
FOR FISCAL YEAR ENDED JUNE 30, 2012**

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
STATEMENT OF NET POSITION
JUNE 30, 2012
(amounts expressed in thousands)

	Primary Government Governmental Activities	Component Units
ASSETS		
Cash, cash equivalents and investments	\$ 735,498	\$ 13,926
Derivative instrument investments	445	-
Taxes receivable	27,976	
Accounts, deposits and interest receivable	1,168	687
Due from other agencies	25,469	231
Inventories	8,525	
Restricted assets (cash with fiscal agent)	3,115	
Other assets	15,831	1,306
Capital assets:		
Land	341,463	1,800
Construction in progress	16,281	-
Improvements other than buildings	53,665	1,109
Buildings and improvements	4,055,510	10,416
Furniture, fixtures and equipment	130,127	5,554
Motor vehicles	97,526	373
Audio/video materials and software	61,785	1,053
Less accumulated depreciation	(1,129,238)	(7,093)
Total capital assets, net of depreciation	3,627,119	13,212
TOTAL ASSETS	4,445,146	29,362
DEFERRED OUTFLOWS OF RESOURCES		
Accumulated decreases in Fair Value of Hedging Derivatives	138,619	-
LIABILITIES		
Accounts and contracts payable	32,241	3,057
Accrued payroll and payroll deductions	98,300	1,340
Retainage payable on contracts	3,279	-
Deposits payable	142	-
Interest payable	41,380	52
Unearned revenue	1,408	74
Noncurrent liabilities:		
Portion due or payable within one year:		
Bonds payable	4,280	248
Obligation under capital leases	-	93
Liability for compensated absences	14,415	366
Certificates of participation payable	56,535	-
Borrowing-swap upfront payment	517	-
Estimated claims	23,900	-
Portion due or payable after one year:		
Bonds payable	28,252	8,058
Obligation under capital leases	-	231
Liability for compensated absences	163,638	196
Certificates of participation payable	1,775,610	-
Borrowing-swap upfront payment	8,005	-
Derivative instrument - Hedging	138,619	-
Derivative instrument - Investment Liability	61	-
Estimated claims	28,778	-
Other post-employment benefits obligation	78,701	-
TOTAL LIABILITIES	2,498,061	13,715
NET POSITION		
Net Investment in capital assets	1,825,814	4,793
Restricted for:		
Categorical carryover programs	3,063	-
Debt service	66,153	-
Capital projects	219,272	1,428
School food service	23,307	-
Other purposes	23,129	205
Unrestricted (deficit)	(75,034)	9,221
TOTAL NET POSITION	\$ 2,085,704	\$ 15,647

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

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012
(amounts expressed in thousands)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
Instruction	\$ 910,896	\$ 2,591	\$ 299,984	\$ 2,745
Instructional support services	157,679	-	62,705	-
Board	4,806	-	-	-
General administration	9,108	-	2,942	-
School administration	89,247	-	6,221	-
Facilities acquisition and construction	31,494	-	-	4,023
Fiscal services	4,999	-	2,399	-
Food services	66,675	16,814	52,231	-
Central services	12,771	-	456	-
Pupil transportation services	48,105	3,512	26,771	-
Operation of plant	123,043	-	4,466	-
Maintenance of plant	63,250	-	-	-
Administrative technology services	8,096	-	-	-
Community services	30,861	24,349	3,194	-
Interest on long-term debt	81,386	-	-	5,633
Unallocated depreciation expense	109,871	-	-	-
Amortization expense	2,716	-	-	-
Total primary government governmental activities	<u>1,755,003</u>	<u>47,266</u>	<u>461,369</u>	<u>12,401</u>
Component Units:				
Charter schools	<u>\$ 71,791</u>	<u>\$ 1,073</u>	<u>\$ 4,551</u>	<u>\$ 1,486</u>

General revenues:
Taxes:
Property taxes, levied for general purposes
Property taxes, levied for capital projects
Grants and entitlements not restricted to specific programs
Investment earnings
Miscellaneous
Transfers
Total general revenues and transfers
Change in net position
Net Position—beginning
Net Position—ending

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

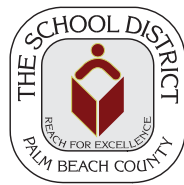
Net (Expense)		Revenue and Changes	
in Net Position			
Primary Government			
Governmental	Component		
Activities	Units		
\$ (605,576)	\$ -		
(94,974)	-		
(4,806)	-		
(6,166)	-		
(83,026)	-		
(27,471)	-		
(2,600)	-		
2,370	-		
(12,315)	-		
(17,822)	-		
(118,577)	-		
(63,250)	-		
(8,096)	-		
(3,318)	-		
(75,753)	-		
(109,871)	-		
(2,716)	-		
<u>(1,233,967)</u>			
-	(64,681)		
846,738	-		
200,551	-		
55,613	64,431		
4,195	29		
41,142	1,162		
6,713	-		
<u>1,154,952</u>	<u>65,622</u>		
(79,015)	941		
2,164,719	14,706		
<u>\$ 2,085,704</u>	<u>\$ 15,647</u>		

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012
(amounts expressed in thousands)

	<u>GENERAL FUND</u>	<u>COPS DEBT SERVICE</u>	<u>CAPITAL IMPROVEMENT</u>
ASSETS			
Cash, cash equivalents and investments	\$ 240,713	\$ 106,204	\$ 76,395
Taxes receivable	22,641	-	5,335
Accounts and interest receivable	1,161	7	-
Due from other agencies	5,164	-	-
Due from other funds	1,500	-	-
Inventories	5,658	-	-
Other assets	-	-	-
Cash with fiscal agent	1,548	-	-
TOTAL ASSETS	<u>278,385</u>	<u>106,211</u>	<u>81,730</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts and contracts payable	13,036	166	4,549
Accrued payroll and payroll deductions	96,177	-	-
Due to other funds	-	-	-
Retainage payable on contracts	-	-	728
Deposits payable	142	-	-
Deferred/Unearned revenue	2,363	-	-
TOTAL LIABILITIES	<u>111,718</u>	<u>166</u>	<u>5,277</u>
FUND BALANCES			
Nonspendable	5,658	-	-
Restricted	23,335	106,045	76,453
Committed	-	-	-
Assigned	86,561	-	-
Unassigned	51,113	-	-
TOTAL FUND BALANCES	<u>166,667</u>	<u>106,045</u>	<u>76,453</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 278,385</u>	<u>\$ 106,211</u>	<u>\$ 81,730</u>

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

COPS	OTHER NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 88,838	\$ 175,379	\$ 687,529
-	-	27,976
-	-	1,168
-	19,101	24,265
-	-	1,500
-	2,867	8,525
-	88	88
-	-	1,548
<u>88,838</u>	<u>197,435</u>	<u>752,599</u>
2,199	9,204	29,154
-	9,901	106,078
-	1,500	1,500
1,409	1,142	3,279
-	-	142
-	5,508	7,871
<u>3,608</u>	<u>27,255</u>	<u>148,024</u>
-	2,867	8,525
85,230	117,267	408,330
-	1,290	1,290
-	48,756	135,317
-	-	51,113
<u>85,230</u>	<u>170,180</u>	<u>604,575</u>
\$ 88,838	\$ 197,435	\$ 752,599



**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2012
(amounts expressed in thousands)**

Total Fund Balances - Governmental Funds \$ 604,575

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

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

Cost of the assets	4,756,357	
Accumulated depreciation	(1,129,238)	
Total capital assets, net of depreciation		3,627,119

Debt issuance charges are reported as expenditures in the governmental funds when first incurred, however, they are included as deferred charges in the governmental activities in the statement of net position. 11,820

Expenditures for insurance extending over more than one accounting period not allocated between or among accounting periods, but accounted for as expenditures of the period of acquisition in the funds. 3,923

Deferred outflow of resources are reported at the fair values of corresponding hedging derivative instruments in the statement of net position. 138,619

Derivative instruments - investment assets reported on the statement of net position. 445

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

Assets	50,740	
Liabilities	15,282	
Net position		35,458

Revenues that have been deferred or unearned in the governmental funds but are recognized as revenue in the governmental-wide financial statements. 6,463

Revenues that are due back to DOE for prior year audits which have not been recorded in the governmental funds but are a reduction to revenue in the governmental-wide financial statements. (1,402)

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

Bonds payable	32,532	
Certificates of participation payable	1,832,145	
Borrowing-swap upfront payment	8,522	
Hedging derivative instruments	138,619	
Derivative Instrument	61	
Compensated absences	170,126	
Long-term claims payable	39,278	
Other post employment benefits	78,653	
Accrued interest on long-term debt	41,380	
		(2,341,316)

Total Net Position - Governmental Activities \$ 2,085,704

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

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012
(amounts expressed in thousands)

	<u>GENERAL FUND</u>	<u>COPS DEBT SERVICE</u>	<u>CAPITAL IMPROVEMENT</u>
REVENUES:			
Local sources:			
Ad valorem taxes	\$ 846,738	\$ -	\$ 200,551
Interest income and other	2,874	146	270
School age child care fees	24,349	-	-
Food service sales	231	-	-
Local grants and other	31,768	-	60
Total local sources	<u>905,960</u>	<u>146</u>	<u>200,881</u>
State sources:			
Florida education finance program	99,433	-	-
Capital outlay and debt service	102	-	-
Food service	-	-	-
Class size reduction	202,704	-	-
State grants and entitlements	29,823	-	-
Total state sources	<u>332,062</u>	<u>-</u>	<u>-</u>
Federal sources:			
Federal grants and entitlements	6,534	-	-
National school lunch act	-	-	-
Total federal sources	<u>6,534</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	<u>1,244,556</u>	<u>146</u>	<u>200,881</u>

EXPENDITURES:

Current:

Instruction	860,220	-	-
Instructional support services	105,299	-	-
Board	4,784	-	-
General administration	5,770	-	-
School administration	90,413	-	-
Facilities acquisition and construction	1,062	-	-
Fiscal services	5,283	-	-
Food services	39	-	-
Central services	12,371	-	-
Pupil transportation services	45,868	-	-
Operation of plant	124,144	-	-
Maintenance of plant	59,048	-	-
Administrative technology services	8,239	-	-
Community services	30,801	-	-
Total Current Expenditures	<u>1,353,341</u>	<u>-</u>	<u>-</u>

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

<u>COPS</u>	<u>OTHER NON-MAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
\$ -	\$ -	\$ 1,047,289
116	306	3,712
-	-	24,349
-	16,583	16,814
-	9,647	41,475
<u>116</u>	<u>26,536</u>	<u>1,133,639</u>
-	-	99,433
-	6,754	6,856
-	952	952
-	-	202,704
-	3,259	33,082
<u>-</u>	<u>10,965</u>	<u>343,027</u>
-	128,839	135,373
-	51,279	51,279
<u>-</u>	<u>180,118</u>	<u>186,652</u>
<u>116</u>	<u>217,619</u>	<u>1,663,318</u>
-	63,900	924,120
-	55,440	160,739
-	-	4,784
-	2,980	8,750
-	205	90,618
-	-	1,062
-	6	5,289
-	66,701	66,740
-	470	12,841
-	2,570	48,438
-	269	124,413
-	-	59,048
-	-	8,239
-	240	31,041
<u>-</u>	<u>192,781</u>	<u>1,546,122</u>

(Continued)

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS - Continued
FOR THE YEAR ENDED JUNE 30, 2012
(amounts expressed in thousands)

	<u>GENERAL FUND</u>	<u>COPS DEBT SERVICE</u>	<u>CAPITAL IMPROVEMENT</u>
Capital outlay	625	-	31,494
Debt service:			
Retirement of principal	-	57,330	-
Interest	49	79,371	-
Fiscal charges	-	2,032	-
TOTAL EXPENDITURES	<u>1,354,015</u>	<u>138,733</u>	<u>31,494</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(109,459)</u>	<u>(138,587)</u>	<u>169,387</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	85,785	146,917	-
Transfers out	(26)	-	(222,228)
Issuance of long-term and refunded debt	-	289,485	-
Net premium (discount) from issuance of long-term and refunded debt	-	9,794	-
Payments to refunded debt escrow agent	-	(305,232)	-
Proceeds of loss recoveries	3,429	-	-
Sale of capital assets and other	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>89,188</u>	<u>140,964</u>	<u>(222,228)</u>
NET CHANGE IN FUND BALANCES	(20,271)	2,377	(52,841)
FUND BALANCES, JULY 1, 2011	<u>186,938</u>	<u>103,668</u>	<u>129,294</u>
FUND BALANCES, JUNE 30, 2012	<u>\$ 166,667</u>	<u>\$ 106,045</u>	<u>\$ 76,453</u>

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

<u>COPS</u>	<u>OTHER NON-MAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
9,638	26,840	68,597
-	4,075	61,405
-	5,301	84,721
-	28	2,060
<u>9,638</u>	<u>229,025</u>	<u>1,762,905</u>
<u>(9,522)</u>	<u>(11,406)</u>	<u>(99,587)</u>
-	129	232,831
-	(3,864)	(226,118)
-	5,820	295,305
-	745	10,539
-	(6,548)	(311,780)
-	-	3,429
-	1	1
<u>-</u>	<u>(3,717)</u>	<u>4,207</u>
(9,522)	(15,123)	(95,380)
<u>94,752</u>	<u>185,303</u>	<u>699,955</u>
<u>\$ 85,230</u>	<u>\$ 170,180</u>	<u>\$ 604,575</u>

(Concluded)

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012
(amounts expressed in thousands)**

Total net change in fund balances - governmental funds \$ (95,380)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense (\$109,871) in excess of capitalized capital outlay (\$38,336) in the current period. (71,535)

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

Issuance Cost Amortization	(2,716)	
Issuance Cost on Current Year Refunding	1,694	
Premium/Discount and Deferred Refunding Amortization	6,762	
Premium on Current Year Issuance	<u>(10,539)</u>	(4,799)

Investment revenue related to derivative instruments reported in the statement of activities that are not reported as revenue in the governmental funds 460

Revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. 6,463

Revenues reported in the governmental funds that were reported as revenue in the statement in activities in the prior year under full accrual. (4,020)

Prior year revenue reduction reported in the governmental wide financial statements under full accrual due to DOE DOE audit adjustment that was reported in the governmental funds in the current year 1,552

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 61,405

COPs refunding proceeds provided current financial resources to governmental funds. COPs refunding payments are expenditures in the governmental funds. The amount by which the refunding payment (\$305,232) exceeded refunding proceeds (\$289,485) in the current period. 15,747

Bonds refunding proceeds provided current financial resources to governmental funds. Bond refunding payments are expenditures in the governmental funds. The amount by which the refunding payment (\$6,548) exceeded refunding proceeds (\$5,820) in the current period. 728

The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net position. (2,292)

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

Prepaid insurance	(263)	
Compensated absences	(5,466)	
Long-term claims payable	4,636	
Other post employment benefits	(9,364)	
Accrued interest on long-term debt	<u>(3,060)</u>	(13,517)

An internal service fund is used by management to charge the costs of maintenance activities and health premiums to individual funds. The net income of the internal service fund is reported with governmental activities. 26,173

Change in net position of governmental activities \$ (79,015)

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

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012
(amounts expressed in thousands)

	Budgeted Amounts		Actual (Budgetary Basis)	Variances - Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
REVENUES:					
Local sources	\$ 891,713	\$ 905,960	\$ 905,960	\$ 14,247	\$ -
State sources	330,989	332,062	332,062	1,073	-
Federal sources	6,159	6,534	6,534	375	-
TOTAL REVENUES	<u>1,228,861</u>	<u>1,244,556</u>	<u>1,244,556</u>	<u>15,695</u>	<u>-</u>
EXPENDITURES:					
Instruction	936,151	934,741	861,311	1,410	73,430
Instructional support services	102,246	110,606	105,348	(8,360)	5,258
Board	6,259	6,640	4,846	(381)	1,794
General administration	5,007	5,946	5,775	(939)	171
School administration	92,539	91,905	90,414	634	1,491
Facilities acquisition and construction	966	1,339	1,062	(373)	277
Fiscal services	5,175	5,503	5,283	(328)	220
Food Services	26	45	39	(19)	6
Central services	14,156	13,184	12,409	972	775
Pupil transportation services	41,949	45,886	45,943	(3,937)	(57)
Operation of plant	123,514	126,755	124,199	(3,241)	2,556
Maintenance of plant	66,105	66,022	59,048	83	6,974
Administrative Technology Services	8,376	8,656	8,239	(280)	417
Community services	39,484	40,827	30,916	(1,343)	9,911
Capital outlay	-	-	625	-	(625)
Debt service	150	150	49	-	101
TOTAL EXPENDITURES	<u>1,442,103</u>	<u>1,458,205</u>	<u>1,355,506</u>	<u>(16,102)</u>	<u>102,699</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(213,242)</u>	<u>(213,649)</u>	<u>(110,950)</u>	<u>(407)</u>	<u>102,699</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	80,945	85,785	85,785	4,840	-
Transfers out	-	(26)	(26)	(26)	-
Proceeds from loss recoveries	-	3,429	3,429	3,429	-
TOTAL OTHER FINANCING SOURCES	<u>80,945</u>	<u>89,188</u>	<u>89,188</u>	<u>8,243</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (132,297)</u>	<u>\$ (124,461)</u>	<u>(21,762)</u>	<u>\$ 7,836</u>	<u>\$ 102,699</u>
FUND BALANCE, JULY 1, 2011 (GAAP BASIS)			<u>186,938</u>		
FUND BALANCE, JUNE 30, 2012 (BUDGETARY BASIS)			165,176		
Adjustment To Conform With GAAP:					
Elimination of encumbrances			<u>1,491</u>		
FUND BALANCE, JUNE 30, 2012 (GAAP BASIS)			<u>\$ 166,667</u>		

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

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2012
(amounts expressed in thousands)

	Governmental Activities
	Internal Service Funds

ASSETS	
Current Assets:	
Cash, cash equivalents and investments	\$ 47,969
Due from other agencies	1,204
Total Current Assets	<u>49,173</u>
Noncurrent Assets:	
Restricted cash	1,567
Total Noncurrent Assets	<u>1,567</u>
Total assets	<u><u>\$ 50,740</u></u>
 LIABILITIES	
Current liabilities:	
Accounts payable	\$ 1,685
Accrued payroll and payroll deductions	29
Total Current Liabilities	<u>1,714</u>
Noncurrent liabilities:	
Portion due or payable within one year:	
Estimated unpaid claims	13,400
Portion due or payable after one year:	
Liability for compensated absences	120
Other post-employment benefits obligation	48
Total Noncurrent Liabilities	<u>13,568</u>
Total liabilities	<u>15,282</u>
 NET POSITION	
Unrestricted	<u><u>\$ 35,458</u></u>

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

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012
(amounts expressed in thousands)**

	Governmental Activities
	Internal Service Funds
OPERATING REVENUES:	
Premium revenue	\$ 193,129
Other operating revenue	5,963
TOTAL OPERATING REVENUES	199,092
OPERATING EXPENSES:	
Salaries	595
Benefits	162
Purchased services	368
Other expenses	171,748
TOTAL OPERATING EXPENSES	172,873
OPERATING INCOME	26,219
NONOPERATING REVENUES:	
Interest and other income	23
Miscellaneous local income	6,644
TOTAL NONOPERATING REVENUES	6,667
INCOME BEFORE OPERATING TRANSFERS	32,886
Transfers Out to General Fund	(6,713)
CHANGE IN NET POSITION	26,173
NET POSITION - Beginning of year	9,285
NET POSITION - End of year	\$ 35,458

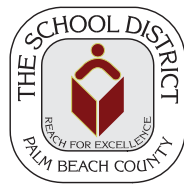
The notes to the financial statements are an integral part of this statement.

