

*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 2016**

**Dated:** Date of Delivery

**Due:** August 31, 2017

The Tax Anticipation Notes, Series 2016 (the "Notes") are being issued by the School District of Palm Beach County, Florida (the "District") to provide interim funds for the payment of operating expenses of the District for its fiscal year commenced July 1, 2016 and ending June 30, 2017 (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 17, 2016. 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 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 District, the County, or the State for payment of the Notes or the interest thereon. The Notes and the obligation evidenced thereby shall not constitute a lien upon any property of or in the District, other than the Pledged Revenues, in the manner and to the extent described in the Resolution.

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

<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>Initial CUSIP No.</u>
2.00%	0.80%	101.059	696552ET1

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

*The Notes are offered when, as and if delivered subject to the approval of their legality by Greenberg Traurig, P.A., Miami, Florida, Note Counsel. Nabors, Giblin & Nickerson, P.A., Tampa, Florida, is acting as Disclosure Counsel to the District. Certain legal matters will be passed upon for the District by the District's Office of General Counsel. Public Financial Management, Inc., Orlando, Florida is acting as Financial Advisor to the District. It is expected that the Notes will be available for delivery through DTC in New York, New York, on or about October 11, 2016.*

**PNC Capital Markets LLC**

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

**BOARD MEMBERS\***

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

**SUPERINTENDENT OF SCHOOLS**

Robert Avossa, Ed.D.

**CHIEF FINANCIAL OFFICER**

Michael J. Burke

**TREASURER**

Leanne Evans, CTP

**GENERAL COUNSEL TO THE SCHOOL BOARD**

Blair Littlejohn, Esq.

**FINANCIAL ADVISOR**

Public Financial Management, Inc.  
Orlando, Florida

**NOTE COUNSEL**

Greenberg Traurig, P.A.  
Miami, Florida

**DISCLOSURE COUNSEL**

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

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\* The District One seat on the Board is currently vacant. A new Board member will be elected to fill such seat in the November 2016 general election.

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

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

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

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

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

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with and as part of its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

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

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

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**APPENDICES**

APPENDIX A:	INFORMATION REGARDING PALM BEACH COUNTY, FLORIDA
APPENDIX B:	EXCERPTED INFORMATION FROM THE COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA FOR FISCAL YEAR ENDED JUNE 30, 2015
APPENDIX C:	EXCERPTED INFORMATION FROM THE SUPERINTENDENT'S ANNUAL FINANCIAL REPORT (UNAUDITED) OF THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA FOR FISCAL YEAR ENDED JUNE 30, 2016
APPENDIX D:	FORM OF NOTE COUNSEL OPINION
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 2016**

**INTRODUCTORY STATEMENT**

The purpose of this Official Statement, which includes the cover page and the appendices hereto, is to provide information concerning the School District of Palm Beach County, Florida (the "District"), its \$115,000,000 aggregate principal amount of Tax Anticipation Notes, Series 2016 (the "Notes") and The School Board of Palm Beach County, Florida (the "Board"). Capitalized terms used, but not defined, herein shall have the meaning assigned thereto in the Resolution (as defined under "PURPOSE OF THE NOTES" below) included as "APPENDIX 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, and other applicable provisions of law, and a resolution of the Board, as the governing body of the District, adopted on August 17, 2016 (the "Resolution"). The Note proceeds will be used by the District to provide interim funds for the payment of current operating expenses of the District incurred during its fiscal year which commenced on July 1, 2016 and ends on June 30, 2017 (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 legally available to be used for operating purposes (excluding ad valorem taxes collected to pay the principal of and interest on bonds of the District issued pursuant to Sections 1010.40 – 1010.55, Florida Statutes, or to pay the principal of and interest on any obligations issued by the District pursuant to Section 1011.14, Florida Statutes, or otherwise levied pursuant to Section 1011.71(2), Florida Statutes), and (b) amounts on deposit in the Sinking Fund established pursuant to the Resolution (collectively, the "Pledged Revenues"). If necessary, the Notes are additionally payable from, but are not secured by, all legally available funds of the District derived from sources other than ad valorem taxation (the "Non-Ad Valorem Funds").

The Notes and the interest thereon shall not constitute a general obligation or indebtedness of, or pledge of the faith and credit of, the 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 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 Non-Ad Valorem Funds unless and until such funds are deposited into the Sinking Fund.