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012
(amounts expressed in thousands)

	Governmental Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash receipts from customers and interfund services provided	\$ 193,129
Cash payments to suppliers for goods and services	(171,791)
Cash payments for salaries and benefits	(8,649)
Other receipts	6,056
Net cash provided by operating activities	<u>18,745</u>
CASH FLOWS FROM NONCAPITAL ACTIVITIES:	
Miscellaneous non operating income	6,644
Transfers to other funds	(6,713)
Net cash used by noncapital activities	<u>(69)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest and other income	23
Net cash provided by investing activities	<u>23</u>
Net increase in cash and cash equivalents	18,699
Cash and cash equivalents, beginning of year	<u>30,837</u>
Cash and cash equivalents, end of year*	<u><u>\$ 49,536</u></u>
RECONCILIATION OF OPERATING INCOME TO	
NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating Income	\$ 26,219
Adjustments to reconcile operating income to net cash provided by operating activities:	
Changes in assets and liabilities:	
Decrease in accounts receivable	93
Decrease in salaries and benefits payable	(1,010)
Decrease in payroll tax liabilities	(262)
Increase in accounts payable	325
Decrease in compensated absences and OPEB	(6,620)
Total adjustments	<u>(7,474)</u>
Net cash provided by operating activities	<u><u>\$ 18,745</u></u>

*Includes Restricted Cash

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



THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2012
(amounts expressed in thousands)

	PRIVATE- PURPOSE TRUST FUND FLORIDA FUTURE EDUCATORS OF AMERICA	AGENCY FUND SCHOOL INTERNAL FUNDS
ASSETS		
Cash, cash equivalents and investments	\$ 448	\$ 16,331
Accounts receivable	-	1,265
TOTAL ASSETS	448	\$ 17,596
LIABILITIES		
Accounts payable	-	\$ 277
Due to student organizations	-	17,319
TOTAL LIABILITIES	-	\$ 17,596
NET POSITION		
Held in trust for scholarships	448	
TOTAL NET POSITION	\$ 448	

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

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012
(amounts expressed in thousands)**

	PRIVATE- PURPOSE TRUST FUND FLORIDA FUTURE EDUCATORS OF AMERICA
ADDITIONS	
Donations	\$ 44
Interest	2
TOTAL ADDITIONS	<u>46</u>
DEDUCTIONS	
Scholarship disbursements	<u>63</u>
TOTAL DEDUCTIONS	<u>63</u>
CHANGE IN NET POSITION	(17)
NET POSITION - Beginning of year	<u>465</u>
NET POSITION - End of year	<u><u>\$ 448</u></u>

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

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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

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

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

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

Boca Raton Charter School
269 NE 14th Street
Boca Raton, Florida 33432

Bright Futures Academy
Formerly Bright Futures International
10350 Riverside Drive
Palm Beach Gardens, Florida 33410

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

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

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

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

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

Gardens School of Technology
9153 Roan Lane
Palm Beach Gardens, Florida 33403

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

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

Joseph Littles-Nguzo Saba Charter School
5829 Corporate Way, 2nd Floor
Riviera Beach, Florida 33404

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

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

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

Mavericks HS at Palm Springs
3525 South Congress Avenue
Palm Springs, Florida 33461

Montessori Academy of Early Enrichment
6300 Lake Worth Road
Greenacres, Florida 33463

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

Renaissance Learning Academy
5841 Corporate Way, Suite 101
West Palm Beach, Florida 33407

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

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

Glades Academy
1200 East Main Street
Pahokee, Florida 33476

Gulfstream Goodwill Transition to
L.I.F.E Academy
3800 South Congress Avenue, Suite 12
Boynton Beach, Florida 33437

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

Imagine Schools - Chancellor Campus
3333 High Ridge Road
Boynton Beach, Florida 33426

Riviera Beach Maritime Academy
251 West 11th Street
Riviera Beach, Florida 33404

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

Tomorrow's Promise Community School
Formerly Delray Youth Vocational
601 North Congress Avenue, Suit 110
Delray Beach, Florida 33445

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

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

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

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

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for Fiduciary Funds. Internal Service Fund activity is eliminated to avoid "doubling up" revenues and expenses.

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

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

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

Fund Financial Statements

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

The Governmental Funds are accounted for on the “flow of current financial resources” measurement focus. This measurement focus is based on the concept of accountability, which includes measuring interperiod equity whether current year revenues were sufficient to pay for current year services. The Proprietary Fund is accounted for on an “economic resources” measurement focus. Accordingly, the Statement of Revenues, Expenses and Changes in Fund Net Position for the Proprietary Fund reports increases and decreases in total economic net worth. The private purpose trust fund is reported using the economic resources measurement focus.

GOVERNMENTAL FUNDS

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

General Fund

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

COPS Debt Service Fund

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

Capital Improvement Capital Projects Fund

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

COPS Fund

Certificates of Participation (“COPS”) Capital Projects Fund which accounts for construction projects and equipment purchases financed by the sale of certificates of participation.

Other Non-Major Governmental Funds

The Other Non-Major Governmental Funds are a summarization of all the Non-major Governmental Funds.

PROPRIETARY FUNDS

Proprietary Funds are used to account for ongoing organizations and activities, which are operated and financed in a manner similar to those found in the private sector. The measurement focus is upon the determination of net income. The only Proprietary Funds that the District has are Internal Service Funds. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund’s principal ongoing operations. Operating expenses for Internal Service Funds include salaries, benefits, administrative expenses, and claims paid. All items not meeting this definition are reported as nonoperating revenues and expenses.

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

Internal Service Funds

Internal Service Funds are used to account for the financing of goods and services provided by one department to another on a cost reimbursement basis. The District has one Internal Service Fund for group health, and has elected to close its Maintenance Internal Service Fund on July 1, 2011, discontinuing the separate reporting of the Maintenance Internal Service Fund and instead consolidating the activity within the General Fund.

FIDUCIARY FUNDS

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

Agency Funds

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

Private Purpose Trust Fund

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

BASIS OF ACCOUNTING

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

Modified Accrual

Under the modified accrual basis, revenues are recognized in the accounting period in which they become susceptible to accrual, i.e., both available and measurable. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Significant revenues susceptible to accrual include ad valorem taxes, reimbursable-type grants and interest on investments. The District considers all revenues (with the exception of the expenditure-driven grants) as available if they are collected within sixty (60) days after year-end. The expenditure driven grants are considered available if received within one year from the balance sheet date. Current year property tax revenue is recognized when taxes are received, except at year end when revenue is recognized for taxes received by the District within sixty (60) days subsequent to fiscal year end. Expenditures are recognized in the accounting period in which the liability is incurred. However, exceptions include the amount of unmatured principal and interest on general long-term debt, compensated absences, claims and judgments and certain prepaids which are recognized when due/paid.

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

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met. In all cases, monies received before the revenue recognition criteria have been met are reported as deferred revenue.

Accrual

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

Revenue Recognition

State Revenue Sources – Revenues from State sources for current operations are primarily from the Florida Education Finance Program (“FEFP”), administered by the Florida Department of Education (“FDOE”), under the provisions of Chapter 1011, Florida Statutes. The District files reports on full time equivalent (“FTE”) student membership with the FDOE. The FDOE accumulates information from these reports and calculates the allocation of FEFP funds to the District. After review and verification of FTE reports and supporting documentation, the FDOE may adjust subsequent fiscal period allocations of FEFP funding for prior year errors disclosed by its review. Normally, such adjustments are treated as reductions of revenue in the year the reduction is made, as amounts are not significant.

The District receives revenue from the State to administer certain categorical educational programs. State Board of Education rules require that revenue earmarked for these programs be expended only for the program for which the money is provided and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical educational programs. Any unused money is returned to the FDOE and so recorded in the year returned.

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

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

C. Budgetary Policies

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

Annual budgets are legally adopted for all funds except the Fiduciary Funds. The budget amounts for revenues and expenditures reflect all amendments to the original budget dated September 14, 2011 the date of the final amendment approved by the Board. Significant dates in the budgeting timetable follow:

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

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5. Within 35 days of tax roll certification, the District notifies the Palm Beach County Property Appraiser of proposed millage rates.

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

The major functional level is the legal level of budgetary control. Per Board policy, management is authorized to make budget amendments at function level with Board approval. All interim budget amendments between major functional areas within each fund are submitted to the Board for approval. Federal and State grant budget amendments which require State approval prior to processing are also submitted to the Board for approval with monthly amendments. The Board is not legally authorized to approve expenditures that exceed appropriations; therefore, during fiscal year 2012, budget amendments were approved as necessary to comply with legal requirements.

Unreserved appropriations are cancelled at the end of the fiscal year. However, encumbered appropriations for funds do not lapse at the end of the fiscal year. Restricted, committed and assigned fund balances at June 30, 2012 for funds under budgetary control have been reappropriated for the fiscal year 2013 operating budget within the appropriate fund. Programs restricted for carryover include all State categorical grants required to be expended on specific programs and District approved carryover programs.

D. Encumbrances

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

E. Cash, Cash Equivalents and Investments

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

F. Inventories

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

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G. Prepaid Items

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

H. Capital Assets

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

The District's capitalization levels are \$1,000 on tangible personal property, \$100,000 on building improvements, \$50,000 on improvements other than buildings and \$100,000 on intangible assets. Other costs incurred for repairs and maintenance are expensed as incurred. All reported capital assets except land and construction in progress are depreciated. Depreciation is computed using the straight-line method over the following estimated useful lives:

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

I. Long Term Debt

In the fund-level financial statements, governmental funds report the face amount of debt issued, as well as any premiums (discounts) as other financing sources (uses). Debt issuance costs are reported as debt service expenditures. In the government-wide financial statements, long-term debt is reported as liabilities in the statement of net position. Bond premiums/discounts and issuance cost are amortized over the life of the bonds while deferred loss on advance refundings are amortized over the shorter of the remaining life of the refunded bonds or the life of the new bonds both in a systematic and rational method, which approximates the effective-interest method.

The District enters into interest rate swap agreements to modify interest rates on outstanding debt. The fair value of these instruments is reflected on the government wide financial statements (See Notes 10 and 11).

J. Self Insurance

The District is self insured for portions of its general and automobile liability insurance and workers' compensation. Claim activity (expenditures for general and automobile liability and workers' compensation) is recorded in the governmental fund as payments become due each period. The estimated liability for self-insured risks represents an estimate of the amount to be paid on insurance claims reported and on insurance claims incurred but not reported (See Note 8). Consistent with GAAP guidelines, for the governmental funds, in the fund financial statements, the liability for self-insured risks is considered long-term and therefore, is not a fund liability (except for any amounts due and payable at year end) and represents a reconciling item between the fund level and government-wide presentations.

The District is also self insured for health insurance. The District provides health insurance for its employees and eligible dependents. The estimated liability for self-insured risks represents an estimate of the amount to be paid on insurance claims reported and on insurance claims incurred but not reported (See

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Note 8). Consistent with GAAP guidelines, in the Proprietary Fund financial statements, the liability for self insured risks is recorded under the accrual basis of accounting.

K. Compensated Absences

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

The District uses the vesting method to calculate the compensated absences amounts. The entire compensated absence liability is reported on the government-wide financial statements. The portion related to employees in the Internal Service Fund is recorded at the fund level. The current portion is the amount estimated to be used in the following year. An expenditure is recognized in the governmental fund as payments come due each period, for example, as a result of employee resignations and retirements. Compensated absences not recorded at the fund level represent a reconciling item between the fund level and government-wide presentations.

L. Accounting Estimates

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

M. Impact of Recently Issued Accounting Principles

Recently Issued and Adopted Accounting Pronouncements

In March 2012, the GASB issued Statement 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*. GASB 66 improves accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement is effective for periods beginning after December 15, 2012 although the District elected to early implement statement 62 in fiscal year 2012. The adoption of GASB 66 does not have any impact on the District's financial statements.

Recently Issued Accounting Pronouncements

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

In March 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This Statement is effective for periods beginning after December 15, 2012. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

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In June 2012, the GASB issued Statement 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement 25*. GASB 67 improves financial reporting by state and local governmental pension plans. The requirements of this Statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by the pension plans that are within its scope. This Statement is effective for financial statements for fiscal years beginning after June 15, 2013. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement 27*. GASB 68 improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2014. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

2. AD VALOREM TAXES

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

Property values are assessed as of January 1 each year. The Board levies the property tax at the final budget hearing each year based on the assessed valuation of all non-exempt property. This levy finances the expenditures of the current fiscal year. Tax bills are mailed by the Palm Beach County Tax Collector on November 1 and are due no later than April 1. After this date, taxes become an enforceable lien on property. Discounts of up to four percent are available for early payment. The majority of ad valorem taxes are collected in November and December and remitted to the School Board. Section 197.383, Florida Statutes, requires the Palm Beach County Tax Collector to distribute the taxes collected to each taxing authority at least four times during the first two months after the tax roll comes into the Tax Collector's possession, and at least once per month thereafter. Taxes are considered delinquent if not paid prior to April 1. State law provides for enforcement of collection of taxes by the sale of tax certificates on real property and for levy upon, seizure and sale of personal property after the Palm Beach County Tax Collector initiates a sequence of required procedures resulting in a court order to carry out the action.

The State Legislature prescribes the maximum non-voted millage that may be levied by the Board for each fiscal year. The total millage rate levy was 8.180 mills and the total assessed value on which the 2011-12 levy was based was \$132 billion. Gross taxes levied were approximately \$1.1 billion. Total revenue, net of discounts, was approximately \$1.0 billion. A portion of the taxes levied for the Local Capital Improvement Capital Project Fund, designated for repairs and maintenance programs are transferred to the General Fund as provided by Chapter 1013, Florida Statutes. For fiscal year 2012, the maintenance transfer amounted to approximately \$68.6 million. Additionally, approximately \$7.7 million was transferred for property insurance; approximately \$2.8 million was transferred for charter school capital outlay bringing the total transfer from capital to approximately \$79.1 million.

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3. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

Florida Statutes authorize the deposit of District funds in demand deposits or time deposits of financial institutions approved by the State Treasurer and are defined as public deposits. All District public deposits are held in qualified public depositories pursuant to chapter 280, Florida Statutes, the "Florida Security for Public Deposits Act." Under the Act, all qualified public depositories are required to pledge eligible collateral having a market value equal to or greater than the average daily or monthly balance of all public deposits times the depository's collateral pledging level. The collateral pledging level may range from 50 percent to 125 percent depending upon the depository's financial condition and the length of time that the depository has been established. All collateral must be deposited with the State Treasurer. Any losses to public depositories resulting from insolvency are covered by applicable deposit insurance, sale of securities pledged as collateral and, if necessary, assessment against other qualified public depositories of the same type as the depository in default. All bank balances of the District are fully insured or collateralized. At June 30, 2012, the carrying amount of the District's cash deposits was approximately \$208.2 million and the bank balance was approximately \$221.3 million. The carrying amount of the Agency Fund - School Internal Funds cash deposits was approximately \$16.3 million.