The District covenants that it will deposit sufficient moneys or Permitted Investments into the Sinking Fund no later than twenty-one (21) days prior to the maturity date of the Notes, or the first business day thereafter, so that the balance on deposit therein, together with the earnings to be received thereon, if any, will equal the amount of principal and interest becoming due on the Notes at maturity. Funds in the Sinking Fund may be invested only in Permitted Investments that mature on or prior to the maturity date of the Notes. Earnings on investments



held in the Sinking Fund shall be retained and reinvested in the Sinking Fund until the amount on deposit in the Sinking Fund, together with the earnings to be received thereon, is equal to the entire principal of and interest on the Notes due at their maturity. Thereafter, such earnings may be withdrawn by the District and used in the District's discretion as provided by law. Realized losses, if any, on investments held in the Sinking Fund shall be restored by the District by deposit of additional moneys into the Sinking Fund on or prior to the maturity date of the Notes.

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

### **Permitted Investments**

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

### **Defeasance**

If at any time the District shall have paid, or shall have made provision for the full payment of, all of the principal of and interest becoming due on the Notes at maturity, then, and in that event, the pledge of and lien on the Pledged Revenues in favor of the holders of the Notes will no longer be in effect and the Notes will no longer be deemed to be outstanding and unpaid for the purposes of the Resolution. For purposes of the preceding sentence, deposit, in irrevocable trust, with a bank or trust company for the sole benefit of the Noteholders, of sufficient Permitted Investments or any other securities or investments which may be authorized by law from time to time and sufficient under such law to effect such a defeasance, the principal of which, together with the earnings to be received thereon, will be sufficient to make timely payment of the principal of and interest on the Notes, will constitute provision for payment. For purposes of defeasance, "Permitted Investments" will 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, and other applicable provisions of law, and the Resolution. The Notes will be dated the date of delivery (currently expected to be October 11, 2016) and will bear interest from such date at the rate specified on the cover page of this Official Statement, calculated on a 360-day year basis comprised of twelve 30-day months. Both the principal and interest on the Notes will be payable at maturity upon presentation and surrender thereof at the principal office of the Board in its capacity as Registrar and Paying Agent.

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

### **No Redemption**

The Notes are not subject to redemption prior to maturity.

### **Book-Entry Provisions**

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

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

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

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

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

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

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

Payments with respect to the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District, as Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts

of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments with respect to the Notes to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Paying Agent or the District, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursements of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

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

#### **APPLICATION OF NOTE PROCEEDS**

The proceeds from the sale of the Notes shall initially be applied by the District to pay the costs of preparation and issuance of the Notes to the extent not paid from other legally available funds of the District. The remaining proceeds from the sale of the Notes will be used

by the District to pay the lawful current operating expenses of the District, as the Board shall direct. The Noteholders will have no responsibility for the use of the proceeds of the Notes, and the use of the Note proceeds by the District will in no way affect the rights of the Noteholders.

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

### **The District**

The District is organized under Section 4, Article IX, of the Constitution of Florida and Chapter 1001, Florida Statutes. The District is the 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 2015 population of 1,422,789. It is the third largest county in Florida in terms of population and encompasses a land area of approximately 2,023 square miles. The District services the unincorporated areas of the County and all 38 incorporated municipalities within the boundaries of the County, including the municipalities of Palm Beach, West Palm Beach, Jupiter, Delray Beach and Boca Raton.

As of June 30, 2016, the District included 183 schools and had approximately 186,329 unweighted full time equivalent students and approximately 21,822 full-time and part-time employees, including approximately 13,109 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 Board member seat for District One is currently vacant. A new Board member will be elected to fill such seat in the November 2016 general election. 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:

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

\* The District One seat on the Board is currently vacant. A new Board member will be elected to fill such seat in the November 2016 general election.

\*\* Mr. Shaw and Mr. Barbieri are running for re-election unopposed. Their names will not appear on the ballot, and they will be automatically re-elected to additional four-year terms which will expire in November 2020.

### **Administration**

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

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

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

He served as Superintendent of Fulton County Schools in Georgia for four years. During his tenure, Fulton County achieved dramatic academic gains by implementation of a comprehensive research-based strategic plan. Dr. Avossa previously served as the Chief Strategy and Accountability Officer, Area Superintendent and Chief of Staff for Charlotte-Mecklenburg Schools in North Carolina. He also spent more than a decade in Florida as a

teacher and principal. Dr. Avossa has dedicated his entire career to ensuring that every child is given an opportunity to succeed in college and a career of his or her choice.

**Michael J. Burke**, Chief Financial Officer, joined the District in April 1998. Prior to that, Mr. Burke had eight years of experience with the School District of Broward County, Florida's Budget Office. He received his Bachelor's Degree in Finance from Florida State University and a Master's Degree in Public Administration from Florida Atlantic University. For a four-year period (March 2012 to April 2016), Mr. Burke served as both the Chief Financial Officer and Chief Operating Officer of the District. In 2015, Mr. Burke received the "Bill Wise Award" for professionalism, commitment, integrity and leadership at the Council of the Great City Schools' Chief Financial Officers Conference. He currently serves on the Florida School Finance Council for the Florida Department of Education.

**Leanne Evans**, Treasurer, joined the District in February 1997 with six years of cash management experience in private industry. Ms. Evans graduated from Florida Atlantic University with a Bachelor of Business Administration in Finance and a Bachelor of Science in International Business and is a Certified Treasury Professional, as designated by the Association of Financial Professionals. Ms. Evans is a past president of the Florida School Finance Officers Association (FSFOA) and currently serves on the FSFOA board of directors. During her tenure with the District, she has overseen more than \$6 billion in debt and derivative transactions.

### **Total District Personnel**

The professional staff of the District includes supervisors, analysts, specialists, administrators, and instructional personnel. Other personnel include teachers' aides, clerks and secretaries, bus drivers, cafeteria personnel, custodial and maintenance workers, mechanics and warehousemen. The total number of District personnel as of June 30, 2016 was approximately 21,822, the largest number of employees of any single employer in the County.

### **Employee Relations**

Approximately 57% of all employees of the District are represented by the Palm Beach County Classroom Teachers Association ("CTA"), which is affiliated with Florida Education Association-United. Another 33% are represented by non-instructional collective bargaining agents and 10% are non-union represented staff.

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As of June 30, 2016, the Board employed approximately 21,822 full and part time persons representing the following groups:

Instructional	13,109
Instructional Support Services	2,220
Central Support Services	4,747
Administrative Support Services	1,490
Community Services	256
Total	<u>21,822</u>

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

Teachers	June 30, 2016*
Clerical	December 31, 2016
Police	December 31, 2016
Bus, Custodial, Maintenance and Mechanics	December 31, 2018

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

**Indebtedness**

Set forth below is selected information regarding outstanding debt of the District. For more detailed financial information concerning the District, see "APPENDIX B - EXCERPTED INFORMATION FROM THE COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA FOR FISCAL YEAR ENDED JUNE 30, 2015" and "APPENDIX C - EXCERPTED INFORMATION FROM THE SUPERINTENDENT'S ANNUAL FINANCIAL REPORT (UNAUDITED) OF THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA FOR FISCAL YEAR ENDED JUNE 30, 2016."

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**The School District of Palm Beach County, Florida**  
**Outstanding Long-Term Direct Debt**  
**June 30, 2016**