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

Cash Equivalents consist of amounts invested in the Dreyfus Treasury & Agency Cash Mgt Money Market Fund, Federated Government Obligation Money Market Fund, FEITF Funds Government Series Money Market Fund, JP Morgan US Government Money Market Fund, Fidelity Institutional Government Money Market Fund, SBA Florida Prime and the SBA Fund B Surplus Funds Trust Fund (the "Fund B"). As of June 30, 2012, Dreyfus Treasury & Agency Cash Mgt Money Market was rated AAA by Standard and Poors and Aaa by Moody's Investor Service, Federated Government Obligation Money Market Fund was rated Aaa by Standard and Poors and Aaa by Moody's Investor Service, FEITF Funds Government Series Money Market Fund was rated AAA by Standard and Poors, JP Morgan US Government Money Market Fund was rated AAA by Standard and Poors and Aaa by Moody's Investors Service, Fidelity Institutional Government Money Market Fund was rated AAA by Standard and Poors and Aaa by Moody's Investor Service, and the Florida Prime was rated AAAM by Standard and Poors. As of June 30, 2012, Fund B Surplus Funds was not rated by a nationally recognized statistical rating agency.

Investments

The District's investment policy permits investments in the SBA Local Government Surplus Funds Trust Fund, securities of the United States Government, U.S. Government Agencies, Federal instrumentalities, interest bearing time deposit or savings accounts, repurchase agreements, commercial paper, corporate notes, bankers' acceptances, state and/or local government debt, and money market mutual funds. The District's investment advisor used the effective duration method to calculate effective duration measures for the securities held by the District. Besides measuring the sensitivity of the securities market value to changes in interest rates, the effective duration method accounts for any call (early redemption) features which a security may have.

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As of June 30, 2012, the District had the following unrestricted cash and investments and maturities (amounts in thousands):

PORTFOLIO / INVESTMENTS	CARRYING VALUE	EFFECTIVE DURATION
Cash Deposits	\$ 208,215	N/A
Money Market Funds	321,715	N/A
Florida State Board of Administration	10	0.09
Commercial Paper	121,285	N/A
Core Fund Investments		
US Treasury - Notes/Bills	42,491	1.70
Federal Agency - Bond/Notes	34,782	1.77
Corporate Notes	4,452	2.14
Municipal Bonds	2,548	1.24
TOTAL	\$ 735,498	

Interest Rate Risk

To limit exposure to fair value losses resulting from increases in interest rates, the District's Investment Policy limits operating funds to maturities of two years or less. Investments of reserves, project funds, debt proceeds and other non-operating funds ("core funds") shall have a term appropriate to the need for funds and in accordance with debt covenants, but in no event shall exceed five (5) years and the average duration of the funds as a whole may not exceed three (3) years. The District's investments in the Federal Home Loan Bank mature January, 2014. The District's investment in the Federal Home Loan Mortgage Corporation matures between August 2014 and September 2014. The District's investments in the Federal National Mortgage Association mature between August 2013 and May 2027. The District's investments in the Freddie Mac Global mature between October, 2013 and November, 2014. As of June 30, 2012, the District held approximately \$1.2 million in market value of callable securities issued by Federal Instrumentalities which permit the issuer to redeem the securities prior to their original maturity date.

Credit Risk

The District's Investment Policy lists the authorized investment types as well as the minimum allowable credit rating for each investment type. Corporate notes purchased for investment must be issued by corporations organized and operating within the United States or by depository institutions licensed by the United States that have a long term debt rating, at the time of purchase, at a minimum "Aa" by Moody's and a minimum long term debt rating of "AA" by Standard & Poor's ("S&P"). The maximum length to maturity for corporate notes shall be three (3) years from the date of purchase. As of June 30, 2012, the District held \$4.5 million of corporate notes of which had an S&P rating of AA+. All investments in the Federal Home Loan Mortgage Corporation and Federal National Mortgage Association were rated AA+ by S&P. All other rated investments were rated between AA and AA+ by S&P. As of June 30, 2012, the Local Government Investment Pool was rated AAA by S&P. As of June 30, 2012, Fund B was not rated by a nationally recognized statistical rating agency.

Concentration of Credit Risk

The District's Investment Policy specifies the maximum percentage allocation to any single investment type as well as the maximum percentage holding per issuer. Up to 100% of the portfolio may be invested in U.S. Government securities, 80% may be invested in Federal Instrumentalities (US government sponsored

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agencies) with no more than 50% with a single issuer and 50% may be invested in US government agencies with no more than 25% with a single issuer. Corporate Notes are limited to 15% of the portfolio with no more than 5% with a single issuer.

PORTFOLIO / INVESTMENTS	CARRYING VALUE (in thousands)	%
Cash Deposits	\$ 208,215	28.31%
Money Market Funds		
Dreyfus Treasury and Agency	81,521	11.08%
Federated Government Obligation	20,794	2.83%
Fidelity Institutional Government Fund	16,158	2.20%
JP Morgan US Government	92,008	12.51%
FEITF Funds Government Series	111,234	15.12%
Florida State Board of Administration (SBA)	10	0.00%
Commercial Paper		
General Electric CP	1,315	0.18%
PFM Short Term Portfolio CP	119,970	16.31%
Investments in Securities		
US Treasury - Notes/Bills	42,491	5.78%
General Electric Capital Corporation	3,799	0.52%
Procter & Gamble	653	0.09%
Fannie Mae	13,008	1.77%
Farmer Mac	795	0.11%
Freddie Mac	14,141	1.92%
Federal Home Loan Bank	2,506	0.34%
Federal Home Loan Mortgage Corporation	4,332	0.59%
Municipal Bonds	2,548	0.35%
TOTAL	\$ 735,498	100.00%

As of June 30, 2012, all District investments were in compliance with the District's Investment Policy or Debt Management Policy and did not exceed portfolio allocation or issuer maximums.

Custodial Risk

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

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custodian will have the security or money, as appropriate, in hand at the conclusion of the transaction. As of June 30, 2012, the District's investment portfolio was held with a third-party custodian.

4. INVESTMENT DERIVATIVE INSTRUMENTS

The District amended the 2001B/2011B pay fixed interest swap for the first three years (8/1/2011 through 8/1/2014) from a pay fixed 4.59% to a pay fixed 4.48% and receive 70% of USD-LIBOR. After the three year term, the pay fixed rate reverts to 4.59% and the received rate reverts to SIFMA. All critical terms of the rest of the original underlying swap remain the same. The 11 basis point spread between the original 4.59% fixed rate and the amended 4.48% fixed rate results in an investment derivative. At June 30, 2012, the fair value of the 11 basis point spread is approximately \$445,000 in asset position and will amortize to zero by the end of the 3-year term.

In exchange for an upfront premium payment of \$3,010,000 received by the District, the swap counterparty has the right to terminate the 2003B Interest Rate Swap if the 180 day average of the BMA Index exceeds 7.0% in the future. The barrier feature was effective June 2003 and is exercisable anytime until August 2018. Once the barrier option expires the District will be left with a fixed-payer swap that matures on August 2029. Therefore, for accounting and financial reporting purposes, the barrier option derivative instrument is considered an investment derivative instrument. At June 30, 2012, the fair value of the barrier option is approximately \$61,000 in liability position.

The District entered into two swaptions with the 2002D and 2001B certificates with a notional amount of \$116,555,000 and \$162,980,000, respectively. A swaption is a hybrid instrument consisting of three components: an up-front payment (borrowing), time value of the swaption and a forward-starting swap (at-the-market swap). For accounting and financial reporting purposes, the time value component is considered an investment derivative instrument. The 2001B swaption was executed August 1, 2011, upon the execution of the swap, the time value component was eliminated. The counterparty notified the District that the 2002D swap will be executed on August 1, 2012 with a maturity date of August 2028. At June 30, 2012, the fair value of the 2002D swaption is effectively zero. The District sold the remaining 2002D basis swap for \$1,880,000 on February 9, 2012.

5. DUE FROM OTHER AGENCIES

At June 30, 2012, the District had a total of approximately \$25.5 million in "Due from other agencies". Approximately \$15.0 million is due from Federal, State and local governments for various grant programs. Approximately \$3.5 million is due from Medicaid for reimbursement for services performed which is partially recorded as deferred revenue at the fund level. Approximately \$0.9 million is due from telecommunication companies related to reimbursement for E-Rate. Approximately \$1.2 million is due from United Health Care pharmacy rebated. Approximately \$4.1 million is due from Palm Beach County related to Impact Fees which is also recorded as deferred revenue at the fund level. Another \$0.8 million is due from other state and local agencies for miscellaneous items.

6. INTERFUND ACTIVITIES

Due to/from other funds consisted of the following balances at June 30, 2012 (amounts in thousands):

	Interfund Receivables	Interfund Payables
General Fund	\$ 1,500	\$ -
Other Non-Major Governmental Funds	-	1,500
Total Interfund	\$ 1,500	\$ 1,500

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The amount payable by the Other Non-Major Governmental Funds to the General Fund is to cover temporary cash shortages.

Interfund transfers for the year ended June 30, 2012 were as follows (amounts in thousands):

Transfer from:	Transfer to:			
	General Fund	COPS Debt Service	Other Non- Major Governmental Funds	Total
Capital Improvement	\$ 75,208	\$ 146,917	\$ 103	\$ 222,228
General Fund	-	-	26	26
Other Non-Major Governmental Funds	3,864	-	-	3,864
Internal Service Funds	6,713	-	-	6,713
Total	\$ 85,785	\$ 146,917	\$ 129	\$ 232,831

The majority of interfund transfers were for recurring annual operating and debt service expenditures. The internal service fund transfer is related to closing the maintenance internal service fund as of July 1, 2011.

7. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012 is as follows (amounts in thousands):

	Ending Balance June 30, 2011	Additions	Retirements and Transfers	Ending Balance June 30, 2012
<u>Non-Depreciable Assets:</u>				
Land	\$ 342,020	\$ -	\$ 557	\$ 341,463
Construction in Progress	35,316	15,387	34,422	16,281
Total Non-Depreciable Assets	377,336	15,387	34,979	357,744
<u>Depreciable Assets:</u>				
Improvements Other Than Buildings	51,952	1,713	-	53,665
Buildings and Improvements	4,026,961	33,330	4,781	4,055,510
Furniture, Fixtures & Equipment	163,690	9,294	42,857	130,127
Motor Vehicles	98,270	4,143	4,887	97,526
Audio/Video Materials & Software	56,004	8,891	3,110	61,785
Total Depreciable Assets	4,396,877	57,371	55,635	4,398,613
<u>Less Depreciation For:</u>				
Improvements Other Than Buildings	(13,127)	(3,540)	-	(16,667)
Buildings and Improvements	(814,644)	(85,354)	(4,187)	(895,811)
Furniture, Fixtures & Equipment	(126,785)	(11,568)	(41,793)	(96,560)
Motor Vehicles	(65,590)	(7,127)	(4,814)	(67,903)
Audio/Video Materials & Software	(53,121)	(2,282)	(3,106)	(52,297)
Total Accumulated Depreciation	(1,073,267)	(109,871)	(53,900)	(1,129,238)
Capital Assets, Net	\$ 3,700,946	\$ (37,113)	\$ 36,714	\$ 3,627,119

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Depreciation expense for the year ended June 30, 2012 of approximately \$109.9 million was not allocated to specific functions. The District's capital assets essentially serve all functions and as such the depreciation expense is included as a separate line item in the statement of activities.

8. RISK MANAGEMENT

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

The employee health insurance claims liability is based on an analysis performed by management, which is based on historical trends. The auto and general liability and workers compensation claims liability is based on an actuarial evaluation performed by an independent actuary as of June 30, 2012 using a discounted rate factor of 4.0%. The liability consists of claims reported and payable, as well as an estimate for claims incurred but not reported. At June 30, 2012, the liability for insurance claims consisted of approximately \$13.4 million, \$9.0 million and \$30.3 million for employee health, auto and general liability, and workers' compensation, respectively.

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

	Fiscal Year Ended June 30, 2011	Fiscal Year Ended June 30, 2012
Beginning Balance	\$ 58,670	\$ 57,314
Additions:		
Current year claims and changes in estimates	174,451	172,824
Reductions:		
Claim payments	(175,807)	(177,460)
Ending Balance	<u>\$ 57,314</u>	<u>\$ 52,678</u>

The District maintains excess insurance coverage for health care costs. There have been no other significant reductions in insurance coverage. There have been no settlements that exceeded the District's coverage for fiscal years ended June 30, 2010, 2011 and 2012.

9. SHORT-TERM DEBT

Short-term debt activity for the year ended June 30, 2012 was as follows (amounts in thousands):

	Beginning Balance July 1, 2011	Issued	Redeemed	Ending Balance June 30, 2012
Tax anticipation notes	\$ -	\$ 115,000	\$ (115,000)	\$ -
Total short-term debt	<u>\$ -</u>	<u>\$ 115,000</u>	<u>\$ (115,000)</u>	<u>\$ -</u>

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Tax Anticipation Notes

On September 29, 2011 the District issued Tax Anticipation Notes ("TANS"), Series 2011 for \$115.0 million. Note proceeds were used to pay fiscal year 2012 District operating expenditures prior to the receipt of ad valorem taxes. The notes were paid in January 2012.

10. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2012, is as follows (amounts in thousands):

	Beginning Balance June 30, 2011	Additions	Reductions	Ending Balance June 30, 2012	Amounts Due Within One Year
Governmental Activities:					
Bonds and Leases Payable:					
Capital Outlay Bond Issue	\$ 37,215	\$ 5,820	\$ (12,385)	\$ 30,650	\$ 4,280
Certificates of Participation	1,895,708	289,485	(353,190)	1,832,003	56,535
Borrowing-Swap Upfront Payment	8,496	360	(334)	8,522	517
Derivative Instruments-Hedging	69,139	69,480	-	138,619	-
	<u>2,010,558</u>	<u>365,145</u>	<u>(365,909)</u>	<u>2,009,794</u>	<u>61,332</u>
Plus (Less) Issuance Premium (Discount)	34,084	10,539	(9,284)	35,339	-
Less Deferred Amount on Refundings	(26,139)	(9,698)	2,522	(33,315)	-
Total Bonds and Leases Payable	<u>2,018,503</u>	<u>365,986</u>	<u>(372,671)</u>	<u>2,011,818</u>	<u>61,332</u>
Other Liabilities:					
Compensated Absences	179,749	19,678	(21,374)	178,053	14,415
Claims and Judgments:					
Insurance Claims	57,314	172,824	(177,460)	52,678	23,900
Arbitrage	229	-	(229)	-	-
Post Employment Benefits	70,869	13,735	(5,903)	78,701	-
Total Other Liabilities	<u>308,161</u>	<u>206,237</u>	<u>(204,966)</u>	<u>309,432</u>	<u>38,315</u>
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 2,326,664</u>	<u>\$ 572,223</u>	<u>\$ (577,637)</u>	<u>\$ 2,321,250</u>	<u>\$ 99,647</u>

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

State Board of Education Capital Outlay Bond Issues

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

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

Capital Outlay Bond Issues	Date of Issue	Amount Issued	Remaining Interest Rates (Percent)	Final Maturity Date	Debt Outstanding June 30, 2011	Debt Issued	Debt Matured/ Refunded FY 11-12	Debt Outstanding June 30, 2012
COBI 2002-A (1)	4/15/2002	\$ 2,845	4.00% to 5.00%	1/1/2022	\$ 2,080	\$ -	\$ 2,080	\$ -
COBI 2002-B (2)	7/15/2002	6,815	4.00% to 5.375%	1/1/2015	2,775	-	2,775	-
COBI 2003-A (2)	7/15/2003	6,050	3.00% to 4.25%	1/1/2023	4,820	-	4,560	260
COBI 2005-A	5/1/2005	21,200	4.00% to 5.00%	1/1/2017	12,930	-	2,160	10,770
COBI 2005-B	7/1/2005	2,675	5.00%	1/1/2020	2,180	-	240	1,940
COBI 2009-A	9/10/2009	1,655	2.00% to 5.00%	1/1/2019	1,365	-	145	1,220
COBI 2010-A	10/14/2010	9,700	3.00% to 5.00%	1/1/2030	9,275	-	425	8,850
COBI 2010-A	10/14/2010	1,790	4.00% to 5.00%	1/1/2022	1,790	-	-	1,790
COBI 2011-A	12/7/2012	5,820	3.00% to 5.00%	1/1/2023	-	5,820	-	5,820
		<u>\$ 58,550</u>			<u>\$ 37,215</u>	<u>\$ 5,820</u>	<u>\$ 12,385</u>	<u>\$ 30,650</u>

(1) Refunded by COBI 2010-A

(2) Advance refund by COBI 2011-A

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

Year Ended June 30	Principal Capital Outlay Bonds	Interest	Total Principal and Interest
2013	\$ 4,280	\$ 1,612	\$ 5,892
2014	4,485	1,244	5,729
2015	4,220	1,020	5,240
2016	4,185	809	4,994
2017	1,970	600	2,570
2018-2022	6,625	1,829	8,454
2023-2027	3,190	661	3,851
2028-2030	1,695	136	1,831
Total	<u>\$ 30,650</u>	<u>\$ 7,911</u>	<u>\$ 38,561</u>

The District is subject to State Board of Education Administrative Rule 6A-1037(2) that limits the amount of State Board of Education Capital Outlay Bond Issues outstanding to 10% of the non-exempt assessed valuation. At June 30, 2012, the statutory limit for the District was approximately \$13.2 billion, providing additional debt capacity of approximately \$13.2 billion.