Description	Principal Amount Outstanding
<b>Self-Supporting State Bonds:<sup>(1)</sup></b>	
State Board of Education, Capital Outlay Bonds, Series 2009-A	\$ 755,000
State Board of Education, Capital Outlay Bonds, Series 2010-A	8,985,000
State Board of Education, Capital Outlay Bonds, Series 2011-A	3,415,000
State Board of Education, Capital Outlay Bonds, Series 2014-B	4,275,000
<b>Sub-Total State Board Bonds:</b>	<b>\$13,713,000</b>
<b>Certificates of Participation:<sup>(2)</sup></b>	
Certificates of Participation, Series 2002E	2,465,000
Certificates of Participation, Series 2003B	124,295,000
Certificates of Participation, Series 2004-QZAB	735,593
Certificates of Participation, Series 2005-QZAB	645,770
Certificates of Participation, Series 2006A	7,185,000
Certificates of Participation, Series 2007A	27,445,000
Certificates of Participation, Series 2007C	178,340,000
Certificates of Participation, Series 2007E	10,230,000
Certificates of Participation, Series 2010	67,665,000
Certificates of Participation, Series 2011A	44,520,000
Certificates of Participation, Series 2011C	6,170,000
Certificates of Participation, Series 2011D	23,855,000
Certificates of Participation, Series 2012A	20,085,000
Certificates of Participation, Series 2012B	107,225,000
Certificates of Participation, Series 2012C	67,145,000
Certificates of Participation, Series 2014A	115,455,000
Certificates of Participation, Series 2014B	165,070,000
Certificates of Participation, Series 2014C	33,280,000
Certificates of Participation, Series 2015A	106,315,000
Certificates of Participation, Series 2015B	145,535,000
Certificates of Participation, Series 2015C	62,970,000
Certificates of Participation, Series 2015D	221,640,000
<b>Sub-Total Certificates of Participation:</b>	<b>\$1,538,271,363</b>
<b>TOTAL LONG-TERM DIRECT DEBT OUTSTANDING</b>	<b>\$1,551,984,363</b>

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

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

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

**The School District of Palm Beach County, Florida**  
**Direct and Overlapping General Obligation Debt**  
**June 30, 2016**  
**(in thousands)**

Direct Debt	
General Obligation	\$ 0
Certificates of Participation	1,538,271
Special Obligation <sup>(1)</sup>	13,713
<b>Total Direct Debt</b>	<b>\$1,551,984</b>
Overlapping Debt <sup>(2)</sup>	
Palm Beach County Debt	\$ 954,749
Estimated Percentage Applicable <sup>(3)</sup>	8.65%
<b>Total Overlapping Debt</b>	<b>\$ 82,586</b>
<b>Total Direct and Overlapping Debt</b>	<b>\$1,634,570</b>

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

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

<sup>(3)</sup> Percent of County's General Obligation Bonds for County's Total Primary Government Debt as shown in the Palm Beach County, Florida Comprehensive Annual Financial Report for the Fiscal Year ended September 30, 2015.

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."

<u>School Year</u>	<u>Number of Schools</u>	<u>Number of Instructional Personnel at Fiscal Year End</u>	<u>Average F.T.E. Enrollment</u> <sup>(1)</sup>	<u>Expenditures per F.T.E. Student</u> <sup>(2)</sup>
2015-16	183	15,329	186,329	\$7,387
2014-15	182	15,333	183,477	7,160
2013-14	182	15,355	180,285	7,016
2012-13	182	15,013	177,797	6,605
2011-12	182	14,668	175,083	6,453

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

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

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

**FTE Growth**

The Full-Time Equivalent (FTE) Enrollment for School Years 2011-12 through 2015-16 was as follows:

**School District of Palm Beach, Florida  
Profile of Enrollments – Unweighted Full-Time Equivalent Students<sup>(1)</sup>  
2011-12 – 2015-16**

	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>
Grades K-3	45,516	46,724	49,192	49,915	49,964
Grades 4-8	62,089	62,330	63,254	64,375	65,654
Grades 9-12	46,120	49,702	47,369	48,419	48,933
Exceptional Education	1,505	1,490	1,356	1,325	1,280
Vocational Education	4,968	1,726	4,208	4,206	4,226
At Risk Programs	14,885	15,824	14,906	15,207	16,272
Total	<u>175,083</u>	<u>177,797</u>	<u>180,285</u>	<u>183,477</u>	<u>186,329</u>
Percentage Change	1.30%	1.55%	1.40%	1.77%	1.55%

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

**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>
2015-16	Tax Anticipation Notes, Series 2015	\$115,000,000
2014-15	Tax Anticipation Notes, Series 2014	115,000,000
2013-14	Tax Anticipation Notes, Series 2013	115,000,000
2012-13	Tax Anticipation Notes, Series 2012	115,000,000
2011-12	Tax Anticipation Notes, Series 2011	115,000,000

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

Class Size Reduction

Amendment 9 to the State Constitution required the State Legislature provide funding for sufficient classrooms so that class sizes can be reduced to certain constitutional class size

maximums by the beginning of the 2010 school year. Amendment 9 and Section 1003.03, Florida Statutes, which implements Amendment 9 are referred to herein as the "Class Size Legislation."

The Class Size Legislation established constitutional class size maximums limiting students per class to no more than 18 for pre-kindergarten through 3rd grade, 22 for grades 4 through 8 and 25 for grades 9 through 12. Compliance is determined on a period-by-period basis. In the event a school district is not in compliance with such requirements (based on October student enrollment), the legislation provides that the State shall reduce the class size funding, which can be adjusted for good cause. For those school districts that are in compliance with the constitutional amendment, a reallocation bonus of up to 5% of the base student allocation shall be distributed. School districts not in compliance are required to submit to the Commissioner of Education a corrective action plan that describes specific actions the district will take in order to fully comply with the requirements by October of the following year. If the district submits the certified plan by the required deadline, 75% of the funds remaining after the reallocation to school districts will be reallocated based upon each school district's proportion of the total reduction.

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 and subsequently, schools that provided choice (e.g., charter, magnet, career and technical, etc.) continued to be required to meet average class size at each school. As of the October 2015 Survey, the week during which the Department of Education determines compliance with class size maximums, the District had 100% of the classrooms in compliance. The District expects to be in compliance with the class size requirements for Fiscal Year 2016-17.

### Pre-K Programs

Amendment 8 to the Constitution provides that every 4-year old child in the State shall be offered a free, high quality pre-kindergarten learning opportunity by the State. Part V of Chapter 1002, Florida Statutes, creates a statewide Voluntary Pre-Kindergarten Education Program (the "Pre-K Program"). Among other things, the Pre-K Program provides eligibility and enrollment requirements, authorizes parents to enroll their children in a school-year prekindergarten ("Pre-K") program delivered by a private Pre-K provider, a summer program delivered by a public

school or a private Pre-K provider, or if offered in a school district that meets class-size reduction requirements, a school year Pre-K program delivered by a public school. The Pre-K Program also requires school districts to deliver summer Pre-K programs and permits school districts to deliver school-year Pre-K programs. Additionally, the Pre-K Program appropriates State funds to finance the Pre-K programs and provides the method for calculating the funds allocated to each Pre-K provider. The Pre-K Legislation provides State funding for the Pre-K programs.

### **Reading Mandate**

The 2012 Legislature mandated that all elementary schools which are determined to be among the lowest 100 schools in the State for reading performance must provide an additional hour of reading instruction beyond the normal school day. The 2014 Legislature expanded the mandate to include the lowest 300 schools in the State. For Fiscal Year 2016-17, the State has determined that 17 District schools fall into the low 300 designation. The District is currently funding the extra hour of reading for those 17 schools, and will meet the State's additional hour requirement for those 17 schools. The cost of implementing an additional hour of reading at the 17 schools is \$5 million which will be funded from the Supplemental Academic Instruction categorical within the general fund.

### **Budgetary Process**

Florida law requires the Board to adopt in each fiscal year a tentative budget and a final budget, each of which is required to be balanced with available funds. The Superintendent, with input from staff, principals and interested community groups, prepares and submits to the Board a recommended budget. The Board adopts the recommended budget, with such modifications, as it deems necessary, as the tentative budget for the District. After public hearings on the tentative budget, the Board adopts a final budget and forwards it to the State of Florida Department of Education. When approved by the State of Florida Department of Education, the final budget is designated as the official budget and governs the general operations for the fiscal year, unless subsequently amended by the Board. After public hearings, the final budget for Fiscal Year 2016-17 was adopted by the Board on September 7, 2016. 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 2014-15 and 2015-16 were \$242,365,405 and \$232,693,498 (unaudited), respectively, and are budgeted at \$266,041,548 for Fiscal Year 2016-17.

FEFP categorical programs are lump sum appropriations from the State intended to supplement local school district revenues to enhance the delivery of educational and support services by each school district. In recent years, most categorical programs have been eliminated and the funds are now earmarked within the FEFP base student allocation. The only remaining categorical program is class size reduction. The allocation for class size reduction is based on a funding formula. The majority of the funds available require appropriation by the Board for the purposes for which they were provided. Total State categorical aid was \$209,872,957 and \$212,395,962 (unaudited) for Fiscal Years 2014-15 and 2015-16, respectively, and is budgeted at \$215,215,306 for Fiscal Year 2016-17.