Capital Outlay Bond Issue Refunding

On December 7, 2011, the Florida Department of Education issued State Board of Education Capital Outlay Bonds, Series 2011-A (COBI 2011-A). The bonds were issued to advance refund the State Board of Education Capital Outlay Bonds, Series 2002-B (COBI 2002-B) and Series 2003-A (COBI 2003-A). The COBI 2011-A coupon rate ranges from 3.0% to 5.0%. The COBI 2011-A bonds are due on January 1, 2023.

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Certificates of Participation

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

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

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

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

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

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

Certificates	Date of Issue	Amount Issued	Remaining Interest Rates (Percent)	Final Maturity Date	Debt		Debt Issued FY 11-12	Debt Matured FY 11-12	Debt Refunded/Defeased June 30, 2012	Debt		Ground Lease Term
					Outstanding June 30, 2011	Outstanding June 30, 2012				Outstanding June 30, 2012	Outstanding June 30, 2012	
Series 2001A (1)	4/1/2001	\$ 135,500	4.25% to 5.50%	8/1/2011	\$ 495	\$ -	\$ -	\$ 495	\$ -	\$ -	\$ -	8/1/2026
Series 2002A (2)	2/1/2002	115,250	4.00% to 5.375%	8/1/2013	37,045	-	7,130	14,780	15,135	-	15,135	8/1/2018
Series 2002B	3/20/2002	115,350	4.22% Swaprate *	8/1/2027	115,350	-	-	-	115,350	-	115,350	8/1/2027
Series 2002C (3)	5/15/2002	161,090	4.25% to 5.50%	8/1/2012	7,835	-	3,845	-	3,990	-	3,990	7/31/2027
QZAB Series 2002	6/11/2002	950	-	6/11/2016	950	-	-	-	950	-	950	6/11/2016
Series 2002D (4)	12/1/2002	191,215	3.80% to 5.25%	8/1/2028	145,850	-	4,115	141,735	-	-	-	8/1/2028
Series 2002E (5)	9/1/2002	93,350	4.00% to 5.375%	8/1/2016	58,000	-	9,990	-	48,010	-	48,010	6/30/2016
Series 2003A (6)	6/26/2003	60,865	2.75% to 5.00%	8/1/2015	40,480	-	3,280	23,120	14,080	-	14,080	8/1/2027
Series 2003B (7)	6/26/2003	124,295	Variable Est. 3.91% **	8/1/2029	124,295	-	-	-	124,295	-	124,295	8/1/2029
Series 2004A	5/4/2004	103,575	3.50% to 5.00%	8/1/2029	87,300	-	2,955	-	84,345	-	84,345	8/1/2029
QZAB Series 2004	4/30/2004	2,923	-	4/30/2020	2,923	-	-	-	2,923	-	2,923	4/29/2020
Series 2005A (8)	3/22/2005	124,630	3.40% to 5.00%	8/1/2022	123,705	-	200	-	123,505	-	123,505	8/1/2028
QZAB Series 2005	12/15/2005	2,150	-	12/15/2020	2,150	-	-	-	2,150	-	2,150	12/15/2020
Series 2006A	5/25/2006	222,015	4.00% to 5.00%	8/1/2031	199,595	-	6,195	-	193,400	-	193,400	8/1/2031
Series 2007A	2/28/2007	268,545	3.75% to 5.50%	8/1/2031	238,855	-	10,680	-	228,175	-	228,175	8/1/2031
Series 2007B (9)	3/22/2007	119,400	4.429%	8/1/2025	116,225	-	-	116,225	-	-	-	8/1/2032
Series 2007C (10)	3/22/2007	192,310	4.00% to 5.00%	8/1/2027	190,605	-	255	-	190,350	-	190,350	7/31/2027
Series 2007D (11)	5/3/2007	30,485	5.00%	8/1/2015	22,725	-	4,110	-	18,615	-	18,615	6/30/2015
Series 2007E	10/31/2007	147,390	3.625% to 5.00%	8/1/2032	147,390	-	4,080	-	143,310	-	143,310	8/1/2032
QSCB Series 2010	11/15/2010	67,665	5.40%	8/1/2025	67,665	-	-	-	67,665	-	67,665	8/1/2032
Series 2011B (12)	6/29/2011	166,270	1.9% to 5.32%	8/1/2025	166,270	-	-	-	166,270	-	166,270	6/30/2025
Series 2011A (13)	7/13/2011	112,425	4.00% to 5.00%	8/1/2032	-	112,425	-	-	112,425	-	112,425	8/1/2032
Series 2011C (14)	11/15/2011	15,355	1.74%	8/1/2018	-	15,355	-	-	15,355	-	15,355	8/1/2018
Series 2011D (15)	11/15/2011	25,065	2.64%	8/1/2021	-	25,065	-	-	25,065	-	25,065	8/1/2021
Series 2012A (16)	5/15/2012	20,085	5.00%	8/1/2028	-	20,085	-	-	20,085	-	20,085	8/1/2028
Series 2012B (17)	6/29/2012	116,555	5.46%	8/1/2028	-	116,555	-	-	116,555	-	116,555	8/1/2028
		<u>\$ 2,734,708</u>			<u>\$ 1,895,708</u>	<u>\$ 289,485</u>	<u>\$ 57,330</u>	<u>\$ 295,860</u>	<u>\$ 1,832,003</u>			

* 2002B - Variable rate paid to certificate holders based on current market rate. Resets weekly, 1.72% at 6/30/2012

** 2003B - Variable rate paid to certificate holders SIPMA + 65 basis points. Resets weekly, 0.18% at 6/30/2012

*** 2010 QSCB - Average coupon rate before IRS subsidy is 5.45%. Net interest rate with IRS subsidy is .365689%

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- (1) Refunded and partially defeased by Series 2005A and Series 2007C Certificates of Participation.
- (2) Refunded and partially defeased by Series 2005A and Series 2011C Certificates of Participation.
- (3) Refunded and partially defeased by Series 2005A and Series 2007C Certificates of Participation.
- (4) Refunded and partially defeased by Series 2005A and Certificates of Participation. In fiscal year 2012, refunded and defeased by Series 2012A and Series 2012B Certificates of Participation.
- (5) Issued to advance refund and defease a portion of the Series 1995A and Series 1996A Certificates of Participation.
- (6) Refunded and partially defeased by 2011D Certificates of Participation.
- (7) On March 20, 2008, the District converted and remarketed the 2003B (with no change to principal).
- (8) Issued to advance refund and defease a portion the Series 2001A, Series 2002A, Series 2002C and Series 2002D Certificates of Participation. **
- (9) On March 12, 2008, the District converted and remarketed the 2007B resulting in a reduction of principal of \$3,175,000. In fiscal year 2012, refunded and defeased by Series 2011A.
- (10) Issued to advance refund and defease a portion of the Series 2001A and Series 2002C Certificates of Participation. **
- (11) Issued to advance refund and defease a portion of Series 1997A Certificates of Participation. **
- (12) Issued to advance refund and defease a portion of Series 2001B Certificates of Participation. **
- (13) Issued to advance refund and defease Series 2007B Certificates of Participation. **
- (14) Issued to advance refund and defease a portion of Series 2002A Certificates of Participation. **
- (15) Issued to advance refund and defease a portion of Series 2003A Certificates of Participation. **
- (16) Issued to advance refund and defease a portion of Series 2002D Certificates of Participation. **
- (17) Issued to advance refund and defease remaining Series 2002D Certificates of Participation. **

** These refunding issues were done in order to achieve debt service savings. (See Defeased Debt).

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

Due to the economic substance of the issuances of Certificates of Participation as a financing arrangement on behalf of the Board, the financial activities of the Corporation have been blended in with the financial statements of the District. For accounting purposes, due to the blending of the Corporation within the District's financial statements, basic lease payments are reflected as debt service expenditures when payable to Certificate holders. Payment of the outstanding Certificates of Participation is insured through AMBAC Indemnity Corporation. During the year ended June 30, 2012, approximately \$9.6 million was expended for capital outlay in the Certificates of Participation Capital Projects Funds.

All Certificates of Participation issued are subject to arbitrage rebate. At June 30, 2012, the arbitrage liability was zero.

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

Year ended June 30	Series 2002A	Series 2002B	Series 2002C	Series 2002E	Series 2003A	Series 2003B	Series 2004A	Series 2005A	Series 2006A
2013	\$ 7,425	\$ -	\$ 3,990	\$ 10,515	\$ 3,365	\$ -	\$ 3,050	\$ 210	\$ 6,045
2014	7,710	-	-	11,070	3,465	-	3,185	215	6,330
2015	-	-	-	11,665	3,570	-	3,335	220	6,585
2016	-	-	-	12,295	3,680	-	3,495	17,980	6,850
2017	-	-	-	2,465	-	-	3,670	20,960	7,185
2018-2022	-	35,645	-	-	-	3,130	21,100	73,955	41,195
2023-2027	-	64,915	-	-	-	27,850	26,920	9,965	52,380
2028-2032	-	14,790	-	-	-	93,315	19,590	-	66,830
2033-2034	-	-	-	-	-	-	-	-	-
Total	\$ 15,135	\$ 115,350	\$ 3,990	\$ 48,010	\$ 14,080	\$ 124,295	\$ 84,345	\$ 123,505	\$ 193,400

Year ended June 30	Series 2007A	Series 2007C	Series 2007D	Series 2007E	Series 2011A	Series 2011B	Series 2011C	Series 2011D	Series 2012A
2013	\$ 11,155	\$ 775	\$ 4,320	\$ 4,240	\$ -	\$ 1,025	\$ 200	\$ 220	\$ -
2014	11,660	4,990	4,535	4,395	-	1,100	290	320	-
2015	12,205	5,325	4,760	4,585	-	985	8,325	330	-
2016	12,825	920	5,000	4,795	-	1,150	370	340	-
2017	13,455	1,075	-	5,015	-	10,690	4,585	4,205	-
2018-2022	28,595	25,850	-	28,350	17,860	76,105	1,585	19,650	-
2023-2027	21,565	107,020	-	35,755	26,660	75,215	-	-	1,795
2028-2032	116,715	44,395	-	45,635	36,420	-	-	-	18,290
2033-2034	-	-	-	10,540	31,485	-	-	-	-
Total	\$ 228,175	\$ 190,350	\$ 18,615	\$ 143,310	\$ 112,425	\$ 166,270	\$ 15,355	\$ 25,065	\$ 20,085

Year ended June 30	Series 2012B	Series 2002 QZAB	Series 2004 QZAB	Series 2005 QZAB	Series 2010 QSCB	Total Lease Payment	Total Interest	Total Lease Payment & Interest
2013	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 56,535	\$ 84,214	\$ 140,749
2014	4,600	-	-	-	-	63,865	84,364	148,229
2015	4,645	-	-	-	-	66,535	81,377	147,912
2016	85	950	-	-	-	70,735	78,187	148,922
2017	105	-	-	-	-	73,410	74,897	148,307
2018-2022	16,695	-	2,923	2,150	-	394,788	320,546	715,334
2023-2027	31,625	-	-	-	67,665	549,330	211,681	761,011
2028-2032	58,800	-	-	-	-	514,780	65,408	580,188
2033-2034	-	-	-	-	-	42,025	1,048	43,073
Total	\$ 116,555	\$ 950	\$ 2,923	\$ 2,150	\$ 67,665	\$ 1,832,003	\$ 1,001,722	\$ 2,833,725

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Series 2002B is a VRDO or variable rate demand bond obligation. The rates on these certificates are reset weekly, but have been synthetically fixed using interest rate swaps. The District has an underlying standby purchase agreement for a principal commitment up to \$115,350,000 with Dexia Credit Local that expired March 20, 2012. As of August 1, 2011, the District privately placed the 2002B variable rate with JP Morgan. The private placement eliminates the need for liquidity and fixes the interest rate at 70% of LIBOR plus a spread (See Note 16).

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

Defeased Debt

On July 13, 2011, the District issued certificates of participation (Series 2011A) in the amount of \$112.4 million (plus a premium of \$7.7 million) with interest rates ranging from 4.0 to 5.0 percent to refund certificates of participation Series 2007B with interest rate of 4.429 percent, which met the requirements of an in-substance current debt defeasance. The District made a principal payment of \$116.2 million and a call premium payment of \$2.9 million, both are recorded in the fund level financial statements as a payment to escrow agent. As a result of the refunding, the District will increase its total debt service requirement by \$19.8 million, which results in an economic savings (the difference between the present value of the debt service payments on the old and new debt) of \$3.9 million, or 3.4% of the principal amount being refunded. The refunding meets the requirements of an in-substance defeasance and the liability for the refunded certificates was removed from the District's financial statements in the current fiscal year. The certificates of participation Series 2007B were called and subsequently paid off prior to June 30, 2012 and are therefore not included in outstanding defeased debt.

On November 15, 2011, the District issued certificates of participation (Series 2011C) in the amount of \$15.4 million (at par) with interest rate of 1.74 percent to refund certificates of participation Series 2002A with variable interest rate ranging from 4.375 to 5.375 percent, which met the requirements of an in-substance current debt defeasance. The District made a principal reduction payment of \$14.8 million and a call premium payment of \$0.7 million, both are recorded in the fund level financial statements as a payment to escrow agent. As a result of the refunding, the District will decrease its total debt service requirement by \$1.2 million, which results in an economic savings (the difference between the present value of the debt service payments on the old and new debt) of \$1.1 million, or 7.5% of the principal amount being refunded. The refunding meets the requirements of an in-substance defeasance and the liability for the refunded certificates was removed from the District's financial statements in the current fiscal year.

On November 15, 2011, the District issued certificates of participation (Series 2011D) in the amount of \$25.1 million (at par) with interest rate of 2.64 percent to refund certificates of participation Series 2003A with interest rates ranging from 3.55 to 5.00 percent, which met the requirements of an in-substance current debt defeasance. The District made a principal reduction payment of \$23.1 million and a call premium payment of \$2.2 million, both are recorded in the fund level financial statements as a payment to escrow agent. As a result of the refunding, the District will decrease its total debt service requirement by \$1.5 million, which results in an economic savings (the difference between the present value of the debt service payments on the old and new debt) of \$1.3 million, or 5.6% of the principal amount being refunded. The refunding meets the requirements of an in-substance defeasance and the liability for the refunded certificates was removed from the District's financial statements in the current fiscal year.

On May 15, 2012, the District issued certificates of participation (Series 2012A) in the amount of \$20.1 million (plus a premium of \$2.1 million) with interest rate of 5.00 percent to partially refund certificates of

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participation Series 2002D with interest rates ranging from 4.75 to 4.90 percent, which met the requirements of an in-substance current debt defeasance. The District made a principal payment of \$21.7 million and a call premium payment of \$0.5 million, both are recorded in the fund level financial statements as a payment to escrow agent. As a result of the refunding, the District will decrease its total debt service requirement by \$2.1 million, which results in an economic savings (the difference between the present value of the debt service payments on the old and new debt) of \$1.4 million, or 6.2% of the principal amount being refunded. The refunding meets the requirements of an in-substance defeasance and the liability for the refunded certificates was removed from the District's financial statements in the current fiscal year.

On June 29, 2012, the District issued certificates of participation (Series 2012B) in the amount of \$116.6 million (at par) with interest rate of 5.46 percent to refund certificates of participation Series 2002D with interest rates ranging from 5.0 to 5.25 percent, which met the requirements of an in-substance current debt defeasance. The District made a principal payment of \$120.0 million and a call premium payment of \$3.0 million, both are recorded in the fund level financial statements as a payment to escrow agent. As a result of the refunding, the District will increase its total debt service requirement by \$0.6 million, which results in an economic savings (the difference between the present value of the debt service payments on the old and new debt) of \$1.5 million, or 1.2% of the principal amount being refunded. The refunding meets the requirements of an in-substance defeasance and the liability for the refunded certificates was removed from the District's financial statements in the current fiscal year.

In prior years, the District defeased certain certificates of participation by creating separate irrevocable trust funds. New debt has been issued and the proceeds used to purchase U.S. Government Securities that were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments. These investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the financial statements. As of June 30, 2012, the total amount of defeased debt outstanding but removed from the District's financial statements amounted to approximately \$363.2 million.

Certificates of Participation:

<u>Series</u>	<u>Maturities</u>	Thousands <u>Outstanding</u>	<u>Call Date</u>	<u>Defeased by COPS Series</u>
2002A	8/2015 - 8/2018	\$ 27,105	8/1/2012	2005A
2002C	8/2015 - 8/2019	24,880	8/1/2012	2005A
2002D	8/2015 - 8/2020	21,095	8/1/2012	2005A
2002C	8/2013 - 8/2027	110,505	8/1/2012	2007C
2002A	8/2012 - 8/2018	14,780	8/1/2012	2011C
2003A	8/2012 - 8/2021	23,120	8/1/2012	2011D
2002D	8/2012 & 8/2028	21,700	8/1/2012	2012A
2002D	8/2012 - 8/2028	120,035	8/1/2012	2012B
Total Defeased COPS		<u><u>\$ 363,220</u></u>		

Qualified School Construction Bonds

As part of the American Reinvestment and Recovery Act, the District was authorized to issue up to \$67.7 million of Qualified School Construction Bonds (QSCB) for the purpose of new construction. The District chose to modernize two schools (Galaxy Elementary and Gove Elementary). To receive the full benefits associated with the QSCB, the construction must be completed and all costs must be paid by November 15, 2013. The District issued the bonds as Taxable Certificates of Participation through the Build America Bond

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program, also created by the ARRA legislation. The District issued taxable bonds and will receive a federal subsidy from the Treasury department equal to the difference between the taxable and tax-exempt rates. The Certificates were sold to Bank of America during a competitive sale held on November 3, 2010 and closed on November 15, 2010. The par amount was \$67.7 million and the interest rate was 5.40%. The District will pay interest only until 2019 when deposits to the sinking fund begin. The final maturity of the bonds is August 1, 2025. The total interest that will be paid over the life of the bonds is \$53.8 million. A total subsidy of \$51.7 million will be recorded as revenue in the year earned. Therefore, the amount the District will pay net of the federal subsidy is \$2.1 million. In the current year, the District recorded \$3.5 million subsidy as revenue and \$3.7 million as interest expense resulting in a net impact of \$0.2 million.