Student enrollment trends have changed over the past several years. Following five years of high growth of more than 5,000 students per year from Fiscal Year 2001 through Fiscal Year 2005 enrollment was flat in Fiscal Year 2006, and decreased by 3,000 students during Fiscal Year 2007. Enrollment was flat again during Fiscal Years 2008 and 2009 but has increased by an average of just over 2,000 for Fiscal Years 2010 through 2016. The District's current estimated enrollment for Fiscal Year 2017 is 187,935, which reflects an increase of approximately 1,606 students from Fiscal Year 2016. Future enrollment is projected to continue to increase slowly over the next three 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 2015-16, local property taxes provided 76.56% of the FEFP funds and are budgeted to provide 73.89% of the FEFP funds for Fiscal Year 2016-17.

State Lottery Revenues. A portion of the revenues generated from the State lottery is distributed to each Florida school district as Discretionary Lottery revenue and Florida School Recognition Program revenue. The Florida School Recognition program recognizes schools that have received an "A" or improved at least one letter grade from the previous school year and, under Florida Statutes, is required to be used for nonrecurring bonuses for school faculty and staff, nonrecurring expenditures for educational equipment or materials, for temporary personnel to assist schools in maintaining or improving student performance, or any combination of these. The District received approximately \$10.58 million and \$9.25 million (unaudited) in Florida School Recognition Program revenues for Fiscal Years 2014-15 and 2015-16, respectively, and the District budgeted \$9.25 million in Florida School Recognition Program revenues for Fiscal

Year 2016-17. The District received \$0.7 million in Discretionary Lottery revenues in Fiscal Years 2014-15 and 2015-16 (unaudited) but is not budgeted to receive any such revenues in Fiscal Year 2016-17.

## **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, further limits the millage levy for operational purposes to an amount established each year by the State appropriations act and finally certified by the Commissioner of the State of Florida Department of Education. Within this operational limit, each school district desiring to participate in the State's allocation of FEFP funds for current operations must levy a non-voted millage rate that is determined annually by the State Legislature and certified by the Commissioner of the State of Florida Department of Education and is referred to as the district "required local effort." For Fiscal Year ending June 30, 2017, the District's required local effort is 4.563 mills. In addition to such required local effort millage for Fiscal Year 2016-17, the District is levying a Prior Period Funding Adjustment Millage of 0.009 mills as required by Section 1011.62(4)(e), Florida Statutes. Such Prior Period Funding Adjustment Millage is levied when the preliminary taxable value for the prior year is greater than the final taxable value for such year, thereby resulting in lower than expected revenues from the required local effort millage.

In addition to the "required local effort," school districts are entitled an additional non-voted current operating "discretionary millage" not to exceed an amount established annually by the Legislature and up to 1.5 mills for capital outlay and maintenance of school facilities. However, the District may levy up to an additional 0.25 mills for capital outlay and maintenance of school facilities in lieu of operating discretionary millage. For Fiscal Year ending June 30, 2017, the District's discretionary operating millage is 0.748 mills. The District is not levying any capital outlay discretionary millage for the Fiscal Year ending June 30, 2017. See "AD VALOREM TAXATION - Millage Rates.

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

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The following table sets forth the District's operating millage levies for Fiscal Year 2016-17:

<u>Operating Millage</u>	<u>District Levy</u>	<u>Description</u>	<u>Max</u>
Required Local Effort	4.563 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	4.563 mills
Prior Period RLE Adjustment	0.009 mills	Non-voted; not to exceed amount established annually by the State	0.009 mills
Current Operating Discretionary Millage	0.748 mills	Non-voted; not to exceed amount established annually by the State Legislature	0.748 mills
Additional Operating Millage (Voter Approved)	0.250 mills	School boards may, upon approval by voters in a local referendum or general election, levy an additional millage for operating needs up to an amount that when combined with the non-voted millage does not exceed 10 mills. Such levy shall be for a maximum of four years.	0.250 mills

Budgeted revenues from ad valorem taxes were based on applying millage levies to ninety-six percent (96%) of the non-exempt assessed valuation of real and personal property within the County. Ad valorem tax receipts for operating purposes increased from \$877,938,378 for Fiscal Year 2014-15 to \$955,094,871 (unaudited) for Fiscal Year 2015-16. Ad valorem taxes for operating purposes are budgeted to be \$955,084,390 for Fiscal Year 2016-17.