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

Hedging Derivative Instrument Payments and Hedged Debt

As of June 30, 2012, aggregate debt service requirements of the District's debt (fixed-rate and variable-rate) and net receipts/payments on associated hedging derivative instruments are as follows. These amounts assume that current interest rates on variable-rate bonds and the current reference rates of hedging derivative instruments will remain the same for their term. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on the hedging derivative instruments will vary. Refer to Note 11 for information on derivative instruments (amounts in thousands):

Fiscal Year	Hedging Derivative Instruments,			
Ending June 30	Principal	Interest	Net	Total
2013	\$ 230	\$ 3,629	\$ 16,353	\$ 20,212
2014	285	3,627	16,342	20,254
2015	150	3,510	16,332	19,992
2016	305	3,393	16,323	20,021
2017	10,690	3,347	16,085	30,122
2018-2022	114,880	14,417	68,914	198,211
2023-2027	167,980	21,755	36,581	226,316
2028-2029	108,105	1,094	8,286	117,485
	<u>\$ 402,625</u>	<u>\$ 54,772</u>	<u>\$ 195,216</u>	<u>\$ 652,613</u>

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Borrowings of Hybrid Derivative Instruments

The District sold two swaptions with the 2002D and 2001B certificates with a notional amount of \$116,555,000 and \$162,980,000, respectively. Upon entering into the swaptions, the District received up-front payments of \$4,240,000 and \$6,250,000, respectively, from the counterparty. The up-front payments were composed of the swaptions' intrinsic value and time value. Accordingly, the swaptions are hybrid instruments consisting of a borrowing and an embedded derivative instrument. The embedded derivative instrument – the option – was recorded at a value equal to the time value of the option only and the remaining value of the swaption was allocated to the companion instrument (borrowing). The intrinsic value of the borrowing was calculated using the net present value method and is recorded at historical cost. During the option period interest accretes at the market rate at inception of the borrowing of 4.40 percent and 4.20 percent, respectively totaling \$870,397 and \$1,166,422, respectively, through June 30, 2012. The ending balances of borrowings including accreted interest from inception at June 30, 2012 are \$3,350,189 and \$5,171,923, respectively. The borrowing at inception was \$2,479,792 and \$4,140,292, respectively. The 2001B swaption was executed August 1, 2011. The original borrowing continues to be amortized over the remaining term. The remaining 2002D swaption allows the counterparty to exercise the swap on fixed dates starting August 2012, through February 2014. If the swaption is exercised the maturity date of the option is August 2028. Aggregate debt service requirements of the District's borrowing amounts assume that current interest rates on variable-rate bonds is equal to the at the market rates at inception of the derivative instruments and will remain the same for their term. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on the derivative instruments will vary. Refer to Note 11 for information on derivative instruments. Debt service requirements for both the 2011B/2001B and 2002D borrowing at June 30, 2012, were as follows (amounts in thousands):

Fiscal Year	Total		
Ending June 30	Principal	Interest	Principal and Interest
2013	\$ 517	\$ 345	\$ 862
2014	709	317	1,026
2015	723	287	1,010
2016	745	256	1,001
2017	754	224	978
2018-2022	3,194	694	3,888
2023-2027	1,646	182	1,828
2028-2029	246	6	252
	<u>\$ 8,534</u>	<u>\$ 2,311</u>	<u>\$ 10,845</u>

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11. DERIVATIVE INSTRUMENTS

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2012, classified by type, and the changes in fair value of such derivative instruments are as follows (amounts in thousands; debit (credit)):

		Changes in Fair Value		Fair Value at June 30, 2012		
<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>	<u>Notional</u>		
<u>Governmental Activities Hedging Derivatives:</u>						
2002B Pay-fixed Interest Rate Swap	Deferred outflow of resources	\$ (12,921)	Liability	\$ (35,384)	\$ 115,350	
2003B Pay-fixed Interest Rate Swap	Deferred outflow of resources	(20,562)	Liability	(32,815)	124,295	
2001B/2011B Pay fixed Interest Rate Swap	Deferred outflow of resources	(15,872)	Liability	(37,613)	162,980	
2002D Swaption (at-the-market Swap)	Deferred outflow of resources	(20,125)	Liability	(32,807)	116,555	
Total Hedging Derivative Instruments		<u>\$ (69,480)</u>		<u>\$ (138,619)</u>		
<u>Investment Derivatives:</u>						
2002D-Basis Swap	Investment earnings	\$ (780)	Asset	\$ -	\$ 100,000	
2002D-Swaption (time value)	Investment earnings	446	Liability	-	116,555	
2001B-Swaption (time value)	Investment earnings	(394)	Asset	-	162,980	
2011B-11 Basis point spread	Investment earnings	445	Asset	445	162,980	
2003B-Barrier Option at 7%	Investment earnings	743	Liability	(61)	100,000	
Total Investment Derivative Instruments		<u>\$ 460</u>		<u>\$ 384</u>		

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

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

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

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Objective and Terms of Derivative Instruments

The following table displays the objective and terms of the District's derivative instruments outstanding at June 30, 2012, along with the credit rating of the associated counterparty (amounts in thousands):

	Objective	Notional	Effective Date	Maturity Date	Amount of Cash Received	Terms	Counterparty	Counterparty Credit Rating
<u>Governmental Activities Hedging Derivatives:</u>								
2002B -Interest Rate Swap	Hedge changes in cash flows on the 2002B Certificates	\$ 115,350	3/20/2002	8/1/2027	N/A	Pay 4.22%; receive 67% of USD LIBOR or SIFMA Swap Index	Citigroup Financials Products Inc.	Baa2,A,-A
2003B -Interest Rate Swap	Hedge changes in cash flows on the 2003B Certificates	124,295	6/26/2003	8/1/2029	N/A	Pay 3.91%; receive SIFMA Swap Index	UBS AG, Stamford Branch	A2,A,A
2002D -Swaption (at-the-market swap)	Hedge against future increase in interest rates	116,555	8/1/2012	8/1/2028	\$ 4,240	Pay 4.71%; receive SIFMA Swap Index (if executed)	Citigroup Financials Products Inc.	Baa2,A,-A
2001B/2011B -Interest Rate swap	Hedge changes in cashflow on the 2011B certificates	162,980	8/1/2011	8/1/2025	6,250	See Note 1	Citigroup Financials Products Inc.	Baa2,A,-A
<u>Investment Derivatives:</u>								
2003B -Barrier option at 7%	Hedge against future increase in interest rates	100,000	6/26/2003	8/1/2018	3,010	See Note 2	UBS AG, Stamford Branch	A2,A,A
2011B -11 Basis point spread	Reduced the net borrowing	162,980	8/1/2011	8/1/2014	N/A	Reduction of pay fixed rate from 4.59% to 4.48%	Citigroup Financials Products Inc.	Baa2,A,-A

Note 1 Pay 4.48%; receive SIFMA Swap Index 8/1/11 to 8/1/14 and 4.59% thereafter, receive 70% of LIBOR 8/1/11 to 8/1/14 and SIFMA thereafter

Note 2 Counterparty has right to terminate the 2003B Interest Rate Swap if the 180 day average of the BMA index exceeds 7.0% in the future

Risks

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

It is the District's policy to enter into netting arrangements whenever it has entered into more than one derivative instrument transaction with a counterparty. Under the terms of these arrangements, should one

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party become insolvent or otherwise default on its obligations, close-out netting provisions permit the nondefaulting party to accelerate and terminate all outstanding transactions and net the transactions' fair values so that a single sum will be owed by, or owed to, the nondefaulting party.

The District has no hedging derivative instruments in asset positions at June 30, 2012.

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

Basis risk. The District is exposed to basis risk on its pay-fixed 2002B interest rate swap hedging derivative instrument because the variable-rate payments received by the District on these hedging derivative instruments are based on a rate or index other than interest rates the District pays on its hedged variable-rate debt, which is remarketed every 7 days. As of June 30, 2012, the weighted-average interest rate on the District's hedged variable-rate debt is 0.72 percent, while the fiscal year 2012 average of the SIFMA swap index rate is 0.15 percent and 67 percent of LIBOR is 0.17 percent.

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

12. RETIREMENT PLANS

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

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

Defined Contribution Plan: Pursuant to Section 121.45.01, Florida Statutes, the Florida Legislature created a defined contribution program called the Public Employee Optional Retirement Program (PEORP). This program is administered by FRS as an option to the defined benefit plan, and is self-directed by the employee. The employees have the responsibility of selecting how their funds are invested within the approved set of investment choices and may take their funds when they leave FRS. Employer contributions

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are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Special Risk Class, etc.).

Funding Policy: The Florida Legislature completed its 2011 session and passed Senate Bill 2100, making substantive changes to FRS effective July 1, 2011. The bill requires all FRS Investment Plan and Pension Plan members (except those in DROP) to make 3 percent employee contributions on a pretax basis. The District is required to make contributions in accordance with rates established by the Florida Legislature. During the fiscal year, the rates ranged from 4.91 to 14.10 percent of annual covered payroll. The Teachers Retirement System is contributory and the rates for those employees still participating in this program is 11.35 percent and 6.25 percent for the employer and the employee, respectively. The District's and employee's contributions for both plans are equal to the required contributions for each year as follows (amounts in thousands):

	June 30, 2010	June 30, 2011	June 30, 2012
Florida Retirement System			
Employer	\$ 93,208	\$ 100,752	\$ 44,838
Employee	-	-	24,533
Teachers' Retirement System			
Plan E: Employer	\$ 33	\$ 16	\$ 9
Employee	33	16	9

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

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

13. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

The District follows the guidance contained in Governmental Accounting Standards Board Statement No. 45, *Accounting and Reporting by Employers for Post Employment Benefits Other than Pensions* (GASB 45); for certain post employment health care benefits provided by the District for the fiscal year ended June 30, 2012.

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

Funding Policy. The District is financing the post employment benefits on a pay-as-you-go basis. Expenditures for these insurance premiums are prorated between the General Fund and other funds where the personnel are located. For fiscal year 2012, 1,344 retirees received health care benefits. The District provided required contributions of approximately \$5.9 million toward the annual OPEB cost. Retiree contributions totaled approximately \$8.6 million.

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

Annual Required Contribution	\$ 14,142
Interest on Net OPEB Obligation	2,126
Adjustment to Annual Required Contribution	(2,533)
Annual OPEB Cost (Expense)	13,735
Contribution Towards OPEB Cost	(5,903)
Increase in Net OPEB Obligation	7,832
Net OPEB Obligation - Beginning of Year	70,869
Net OPEB Obligation - End of Year	\$ 78,701

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2012, was as follows (amounts in thousands):

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$ 13,735	43%	\$ 78,701
June 30, 2011	13,275	37%	70,869
June 30, 2010	22,095	15%	62,490
June 30, 2009	21,760	27%	43,679
June 30, 2008	31,300	11%	27,800

Funded Status and Funding Progress. As of June 30, 2012, the actuarial accrued liability for benefits was \$168.9 million, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$900.8 million, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 18.8 percent.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

The Projected Unit Cost method (PUC) with benefits attributed from date of hire to expected retirement age was used in the actuarial valuation as of July 1, 2011. The unfunded actuarial accrued liability is amortized over the maximum acceptable period of thirty years on an open basis. It is calculated assuming a level dollar percentage. The remaining amortization period at June 30, 2012 is thirty years (open method).

The following assumptions were made:

Retirement Age – Annual retirement probabilities have been determined based on the Florida Retirement System Actuarial Valuation as of July 1, 2010.

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

Per Capita Health Claim Cost – Per capita health claim costs are developed from a combination of historical claim experience and manual claim costs developed using a representative database. The per capita cost at age 60 is \$10,305 and at age 70 is \$6,123

Age Based Morbidity – The assumed per capita health claim costs are adjusted to reflect expected increases related to age. The increase in per capita health claim costs related to age range from 3.19% to 5.06% under age 65 and from 3.00% to .05% over age 65.

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

Healthcare Cost Trend Rate— The expected rate of increase in healthcare insurance premiums was based on District historical experience, our market-place knowledge and macro-economic theory. A rate of 10.5% initially, reduced 0.5% each year until reaching the ultimate trend rate of 5.0%.

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

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

Termination – The rate of withdrawal for reasons other than death and retirement has been developed from the Florida Retirement System Actuarial Valuation as of July 1, 2010. The annual termination probability is dependent on an employee's age, gender, and years of service.

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

Census Data – The census data was provided as of July 2011.

Discount Rate – 3% per annum

Inflation Rate – 3%

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14. FUND BALANCE REPORTING

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

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

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

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

The District has not established a stabilization arrangement. Instead, the Board has established policy 2.55, Fund Balance for Contingency to set aside 3 percent of total annual operating fund appropriations and transfers from the operating fund to cover unanticipated financial needs and to avoid a budget deficit. At the end of the fiscal year, the unassigned general fund balance was \$51.1 million or 3.8 percent of general fund total expenditures.

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

	Major Funds				Other Non Major Gov't	Total Gov't
	General Fund	COPS Debt Svs	Capital Improv	COPS		
FUND BALANCES:						
<u>Nonspendable:</u>						
<u>Inventory:</u>						
Textbooks	\$ 3,558	\$ -	\$ -	\$ -	\$ -	\$ 3,558
Child Nutrition	-	-	-	-	2,867	2,867
Warehouse	808	-	-	-	-	808
Transportation	1,283	-	-	-	-	1,283
Other	9	-	-	-	-	9
Total Nonspendable	5,658	-	-	-	2,867	8,525
<u>Restricted for:</u>						
Categorical carryover programs	3,063	-	-	-	-	3,063
IB, AP, AICE & Industry cert prog	6,428	-	-	-	-	6,428
School Improvement	1,359	-	-	-	-	1,359
Workforce development	10,937	-	-	-	-	10,937
Child nutrition	-	-	-	-	20,440	20,440
Debt service	-	106,045	-	-	1,488	107,533
Capital projects	-	-	76,453	85,230	95,339	257,022
Cash with fiscal agent	1,548	-	-	-	-	1,548
Total Restricted	23,335	106,045	76,453	85,230	117,267	408,330
<u>Committed to:</u>						
The Education Network program	-	-	-	-	1,290	1,290
Total Committed	-	-	-	-	1,290	1,290
<u>Assigned to:</u>						
<u>School Operations</u>						
Instruction	531	-	-	-	-	531
Instructional support services	35	-	-	-	-	35
Board	63	-	-	-	-	63
General & School admin	6	-	-	-	-	6
Central services	38	-	-	-	-	38
Pupil transportation services	75	-	-	-	-	75
Operation of plant	52	-	-	-	-	52
<u>Community services:</u>						
After care/summer camp	9,058	-	-	-	-	9,058
Pre-K/VPK Fee Based Activities	857	-	-	-	-	857
Community Schools	694	-	-	-	-	694
Other	61	-	-	-	-	61
Capital projects	220	-	-	-	48,756	48,976
Misc local grants/donations	2,077	-	-	-	-	2,077
FLDOE Adjustment	1,402	-	-	-	-	1,402
Next year budget shortfall	71,392	-	-	-	-	71,392
Total Assigned	86,561	-	-	-	48,756	135,317
Unassigned	51,113	-	-	-	-	51,113
Total fund balance	\$ 166,667	\$ 106,045	\$ 76,453	\$ 85,230	\$ 170,180	\$ 604,575

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

15. COMMITMENTS AND CONTINGENCIES

The Trustees of the State Board of Administration of Florida and the Secretary of the Department of Management Services have been served complaints challenging the constitutionality of Senate Bill 2100 (SB2100), codified as Chapter 2011-68, Laws of Florida, [the legislation mandating the deduction of 3% of employees' salaries for contribution into the Florida Retirement System (FRS)], which became effective July 1, 2011. On March 6, 2012, the trial court ruled the law unconstitutional as to its application to employees who were members of the FRS prior to July 1, 2011 and ordered return of the funds to employees (with interest). The Appellants appealed, and the case was certified to the Florida Supreme Court, which accepted the case. The Court heard oral argument on September 7, 2012. The District cannot speculate regarding whether the Florida Supreme Court will affirm the order of the trial court and whether such a conclusion will have a material financial impact on the District.

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

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

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

As part of its capital outlay program, the District has entered into various construction contracts. At June 30, 2012, the District had construction commitments of approximately \$55.3 million.

16. SUBSEQUENT EVENTS

The District issued \$67.1 million in Certificates of Participation, Series 2012C on August 9, 2012 to refund the Series 2004A Certificates on August 9, 2012 and to pay costs associated with the issuance of the Series 2012C Certificates. The refinancing of the Series 2004A will generate \$7.1 million cash flow savings for 2013 through 2029, and a present value savings of \$5.6 million, or 7.8% of the principal amount being refunded. The series 2012C Certificates possess an underlying credit rating of "Aa3" and "AA-" from Moody's and Fitch, respectively.

In April 2012, the District was notified the 2002D swaption would be exercised on August 1, 2012. The underlying fixed rate debt with interest rates ranging from 3.80% to 5.25% was refunded with a floating rate note on June 29, 2012. The interest rate on the underlying debt is now 70% of 1-month LIBOR plus 80 basis points. Beginning August 1, 2012, the District will receive SIFMA and pay a fixed rate of 4.71%.

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

Assuming SIFMA is equal to 70% of 1-month Libor, the District will pay a fixed rate of 4.71% plus 80 basis points, or 5.51%.

On September 19, 2012 the District issued Tax Anticipation Notes ("TANS") Series 2012. The \$115.0 million issue was sold at a coupon rate of 1.50% with an effective yield of .13%. The notes are dated October 4, 2012 and are due January 29, 2012.

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION -
SCHEDULE OF FUNDING PROGRESS
OTHER POST EMPLOYMENT BENEFITS PLAN
JUNE 30, 2012**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (in thousands) (b)	Unfunded AAL (UAAL) (in thousands) (b-a)	Funded Ratio (a/b)	Covered Payroll (in thousands) (c)	UAAL as a percentage of Covered Payroll ((b-a)/c)
July 1, 2011	\$ -	\$ 168,939	\$ 168,939	0.0%	\$ 900,764	18.8%
July 1, 2010	-	161,375	161,375	0.0%	906,746	17.8%
July 1, 2009	-	218,964	218,964	0.0%	922,938	23.7%
July 1, 2008	-	216,013	216,013	0.0%	926,287	23.3%
June 30, 2008	-	239,500	239,500	0.0%	930,821	25.7%

APPENDIX C
OFFICIAL NOTICE OF SALE

OFFICIAL NOTICE OF SALE

SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA \$115,000,000* TAX ANTICIPATION NOTES, SERIES 2013

The School Board of Palm Beach County, Florida (the "Board"), the governing body of the School District of Palm Beach County, Florida (the "District"), invites electronic bids via Parity®, subject to the terms and conditions hereof, for the purchase of all and not less than all of the District's \$115,000,000* Tax Anticipation Notes, Series 2013 (the "Notes"). As used herein, the term "bidder" may include a group of bidders who may act through a representative or representatives.

GENERAL TERMS. The Notes will be dated as of their date of issue, and will mature on January 30, 2014. The Notes will bear interest at the rate to be designated by the Successful Bidder (as defined below). The Notes are not subject to redemption prior to their stated maturity. The Notes are being issued to provide interim funds for the payment of operating expenses of the District for its fiscal year commencing July 1, 2013 and ending June 30, 2014 (the "Current Fiscal Year") and to pay expenses incurred in issuing the Notes, as more fully described in the Preliminary Official Statement for the Notes under the caption "PURPOSE OF THE NOTES."

TERMS OF BIDS. Each bid must specify a single uniform interest rate per annum from the dated date to maturity which shall be expressed as an integral multiple of one-eighth (1/8th) or one twentieth (1/20th) of one percent. Each bid must be for all and not less than all of the Notes issued. No bid for less than 100% of the principal amount of Notes plus accrued interest, if any, from September 26, 2013 will be considered. Premiums may be bid. All bids must be unconditional and submitted **electronically via Parity®** in accordance with this Official Notice of Sale. Only bids submitted through Parity will be considered. No facsimile, personal delivery bids, or bids delivered by any other method will be accepted.

BASIS OF AWARD. The award, if any, will be made to the bidder (the "Successful Bidder") whose bid results in the lowest net interest cost determined by deduction of any premium from the total interest on all of the Notes from their date of issue to January 30, 2014, calculated on the basis of a 360-day year comprised of twelve 30-day months, and who otherwise meets and satisfies the terms and conditions of this Official Notice of Sale. If two or more bids provide the lowest net interest cost, the District shall determine by lot which bid shall be accepted, and such determination shall be final. The District reserves the right to waive any informality or irregularity in any bid and to reject any and all bids.

RECEIPT OF BIDS. Sealed bids for the Notes will be received electronically via Parity until 11:00 A.M., Eastern Time, on September 11, 2013 (or on such later date as may be established by the District and communicated through Thomson Municipal Market Monitor not less than twenty-four (24) hours prior to the time the bids are to be received).

To the extent any instructions or directions set forth on Parity conflict with this Official Notice of Sale, the terms of this Official Notice of Sale shall control. For further information about Parity, potential bidders may contact I-Deal LLC at 1359 Broadway, 2nd Floor, New York, NY 10018, or telephone (212)

* Preliminary, subject to change

849-5021. The use of Parity shall be at the bidder's risk and expense, and the District shall have no liability with respect thereto. Only bids submitted through Parity will be considered. No telephone, facsimile, mail, courier delivery or personal delivery bids will be accepted. To participate, bidders must be a contracted customer of the BiDCOMP Competitive Bidding System (the "System"). If the prospective bidder does not have a contract with the System, call (212) 849-5021 to become a customer and to obtain a list of the bidding rules and procedures.

GOOD FAITH DEPOSIT. The Successful Bidder is required to submit a good faith deposit (the "Deposit") in the form of a wire transfer to the School District of Palm Beach County, Florida in the amount of one percent (1%) of the principal amount of the Notes to be purchased by the Successful Bidder, by 3:00 P.M. Eastern Time on the day the Notes are awarded, as instructed by the District or its financial advisor.

The Deposit of the Successful Bidder will be retained and deposited with the District until the delivery of the Notes, at which time the Deposit will be applied against the purchase price of the Notes. No interest on the Deposit will accrue to the Successful Bidder. In the event the Successful Bidder fails to honor its accepted bid, the Deposit will be retained by the District as liquidated damages. In the event that the District fails to deliver the Notes to the Successful Bidder, the Deposit shall be immediately delivered by the District to the Successful Bidder and none of the Successful Bidder, the District or any other party shall have any further obligation with respect to the Notes.

AUTHORIZATION, SECURITY AND SOURCE OF PAYMENT FOR THE NOTES. The Notes are authorized pursuant to the terms of a resolution duly adopted by the Board on August 21, 2013, as the same may be supplemented or amended (the "Resolution"), and pursuant to the authority of Section 1011.13, Florida Statutes, as amended. The Notes and the interest thereon are special, limited obligations of the District payable from and secured by a lien upon and pledge of the ad valorem taxes collected for the benefit of the District during the Current Fiscal Year, for operating purposes, excluding ad valorem taxes collected for other purposes, and amounts on deposit in the Sinking Fund created by the Resolution for the Notes (collectively, the "Pledged Funds"), all in the manner and to the extent described in the Resolution.

None of the District, Palm Beach County, Florida (the "County"), the State of Florida (the "State"), or any political subdivision thereof will be obligated to pay, except as described above, any sums due on the Notes from any source of taxation, and the full faith and credit of the District, the County, the State, or any political subdivision thereof is not pledged for the payment of such sums due and such sums do not constitute an indebtedness of the District, the County, the State, or any political subdivision thereof within the meaning of any constitutional or statutory provision or limitation.

DISCLOSURE OBLIGATIONS OF THE PURCHASER. Section 218.38(b)1, Florida Statutes, requires that the District file, within 120 days after delivery of the Notes, an information statement with the Division of Bond Finance of the State Board of Administration of the State of Florida (the "Division") containing the following information: (a) the name and address of the managing underwriter, if any, connected with the Notes; (b) the name and address of any attorney or financial consultant who advised the District with respect to the Notes; (c) any fee, bonus or gratuity paid by any underwriter or financial consultant in connection with the Notes to any person not regularly employed or engaged by such underwriter or consultant; and (d) any other fee paid by the District with respect to the Notes, including any fee paid to attorneys or financial consultants. The Successful Bidder will be required to deliver to the District on the date of delivery of the Notes a statement signed by an authorized officer containing the

information mentioned in (a) and (c) above with respect to any payment made by the Successful Bidder and to file any disclosure information required by law to be submitted by the Successful Bidder to the Division.

TRUTH IN BONDING STATEMENT. The Successful Bidder will be required to fill out a Truth in Bonding Statement, in the form attached hereto, stating the amount of the total interest to be paid over the life of the Notes, among other matters.

DELIVERY. Delivery of the Notes will be made through the facilities of The Depository Trust Company (“DTC”) in New York, New York on or about their date of issue, against payment thereof in immediately available funds without cost to and to the order of the District.

PURCHASER’S CERTIFICATION REGARDING INITIAL OFFERING PRICE. In order to provide the District with information required to enable it to comply with certain requirements of the Internal Revenue Code of 1986, as amended, relating to the exclusion of interest on the Notes from the gross income of the holders thereof for federal income tax purposes, the Successful Bidder will be required to complete, execute and deliver to the District (on the date of delivery of the Notes) a certificate relating to the manner in which the Notes were offered for sale and the offering price for such Notes, substantially in the form attached hereto. In the event the Successful Bidder will not reoffer the Notes for sale or is unable to sell a substantial amount of the Notes by the date of delivery, such certificate may be modified in a manner approved by the District and Greenberg Traurig, P.A., Miami, Florida, Note Counsel to the District. It will be the responsibility of the Successful Bidder to institute such syndicate or selling group reporting requirements, to make such investigation, or otherwise to ascertain the facts necessary to enable it to make such certification with reasonable certainty.

LEGAL OPINION AND CLOSING CERTIFICATES. At the time of delivery of the Notes, the District will deliver to the Successful Bidder, at the expense of the District, the approving opinion of Greenberg Traurig, P.A., Miami, Florida, Note Counsel, in substantially the form appearing as Appendix D to the Official Statement, a no-litigation certificate and other customary closing certificates relating to the issuance of the Notes.

OFFICIAL STATEMENT. The delivery of the Preliminary Official Statement has been duly authorized by the Board. The Preliminary Official Statement, copies of which may be obtained as described below, is in a form “deemed final” by the District for purposes of Securities and Exchange Commission Rule 15c2-12 (the “Rule”) but is subject to revision, amendment and completion in accordance with the Rule in the final Official Statement. After the sale of the Notes, the District will prepare a final Official Statement in substantially the same form as the Preliminary Official Statement, subject to minor additions, deletions and revisions as required to complete the Official Statement. The District expects the Successful Bidder to deliver copies of such Official Statement to persons to whom such Bidder initially sells the Notes, to all other members of its bidding syndicate, to the Municipal Securities Rulemaking Board’s (“MSRB”) Electronic Municipal Market Access (“EMMA”) no later than ten (10) business days following the date of the award, and to such other parties as required by applicable securities law. The Successful Bidder will be required to acknowledge receipt of such Official Statement, to certify that it has made delivery of the Official Statement in accordance with applicable securities laws and to acknowledge that the District expects the Successful Bidder to deliver copies of such Official Statement to persons to whom such Successful Bidder initially sells the Notes and to all other members of its bidding syndicate and to EMMA. The Successful Bidder shall also be responsible for compliance with the provisions of the Rule with respect to delivery of copies of the

Official Statement to potential customers during the underwriting period. The Successful Bidder will be responsible to the District in all respects for the accuracy and completeness of information provided by such Successful Bidder with respect to such offering.

Up to 50 copies of the final Official Statement will be provided to the Successful Bidder at the expense of the District within seven (7) business days of the award of the Notes. Additional copies, if needed, will be furnished at the expense of the Successful Bidder.

CONTINUING DISCLOSURE. The District agrees in the resolution authorizing the issuance of the Notes, to provide or cause to be provided, in accordance with the requirements of the Rule, timely notice of the occurrence of certain material events with respect to the Notes.

The Successful Bidder's obligation to purchase the Notes shall be conditioned upon its receiving, at or prior to the delivery of the Notes, in form and substance reasonably satisfactory to the Successful Bidder, evidence that the District has made the continuing disclosure undertaking set forth above in a written certificate for the benefit of the holders of the Notes.

BOOK-ENTRY SYSTEM AND CUSIP NUMBERS. The Notes will be issued in fully registered form, without coupons. One Note certificate in the aggregate principal amount of the Notes will be issued to and registered in the name of Cede & Co., as nominee of DTC, as registered owner of the Notes, and immobilized in the custody of DTC which will act as securities depository for the Notes. A book-entry only system will be employed by DTC, evidencing beneficial ownership interests in the Notes in principal amounts of \$5,000 or any integral multiple thereof, with transfers of beneficial ownership interests in the Notes effected only through the records of DTC and its participants and indirect participants pursuant to the rules and procedures established by DTC.

It is anticipated that CUSIP identification numbers will be printed on the Notes, but neither the failure to print such numbers on the Notes nor any error with respect thereto shall constitute cause for failure or refusal by the Successful Bidder to accept delivery of and pay for the Notes in accordance with their agreement to purchase the Notes. It is the responsibility of the Successful Bidder to timely obtain and pay for the assignment of such CUSIP numbers.

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ADDITIONAL INFORMATION. Copies of the Preliminary Official Statement, the form of Truth-In-Bonding Statement and the form of Certificate with Respect to Issue Price and other information may be obtained electronically from www.i-Dealprospectus.com, or from the District's Financial Advisor, Public Financial Management, Inc., 300 South Orange Avenue, Suite 1170, Orlando, Florida 32801, Telephone: (407) 648-2208, Facsimile: (407) 648-1323, E-mail: howel@pfm.com.

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

By: _____
Leanne Evans, Treasurer

Dated: August 30, 2013

TRUTH-IN-BONDING STATEMENT

The School District of Palm Beach County, Florida (the "District") is proposing to issue \$115,000,000* Tax Anticipation Notes, Series 2013 (the "Notes") to provide interim funds for the payment of operating expenses of the District for its fiscal year commencing July 1, 2013 and ending June 30, 2014 (the "Current Fiscal Year") and to pay expenses incurred in issuing the Notes, as more fully described in the Preliminary Official Statement for the Notes under the caption "PURPOSE OF THE NOTES."

The Notes are expected to be repaid over a period of ____ days. At an interest rate of ____% (insert interest rate), total interest paid over the life of the Notes will be \$ _____ (insert interest payment at maturity).

The source of repayment or security for the Notes is the ad valorem tax payments collected for operating purposes of the District during its Current Fiscal Year, excluding ad valorem taxes collected for other purposes, all as more specifically set forth in the Official Notice of Sale. Authorizing this debt or obligation will result in \$ _____ (insert combined principal and interest payment at maturity) of such revenues not being available for other services or purposes of the District during its Current Fiscal Year.

The foregoing Truth-in-Bonding Statement is prepared pursuant to Section 218.385(2) and (3), Florida Statutes, for informational purposes only and shall not affect or control the actual terms and conditions of the Notes.

Dated: _____, 2013

[UNDERWRITER]

By: _____
Name: _____
Title: _____

* Preliminary, subject to change

CERTIFICATE WITH RESPECT TO “ISSUE PRICE”

[UNDERWRITER], acting on behalf of itself and the syndicate/selling group, if any, created by it as purchaser (the “Purchaser”) of the \$115,000,000* Tax Anticipation Notes, Series 2013 (the “Notes”) of the School District of Palm Beach County, Florida (the “District”), in order to establish the initial offering price(s) of the Notes for the purpose of determining the “issue price” of the Notes within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, DOES HEREBY CERTIFY, as follows:

1. The Purchaser, as of the date the Notes were awarded to the Purchaser, (a) made a bona fide public offering of the Notes to the General Public at a price equal to \$_____ (the “Public Offering Price”), and (b) sold at least 10% of such Notes for cash or to the extent not so sold, reasonably expected, as of the date the Notes were awarded to the Purchaser, to sell such Notes for cash to the General Public at the Public Offering Price.
2. The Purchaser retained and did not reoffer \$_____ principal amount of the Notes.
3. The Public Offering Price (with respect to any principal amount of the Notes that was not reoffered, the price bid by the Purchaser to the District) does not exceed the fair market value of the Notes as of the date the Notes were awarded to the Purchaser.
4. For the purpose of this certificate, “General Public” means the general public excluding bond houses, brokers and other intermediaries.

Dated: September 26, 2013

[UNDERWRITER]

By: _____
Name: _____
Title: _____

* Preliminary, subject to change

APPENDIX D
FORM OF NOTE COUNSEL OPINION

FORM OF LEGAL OPINION

On the date of issuance of the Tax Anticipation Notes, Series 2013, Greenberg Traurig, P.A., Note Counsel, proposes to issue its approving opinion in substantially the following form:

September 26, 2013

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

Re: \$115,000,000 School District of Palm Beach County, Florida
Tax Anticipation Notes, Series 2013

Ladies and Gentlemen:

We have acted as Note Counsel in connection with the issuance by the School District of Palm Beach County, Florida (the "District") of its \$115,000,000 Tax Anticipation Notes, Series 2013 initially issued and delivered on this date (the "Notes") pursuant to the Constitution and laws of the State of Florida, particularly Section 1011.13, Florida Statutes, as amended, and other applicable provisions of law (collectively, the "Act"), and a note resolution duly adopted by The School Board of Palm Beach County, Florida (the "Board"), a body corporate under the laws of the State of Florida and the governing body of the District, on August 21, 2013 (the "Note Resolution").

The proceeds of the Notes are to be used, together with other available funds of the District, to pay any and all lawful expenses incurred in operating the District schools for its fiscal year ending June 30, 2014 and to pay expenses incurred in issuing the Notes.

The principal of and interest on the Notes shall be payable from the District's legally available gross, real and tangible personal property ad valorem tax receipts and other legally available revenues of the District anticipated to be received during the fiscal year commencing July 1, 2013 and ending June 30, 2014, and amounts on deposit in the Sinking Fund as defined in the Note Resolution (the "Pledged Revenues").

We have examined the Act, the Note Resolution and such certified copies of the proceedings of the Board and such other documents as we have deemed necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon representations of the District furnished to us without undertaking to verify such representations by independent investigation.

In rendering the opinion in paragraph number 4 below, we have assumed continuing compliance with the requirements of the Internal Revenue Code of 1986, as amended (the "Code") that must be met after the issuance of the Notes in order that interest on the Notes be and remain excludable from gross income for federal income tax purposes. The District's failure to meet such requirements may cause

interest on the Notes to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Notes. The District has covenanted in the Note Resolution to comply with such requirements.

Based on the foregoing, we are of the opinion that:

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Notes by the District pursuant to the Constitution and laws of the State of Florida, including particularly Section 1011.13, Florida Statutes, as amended.

2. The Note Resolution has been duly adopted by the Board, creates a valid pledge of the Pledged Revenues and constitutes a legal, valid and binding obligation of the District.

3. The issuance and sale of the Notes have been duly authorized by the Board and the Notes constitute valid and binding special obligations of the District, payable in accordance with and as limited by the terms of the Note Resolution.

4. Under existing statutes, regulations, rulings and court decisions, interest on the Notes is excludable from gross income for federal income tax purposes. Furthermore, interest on the Notes is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest will be taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. We express no opinion regarding other federal tax consequences resulting from the ownership, receipt or accrual of interest on or disposition of the Notes.

5. The Notes and the income thereon are not subject to taxation under the laws of the State of Florida, except as to estate taxes and taxes under Chapter 220, Florida Statutes, on interest, income or profits on debt obligations owned by corporations, as defined therein.

This opinion is qualified to the extent that the enforcement of the Notes and the Note Resolution may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, now or hereafter in effect, and by equitable principles which may limit the enforcement thereof.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Respectfully submitted,

GREENBERG TRAUERIG, P.A.

APPENDIX E
AUTHORIZING RESOLUTION

THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA

A RESOLUTION OF THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA AUTHORIZING AND PROVIDING FOR THE ISSUANCE, SALE AND APPLICATION OF THE PROCEEDS OF NOT EXCEEDING \$150,000,000 AGGREGATE PRINCIPAL AMOUNT OF SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA TAX ANTICIPATION NOTES, SERIES 2013 (THE "NOTES") TO PROVIDE INTERIM FUNDS FOR THE PAYMENT OF OPERATING EXPENSES OF THE DISTRICT; PROVIDING FOR A BOOK-ENTRY SYSTEM WITH RESPECT TO THE NOTES; AUTHORIZING A PUBLIC SALE OF THE NOTES; APPROVING THE FORM OF AND AUTHORIZING THE DISTRIBUTION OF A PRELIMINARY OFFICIAL STATEMENT AND AUTHORIZING THE EXECUTION AND DELIVERY OF A FINAL OFFICIAL STATEMENT; AUTHORIZING THE EXECUTION AND DELIVERY OF A MATERIAL EVENTS NOTICE CERTIFICATE; APPOINTING A PAYING AGENT AND REGISTRAR FOR THE NOTES; MAKING CERTAIN COVENANTS AND AGREEMENTS IN CONNECTION THEREWITH; PROVIDING FOR INCIDENTAL ACTION; AND PROVIDING FOR SEVERABILITY AND AN EFFECTIVE DATE.

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

Section 1. Authority For This Resolution. This Resolution is adopted pursuant to the provisions of Section 1011.13, Florida Statutes, as amended (the "Act").

Section 2. Findings. It is hereby found, determined and declared as follows that:

(A) Pursuant to the Act, the school board of any school district in the State of Florida is authorized to negotiate a current loan for any fiscal year in which school funds are estimated to be insufficient at any time during such fiscal year to pay obligations created by the school board in accordance with the official budget of the school district or a budget approved by the school board preliminary to the tentative budget required to be adopted pursuant to Section 1011.02, Florida Statutes.

(B) The School Board of Palm Beach County, Florida (the "Board"), a body corporate under the laws of the State of Florida and the governing body of the School District of Palm Beach County, Florida (the "District"), hereby determines that it is necessary for the benefit of the schools of the District for a current loan to be negotiated to meet the disbursement requirements which are set forth in the preliminary budget of the District for the fiscal year of the District commencing July 1, 2013 and ending June 30, 2014 (the "Current Fiscal Year"), such loan to be retired from (i) the District's gross, real, and tangible personal property ad valorem tax receipts but only to the extent such tax receipts are for operating purposes, and (ii) amounts on deposit in the hereinafter described Sinking Fund (collectively, the "Pledged Revenues"), which are anticipated to be received in accordance with the budget for said Current Fiscal Year.

Pledged Revenues shall not include ad valorem taxes collected to pay the principal of and interest on bonds of the District issued pursuant to Sections 1010.40 – 1010.55, Florida Statutes, or to pay the principal of and interest on any obligations issued by the Board pursuant to Section 1011.14, Florida Statutes, or otherwise levied pursuant to Section 1011.71(2), Florida Statutes.

(C) The Board, to the extent possible, has endeavored to arrange the expenditures of the District for the Current Fiscal Year so as to make it unnecessary for the District to incur loans.

(D) The Board hereby further determines that said loan shall be evidenced by the issuance of not exceeding \$150,000,000 of tax anticipation notes of the District to be known as "School District of Palm Beach County, Florida Tax Anticipation Notes, Series 2013" (the "Notes"), the principal of and the interest on which will be payable by their terms not more than twelve (12) months after the issuance of said Notes, and the principal amount of which is less than 80% of the amount estimated by the Board to be included in the operating budget of the District for the Current Fiscal Year to be available from the District tax revenues.

(E) The Board has further determined that the loan to be computed as prescribed by the Act is for an amount not in excess of the amount necessary for the continued operation of the schools in the District, including reasonable reserves.

(F) The principal amount of the Notes will not exceed the maximum anticipated cumulative cash flow deficit (treating as unavailable a reasonable working capital reserve equal to five percent of the District's expenditures paid from current revenues for the prior fiscal year) to be financed by the anticipated Pledged Revenues for the period for which the Pledged Revenues are anticipated and during which the Notes are outstanding.

(G) The Notes shall be payable as to both principal and interest from the Pledged Revenues to be included in and estimated in the operating budget of the District for the Current Fiscal Year to be available, and, if necessary, are additionally payable from, but are not secured by, all legally available funds of the District derived from sources other than ad valorem taxation ("Non-Ad Valorem Funds"). Neither the faith and credit nor the taxing power of the State of Florida, Palm Beach County, Florida or the District are pledged to the payment of the principal of or the interest on the Notes, except for the Pledged Revenues for the Current Fiscal Year.

(H) It is estimated that the Pledged Revenues herein pledged for payment of the Notes will exceed the amounts necessary to pay the principal of and interest on the Notes when due.

Section 3. Authorization of Borrowing; Book Entry System. Pursuant to the Constitution and laws of the State of Florida, particularly the Act, the Board hereby authorizes the borrowing of money for the purpose of financing the cost of obligations to be incurred in the ordinary operations of the District in the Current Fiscal Year, and hereby authorizes the issuance and sale of not exceeding \$150,000,000 aggregate principal amount of the Notes. The Notes shall be numbered R-1 and upward in registered book-entry-only form as herein provided, shall be dated as of such date, shall mature no later than twelve (12) months from their date of issue, and shall bear interest at a rate not exceeding the maximum rate permitted by law, all as shall be set forth in the bid of the successful bidder for the Notes. Interest shall be computed on the basis of a 360-day year comprised of twelve 30-day months. The Notes shall not be subject to redemption prior to maturity. The Notes shall be issued in substantially the form

set forth in **Exhibit A** attached hereto and made a part hereof, with such deletions, changes, revisions or modifications as may be approved by the Chairman, Vice Chairman or Superintendent, execution and delivery of the Notes by the Chairman or Vice Chairman and the Superintendent, as ex officio Secretary of the Board, being conclusive evidence of such approval and that the Notes are issued in accordance with this Resolution.

So long as the District shall maintain a book-entry-only system with respect to the Notes, the following provisions shall apply:

The Notes shall initially be issued in the name of Cede & Co. as nominee for The Depository Trust Company ("DTC"), which will act as securities depository for the Notes and so long as the Notes are held in book-entry-only form, Cede & Co. shall be considered the registered owner for all purposes hereof. On original issue, the Notes shall be deposited with DTC, which shall be responsible for maintaining a book-entry-only system for recording the ownership interests of its participants ("DTC Participants") and other institutions that clear through or maintain a custodial relationship with a DTC Participant either directly or indirectly ("Indirect Participants"). The DTC Participants and Indirect Participants will be responsible for maintaining records with respect to the beneficial ownership interests of individual purchasers of the Notes ("Beneficial Owners").

Principal and interest at maturity shall be payable directly to Cede & Co. in care of DTC. Disbursal of such amounts to DTC Participants shall be the responsibility of DTC. Payments by DTC Participants and Indirect Participants to Beneficial Owners shall be the responsibility of DTC Participants and Indirect Participants and not of DTC, the Paying Agent or the District.

The Notes shall initially be issued in the form of one fully registered Note and shall be held in such form until maturity. Individuals may purchase beneficial interests in the amount of \$5,000 or integral multiples thereof in book-entry-only form, without certificated Notes, through the DTC Participants and Indirect Participants.

DURING THE PERIOD FOR WHICH CEDE & CO. IS THE REGISTERED OWNER OF THE NOTES, ANY NOTICE TO BE PROVIDED TO ANY REGISTERED OWNER WILL BE PROVIDED TO CEDE & CO. DTC SHALL BE RESPONSIBLE FOR NOTICE TO DTC PARTICIPANTS AND DTC PARTICIPANTS SHALL BE RESPONSIBLE FOR NOTICE TO INDIRECT PARTICIPANTS, AND DTC PARTICIPANTS AND INDIRECT PARTICIPANTS SHALL BE RESPONSIBLE FOR NOTICE TO INDIVIDUAL PURCHASERS OF BENEFICIAL INTERESTS.

The District has entered into a blanket issuer letter of representations with DTC providing for such a book-entry-only system. A copy of such blanket issuer letter of representations is attached hereto as **Exhibit B**. Such agreement may be terminated at any time by either DTC or the District. In the event of such termination, the District shall select another securities depository or discontinue such book-entry only system. If the District does not replace DTC, the Registrar (as hereinafter defined) will register and deliver to the Beneficial Owners replacement Notes in the form of fully registered Notes in denominations of \$5,000 or integral multiples thereof, in accordance with instructions from Cede & Co.

The principal of and the interest on the Notes shall be payable in any coin or currency of the United States of America which, at the time of payment thereof is legal tender for the payment of public and private debts.

The District shall deposit and separately account for (in accordance with the provisions of Section 13 hereof) sufficient moneys to pay the principal of and interest on the Notes at their maturity. Such moneys shall be held for the benefit of Cede & Co. as registered owner of the Notes in the Sinking Fund (as hereinafter defined) and separately restricted on the books of account of the District, and shall be paid to Cede & Co. at maturity of the Notes.

Section 4. Execution of Notes. The Notes shall be executed with the manual or engraved, imprinted, stamped or otherwise reproduced facsimile of the signature of the Chairman or Vice Chairman of the Board and countersigned by the manual or engraved, imprinted, stamped or otherwise reproduced facsimile of the signature of the Superintendent, as ex officio Secretary of the Board; provided, however, that at least one of the signatures shall be manual, and the seal of the Board shall be imprinted or impressed thereon. In case any officer whose signature shall appear on any Notes shall cease to be such officer before delivery of such Notes, such signature shall, nevertheless, be valid and sufficient for all purposes as if such officer had remained in office until such delivery, and such Notes may, nevertheless, be issued and delivered as though the person who signed or sealed such Notes had not ceased to be such officer; and alternatively any of such Notes may be executed and sealed on behalf of the District by such officers of the Board who may at the time of the execution of such Notes hold the proper offices on the Board although on the date of issuance of such Notes or on the date of any lawful proceedings taken in connection therewith such persons may not have held such offices.

Section 5. Notes Mutilated, Destroyed, Stolen or Lost. In case any of the Notes shall be mutilated, or be destroyed, stolen or lost, the District may, in its discretion, issue and deliver a new Note of like tenor as the Note so mutilated, destroyed, stolen or lost in exchange and substitution for such mutilated Note, upon surrender and cancellation of such mutilated Note, if any, or in lieu of or substitution for the Note, if any, destroyed, stolen or lost, and upon the registered owner furnishing the District proof of its ownership thereof and indemnity satisfactory to the District and complying with such other reasonable regulations and conditions as the District may prescribe and upon payment of such expenses as the District may incur. The Note so surrendered shall be canceled by the District. If the Notes shall have matured, or be about to mature, instead of issuing a substitute Note, the District may pay the same, upon being indemnified as aforesaid, and if such be lost, stolen or destroyed, without surrender thereof.

Any such duplicate Note issued pursuant to this section shall constitute an original, additional contractual obligation of the District whether or not the lost, stolen or destroyed Note be at any time found by anyone, and such duplicate Note shall be entitled to equal and proportionate benefits and rights as to the lien on and source and security for payment from the funds, as hereinafter pledged, to the same extent as any other Note issued hereunder.

Section 6. Public Sale; Award of Notes. It is hereby found, ascertained, determined and declared by the Board that a public sale of the Notes of the District in the aggregate principal amount of not exceeding \$150,000,000 is in the best interest of the District and is hereby authorized. The Chief Financial Officer or the Treasurer is hereby authorized to prepare and publish a summary notice of sale for the Notes, to prepare and distribute an official invitation to bid for the Notes and related documents, and to prepare a Preliminary Official Statement for distribution in connection with such official invitation to bid. The forms of the official notice of sale and summary notice of sale shall be substantially in the forms set forth in **Exhibit C**, attached hereto. The Notes shall be offered at public sale on or about September 11, 2013, the exact date to be determined in the discretion of the Chief Financial Officer or the Treasurer of the District without further authorization from the Board. The Chief Financial Officer or the

Treasurer of the District is hereby authorized and directed to publish, or cause to be published, the official or summary form of notice of sale in The Bond Buyer, a financial newspaper published and/or of general circulation in the Borough of Manhattan, City and State of New York and, in the discretion of the Chief Financial Officer or the Treasurer of the District, in a newspaper of general circulation in the area of the District one time not less than ten (10) days prior to such date of sale. The Board hereby separately authorizes and directs the Chairman or Vice Chairman, the Superintendent, the Chief Financial Officer, the Treasurer, and the Office of the General Counsel to take all actions necessary to consummate such sale, upon the terms and conditions set forth in the official invitation to bid.

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

The Superintendent, the Chief Financial Officer and the Treasurer, acting separately or with another named officer and in consultation with and upon the advice of one or more of the District's Financial Advisor, the Office of the General Counsel, and Note Counsel, are authorized to receive bids for the purchase of the Notes and to award the Notes to the lowest responsive bidder as evidenced by the execution of the Certificate of Award (as hereinafter defined), without further action by the Board.

Characteristics of the Notes or any installment thereof, determined on the basis of the bids and the provisions of this Resolution, shall be set forth in a certificate of the District awarding such Notes to the purchaser or purchasers thereof (the "Certificate of Award"). The Certificate of Award shall be executed by the Chief Financial Officer or the Treasurer, upon satisfaction of the conditions specified below, without further action by the Board.

This delegation of the District is expressly made subject to the following conditions, the failure of any of which shall render the successful bid voidable at the option of the District. The conditions for execution of the Certificate of Award are:

1. The form of Certificate of Award shall be approved by Note Counsel to the District;
2. The net interest cost rate for the Notes, based upon their award to the successful bidder, shall not exceed 2.00%;
3. Prior to award of the Notes to the successful bidder, the District shall receive from the successful bidder a disclosure and truth-in-bonding statement as required by Section 218.385(2) and (3), Florida Statutes; and
4. The successful bidder (the "Purchaser") shall comply with such other conditions as requested by Note Counsel to the District.

Section 7. Approval of Preliminary Official Statement; Execution of Final Official Statement. The form of the Preliminary Official Statement attached to this Resolution as **Exhibit D** is hereby approved, and the Board hereby authorizes the distribution and use of the Preliminary Official Statement in connection with the public offering for sale of the Notes. If between the date hereof and the mailing of the Preliminary Official Statement it is necessary to make insertions, modifications and changes to the Preliminary Official Statement, each of the Chairman, the Vice Chairman, the Superintendent, the Chief Financial Officer and the Treasurer is hereby authorized to approve such

insertions, changes and modifications, and each of the Chairman, the Vice Chairman, the Superintendent, the Chief Financial Officer and the Treasurer is hereby authorized to deem the Preliminary Official Statement "final" within the meaning of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (the "Rule"), in the form as mailed, and in furtherance thereof to execute a certificate evidencing the same substantially in the form attached hereto as **Exhibit E**.

The Superintendent is hereby authorized to have prepared and each of the Chairman or Vice Chairman and the Superintendent are hereby authorized to execute a final Official Statement and, upon such execution, to deliver the same to the Purchaser for use by it in connection with the sale and distribution of the Notes. The Official Statement shall be substantially in the form of the Preliminary Official Statement, with such changes as shall be approved by the Superintendent, the Chief Financial Officer or the Treasurer as necessary to conform the details of the Notes and such other insertions, modifications and changes as may be approved by the Superintendent, the Chief Financial Officer or the Treasurer. The execution and delivery of the Official Statement by the Chairman or Vice Chairman and the Superintendent shall constitute conclusive evidence of the approval thereof. The Board hereby authorizes the Official Statement and the information contained therein to be used in connection with the offering and sale of the Notes.

Section 8. Material Events Notice. The Board hereby covenants and agrees that, in order to provide for compliance by the District with the secondary market disclosure requirements of the Rule, it will comply with and carry out all of the provisions of the Material Events Notice Certificate to be executed by the Chairman or Vice Chairman and dated the date of delivery of the Notes, as it may be amended from time to time in accordance with the terms thereof. The Material Events Notice Certificate shall be substantially in the form attached hereto as **Exhibit F** with such changes, amendments, modifications, omissions and additions as shall be approved by the Chairman or Vice Chairman, each of whom is hereby authorized to execute and deliver such Certificate. Notwithstanding any other provision of this Resolution or the Notes, failure of the District to comply with such Material Events Notice Certificate shall not be considered an event of default under this Resolution or the Notes; provided, however, any Noteholder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Section 8 and the Material Events Notice Certificate.

Section 9. Delivery of the Notes. Upon payment of the purchase price for the Notes pursuant to the terms of the official invitation to bid and official bid form and the fulfillment of the other conditions contained therein, there shall be delivered to DTC on account of the Purchaser the properly executed Notes in the form described herein.

Section 10. Receipt for the Notes. Upon receipt of such purchase price, a proper receipt therefor shall be executed by the District and by the Purchaser.

Section 11. Appointment of Registrar and Paying Agent. The Board shall serve as Registrar and Paying Agent for the Notes.

Section 12. Covenants and Pledge of Pledged Revenues. The District covenants with and for the benefit of the holders of the Notes:

(A) That it has adopted a tentative budget and will adopt an operating budget for the Current Fiscal Year as soon as feasible, to comply with the operating budget for the Current

Fiscal Year so adopted and in accordance with Florida law and to levy District ad valorem taxes as required by law.

(B) To the extent necessary to pay when due the principal of and the interest on the Notes, the Pledged Revenues for the Current Fiscal Year are irrevocably pledged to the payment of the Notes.

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

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

(E) The Pledged Revenues are hereby irrevocably pledged to the payment when due of the principal of and interest on the Notes.

Section 13. Sinking Fund. There is hereby established a Sinking Fund to be held by the District as a separate special account for the benefit of the Noteholders (the "Sinking Fund"); provided, that the cash required to be accounted for therein may be pooled with other funds of the District so long as adequate accounting records are maintained to reflect and control the restricted purposes of such Sinking Fund moneys. The Sinking Fund shall be held in trust by the District for the sole benefit of the Noteholders, and the Noteholders are granted an express lien on the moneys and/or investments held in the Sinking Fund. The Noteholders shall have no lien upon any portion of the Pledged Revenues from sources constituting Non-Ad Valorem Funds unless and until such funds are deposited into the Sinking Fund. The District covenants that it shall deposit sufficient moneys or investments legal for District moneys pursuant to the provisions of Sections 1010.53(2) and 218.415, Florida Statutes, as amended from time to time pursuant to Board policy ("Permitted Investments") into the Sinking Fund no later than twenty-one (21) days prior to the maturity date of the Notes, or the first business day thereafter, so that the balance on deposit therein, together with the earnings to be received thereon, if any, will equal the amount of principal and interest becoming due on the Notes at maturity. Funds in the Sinking Fund may be invested only in Permitted Investments which mature on or prior to the maturity date of the Notes. Earnings on investments held in the Sinking Fund shall be retained and reinvested in the Sinking Fund until the amount on deposit in the Sinking Fund, together with the earnings to be received thereon, is equal to 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 District will transfer to Cede & Co. in care of DTC, the amounts so maintained in the Sinking Fund on or prior to the maturity date of the Notes. DTC will use such moneys to retire the Notes as they mature in accordance with the provisions of Section 3 hereof. Any balance in the Sinking Fund shall be released from the restriction described herein upon payment in full of the Notes.

Section 14. Taxing Power Not Pledged. No holder of the Notes issued hereunder shall ever have the right to compel the exercise of the ad valorem taxing power of the District, Palm Beach County, Florida or the State of Florida, or taxation in any form of any real or personal property therein to pay such Notes or the interest thereon except for the Pledged Revenues for the Current Fiscal Year commencing July 1, 2013.

Section 15. District Budget. The District, in preparing, approving and adopting its budget controlling or providing for the expenditures of its funds, so long as any principal of or interest on the Notes is outstanding and unpaid, will appropriate, allot and approve, in the manner required by law, from funds of the District derived from sources other than ad valorem taxes (except as provided in Sections 13 and 14 hereof) and legally available therefor, the amounts sufficient to pay the principal of and interest on the Notes.

Section 16. Application of Note Proceeds. The proceeds of the sale of the Notes shall first be applied by the District to pay the costs of preparation and issuance of the Notes including, but not limited to, rating agency, financial advisory and attorneys' fees, and the cost of preparation and dissemination of the Preliminary Official Statement and Official Statement for the Notes, to the extent not paid from other legally available funds of the District. The remaining proceeds from the sale of the Notes shall be used by the District to pay the lawful expenses of the District as the Board shall direct.

Section 17. Noteholder Not Affected by Use of Note Proceeds. The proceeds, including investment proceeds and accrued interest, if any, from the issuance of the Notes (the "Note Proceeds") are not pledged as security for payment of the principal of and interest on the Notes except as provided in Section 13 hereof and shall be expended by the District to pay the obligations of the District created by the District in accordance with the budget of the District for the Current Fiscal Year. The holders of the Notes issued hereunder shall have no responsibility for the use of the proceeds of said Notes, and the use of such Note Proceeds by the District shall in no way affect the rights of such Noteholders.

Section 18. Arbitrage Covenants; Tax Exemption. The District covenants that no investment or use will be made of the proceeds of the Notes herein authorized or the interest thereon which will cause said Notes to be "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder as such provisions may be applicable to said Notes at the time of such investment or use. The Chairman or Vice Chairman of the Board, the Superintendent, the Chief Financial Officer and the Treasurer are each hereby separately authorized to execute on behalf of the District an arbitrage certificate in appropriate form to assure the holders of the Notes that the Notes are not arbitrage bonds; such arbitrage certificate shall constitute a representation of the District, and no use of the proceeds of the Notes will be made contrary to the representations therein contained. The District further covenants that, so long as the Notes remain outstanding, it will perform all obligations required by law to assure that interest on the Notes remains excludable from gross income for federal income tax purposes.

Section 19. Further Assurances. The Board covenants that the provisions of this Resolution do not conflict with or violate any existing resolution of the Board, and that no contract or other agreement will be entered into and no action will be taken by which the rights of the holders of the Notes herein authorized might be impaired or diminished. The Board further covenants that it has complied or will comply with all of the terms, provisions and conditions required under Florida law and particularly Chapter 1011, Florida Statutes, for the adoption of and compliance with the budget for the Current Fiscal Year and for the assessment of millages and the levying of ad valorem taxes against the appropriate taxable property in the District. The members of the Board and the officers and employees of the District are hereby authorized and directed to do all acts and things required of them by the provisions of this Resolution, and the Notes herein authorized for the full, punctual and complete performance of all terms, covenants, provisions and agreements contained in such Notes and this Resolution.

Section 20. Resolution to Constitute a Contract. Upon the sale of the Notes hereby authorized, this Resolution will constitute a contract with the holders thereof, and such holders may enforce the provisions hereof by appropriate proceedings.

Section 21. Defeasance. If, at any time the District shall have paid, or shall have made provision for payment of, the principal of and interest on the Notes then, and in that event, the pledge of and lien on the Pledged Revenues in favor of the holders of the Notes shall no longer be in effect and the Notes shall no longer be deemed to be outstanding and unpaid for the purposes of this Resolution. For purposes of the preceding sentence, deposit in irrevocable trust with the State Board of Administration of Florida or with a bank or trust company for the sole benefit of the Noteholders, of sufficient Permitted Investments or any other securities or investments which may be authorized by law from time to time and sufficient under such law to effect such a defeasance, the principal of which, together with the earnings to be received thereon, will be sufficient to make timely payment of the principal of and interest on the Notes, shall constitute provision for payment. For purposes of defeasance, "Permitted Investments" shall mean direct obligations of, or obligations the timely payment of principal of and interest on which are unconditionally guaranteed by, the United States of America.

Section 22. Modification or Amendment. Modifications and amendments to this Resolution or any proceeding of the Board amendatory hereof may be made without the consent of registered holders of the Notes for purposes of clarification, curing any ambiguity or curing, correcting or supplementing any defective provisions (whether because of any inconsistency with any other provisions hereof or otherwise), in such manner as shall not impair the security for or adversely affect the rights of registered holders of the Notes; provided, however, that no material modification or amendment of this Resolution or of any proceeding of the Board amendatory hereof or supplemental hereto, may be made without the consent in writing of registered holders of fifty-one percent (51%) or more in aggregate principal amount of the Notes outstanding; provided further, however, that no modification or amendment shall permit a change in the maturity of the Notes or a reduction of the rate of interest thereon or in the amount of the principal obligation, or affect the covenants of the District provided in this Resolution, including without limitation, the covenant to pay the principal of and interest on the Notes, or reduce such percentage of registered holders of such Notes required above for such modifications or amendments, without the consent of the registered holders of all such Notes. Copies of all amendments shall be provided to Standard & Poor's Ratings Services and Moody's Investor's Service, Inc.

Section 23. Remedies. Any Noteholder or any trustee acting for such Noteholders in the manner hereinafter provided, may by suit, action, mandamus or other proceeding in any court of competent jurisdiction, protect and enforce any and all rights under the laws of the State of Florida, or granted and contained in this Resolution, and may enforce and compel the performance of all duties required by this Resolution or by any applicable statutes to be performed by the District or by any officer thereof. The holder or holders of Notes in an aggregate principal amount of not less than twenty-five percent (25%) of Notes then outstanding may, by a duly executed certificate, appoint a trustee for holders of Notes, with authority to represent such holders in any legal proceedings for the enforcement and protection of the rights of such holders. Such certificate shall be executed by such holders or their duly authorized attorneys or representatives and shall be filed with the District.

Section 24. Additional Acts. The Chairman, Vice Chairman, the Superintendent, the Chief Financial Officer and the Treasurer are each authorized and directed to execute and deliver all additional documents, contracts, instruments and certificates, and to take all actions and steps on behalf of the

District which are necessary or desirable in connection with the issuance of the Notes and which are not inconsistent with the terms and provisions of this Resolution.

Section 25. Statutory References. All statutory references herein shall be to said statutes as they exist on the date of adoption of this Resolution and as they may be from time to time amended or renumbered, including pursuant to the Florida K-20 Education Code, as well as by future legislation, except to the extent contractual commitments would preclude application of a subsequent statutory revision or repeal.

Section 26. Severability. If any one or more of the provisions of this Resolution or of the Notes herein authorized shall for any reason be held illegal or invalid, such illegality or invalidity shall not affect any other provision of this Resolution or of the Notes, but this Resolution and the Notes shall be construed and enforced as if such illegal or invalid provision had not been contained therein.

Section 27. Repealing Clause. All resolutions or orders and parts thereof in conflict herewith, to the extent of such conflict, are hereby superseded and repealed.

Section 28. Open Meeting Findings. It is hereby found and determined that all official acts of the Board concerning and relating to the adoption of this Resolution and all prior resolutions affecting the District's ability to issue the Notes were taken in an open meeting of the Board and that all deliberations of the Board that resulted in such official acts were taken in meetings open to the public, in compliance with all legal requirements, including Section 286.011, Florida Statutes.

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

Adopted this 21st day of August, 2013.

[SEAL]

/s/ Chuck Shaw

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

Attest:

/s/ E. Wayne Gent

E. Wayne Gent
Secretary, The School Board of Palm Beach
County, Florida

Approved as to form:

/s/ Office of the General Counsel

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

APPENDIX F

FORM OF MATERIAL EVENTS NOTICE CERTIFICATE

MATERIAL EVENTS NOTICE CERTIFICATE

This Material Events Notice Certificate is executed and delivered by the School District of Palm Beach County, Florida (the "District") in connection with the issuance by the District of its \$115,000,000 Tax Anticipation Notes, Series 2013 (the "Notes"). The Notes are being issued pursuant to a Resolution adopted on August 21, 2013 (the "Note Resolution"), by The School Board of Palm Beach County, Florida (the "Board") acting as the governing body of the District. The District covenants and agrees as follows:

SECTION 1. Purpose of the Material Events Notice Certificate. This Material Events Notice Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Notes and in order to assist the Participating Underwriter in complying with the Rule defined below.

SECTION 2. Definitions. In addition to the definitions set forth in the Note Resolution and in the Notes, which apply to any capitalized term used in this Material Events Notice Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Beneficial Owner" shall mean any person who, (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Notes (including persons holding Notes through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Notes for federal income tax purposes.

"Dissemination Agent" shall mean the Board, or any successor Dissemination Agent designated in writing by the Board and which has filed with the Board a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 3(a) of this Material Events Notice Certificate.

"MSRB" means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

"Participating Underwriter" shall mean the original purchaser of the Notes required to comply with the Rule in connection with the offering of the Notes.

"Rule" shall mean Rule 15c2-12(b)(5) of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of Florida.

SECTION 3. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 3, the District shall give, or cause to be given in a timely manner, not in excess of ten (10) business days after the occurrence of the event, to the MSRB at <http://emma.msrb.org/>, notice of the occurrence of any of the following events with respect to the Notes:

- (1) Principal and interest payment delinquencies,
- (2) Non-payment related defaults under the Note Resolution,
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties,

- (4) Unscheduled draws on credit enhancements reflecting financial difficulties,
- (5) Substitution of the credit or liquidity providers or their failure to perform,
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Notes or other material events affecting the tax-exempt status of the Notes,
- (7) Modifications to rights of Noteholders,
- (8) Optional, contingent or unscheduled Note calls,
- (9) Defeasances,
- (10) Release, substitution or sale of property securing repayment of the Notes,
- (11) Rating changes,
- (12) Bankruptcy, insolvency, receivership or similar event of the District or an obligated person,

Note to subsection (a)(12) of this Section 3: For the purposes of the event described in subsection (a)(12) of this Section 3, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

- (13) The consummation of a merger, consolidation or acquisition of an obligated person or the sale of all or substantially all of the assets of an obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material,
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material, and
- (15) Tender offers.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, under subsections (a) (1), (3), (4), (5), (6), (9), (11), (12) and (15), the District shall file a notice of such event

with the MSRB at <http://emma.msrb.org> in a timely manner not in excess of ten business days after the occurrence of the event.

(c) If the District determines that knowledge of the occurrence of a Listed Event under subsections (a) (2), (7), (8), (10), (13) and (14) would be material under applicable federal securities laws, the District shall file a notice of such event with the MSRB at <http://emma.msrb.org> in a timely manner not in excess of ten (10) business days after the occurrence of the event.

SECTION 4. Termination of Reporting Obligation. The District's obligations under this Material Events Notice Certificate shall terminate upon the legal defeasance or payment in full of all of the Notes. If such termination occurs prior to the final maturity of the Notes, the District shall give notice of such termination in the same manner as for a Listed Event under Section 3(a).

SECTION 5. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Material Events Notice Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Material Events Notice Certificate.

SECTION 6. Amendment; Waiver. Notwithstanding any other provision of this Material Events Notice Certificate, the District may amend this Material Events Notice Certificate, and any provision of this Material Events Notice Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 3(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Notes, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized securities law counsel, have complied with the requirements of the Rule at the time of the original issuance of the Notes, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Notes in the same manner as provided in the Note Resolution for amendments to the Note Resolution with the consent of Holders, or (ii) does not, in the opinion of nationally recognized securities law counsel, materially impair the interests of the Holders or Beneficial Owners of the Notes.

In the event of any amendment or waiver of a provision of this Material Events Notice Certificate, the District shall describe such amendment in a notice of such change given in the same manner as for a Listed Event under Section 3(a), and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver.

SECTION 7. Additional Information. Nothing in this Material Events Notice Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Material Events Notice Certificate or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Material Events Notice Certificate. If the District chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this

Material Events Notice Certificate, the District shall have no obligation under this Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

SECTION 8. Default. In the event of a failure of the District to comply with any provision of this Material Events Notice Certificate any Holder or Beneficial Owner of the Notes may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the District to comply with its obligations under this Material Events Notice Certificate. A default under this Material Events Notice Certificate shall not be deemed an event of default with respect to the Note Resolution or the Notes, and the sole remedy under this Material Events Notice Certificate in the event of any failure of the District to comply with this Material Events Notice Certificate shall be an action to compel performance.

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SECTION 9. Beneficiaries. This Material Events Notice Certificate shall inure solely to the benefit of the District, the Board, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Notes, and shall create no rights in any other person or entity.

Date: September 26, 2013

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

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