### **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 \$1,067,602 and \$907,442 (unaudited) in Fiscal Years 2014-15 and 2015-16, respectively, and are budgeted at \$807,000 for Fiscal Year 2016-17. Federal funds through the State totaled \$7,567,462 and \$2,297,724 in Fiscal Years 2014-15 and 2015-16, respectively, and are budgeted to be \$3,000,000 in Fiscal Year 2016-17.

### **General Fund Operations**

The following tables briefly describe revenues available to the District for operating purposes, financial results of the District and certain District liabilities. For additional



information concerning such matters see "APPENDIX B - EXCERPTED INFORMATION FROM THE COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA FOR FISCAL YEAR ENDED JUNE 30, 2015" and "APPENDIX C - EXCERPTED INFORMATION FROM THE SUPERINTENDENT'S ANNUAL FINANCIAL REPORT (UNAUDITED) OF THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA FOR FISCAL YEAR ENDED JUNE 30, 2016."

The following table summarizes results of operations for the general fund of the District for the Fiscal Years ended June 30, 2013 through June 30, 2015 (audited), the results of operations for the Fiscal Year ended June 30, 2016 (unaudited) and the budgeted results of operations for the Fiscal Year ending June 30, 2017.

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

**For the Fiscal Years Ended June 30**

	<b>Audited</b>			<b>Unaudited</b>	<b>Budget</b>
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016<sup>(2)</sup></b>	<b>2017<sup>(3)</sup></b>
<b>Beginning Fund Balance:</b>	\$166.7	\$133.3	\$111.8	\$117.1	\$127.3
<b>Revenues:</b>					
Local Sources and Other					
Ad Valorem Taxes	\$802.1	\$809.9	\$878.8	\$960.8	\$957.3
Interest Income and Other	3.1	3.5	3.4	5.9	3.9
Other Revenue	53.5	59.7	72.5	65.4	60.4
Transfers In	87.0	106.8	91.4	89.4	93.6
Total Local Sources and Other	<u>\$945.7</u>	<u>\$979.9</u>	<u>\$1,046.1</u>	<u>\$1,121.5</u>	<u>\$1,115.2</u>
Financing Sources:					
State Sources:					
FL Educ. Finance Pro. & Categorical Grants	\$187.3	\$266.7	\$242.4	\$232.7	\$266.0
Other	217.0	220.3	209.9	212.4	215.2
Other	23.3	20.2	33.7	31.0	31.8
Total State Sources	<u>\$427.6</u>	<u>\$507.2</u>	<u>\$486.0</u>	<u>\$476.1</u>	<u>\$513.0</u>
Federal Sources	<u>\$7.2</u>	<u>\$8.5</u>	<u>\$8.6</u>	<u>\$3.2</u>	<u>\$3.8</u>
Total Revenues	<u>\$1,380.5</u>	<u>\$1,495.6</u>	<u>\$1,540.7</u>	<u>\$1,600.8</u>	<u>\$1,632.0</u>
Adjustments to Fund Balance					
Total Rev. & Fund Balance	<u>\$1,547.2</u>	<u>\$1,628.9</u>	<u>\$1,652.5</u>	<u>\$1,717.9</u>	<u>\$1,759.3</u>
<b>Expenditures:</b>					
Salaries	\$880.8	\$908.7	\$906.3	\$921.9	\$945.2
Employee Benefits	255.1	284.7	282.9	292.4	311.0
Purchased Services and other	278.0	323.7	346.2	361.9	374.8
Transfer Out	-	-	-	14.5	-
Total Expenditures	<u>\$1,413.9</u>	<u>\$1,517.1</u>	<u>\$1,535.4</u>	<u>\$1,590.7</u>	<u>\$1,631.0</u>
Excess of Revenues Over (Under)	<u>\$(33.4)</u>	<u>\$(21.5)</u>	<u>\$5.3</u>	<u>\$10.1</u>	<u>\$1.0</u>
Ending Fund Balance					
Nonspendable	\$11.3	\$9.6	\$9.0	\$6.0	\$5.4
Restricted	27.8	28.2	28.1	18.3	16.00
Committed	-	-	-	-	-
Assigned	49.8	27.5	30.1	53.0	54.90
Unassigned	44.4	46.5	50.0	50.0	52.00
<b>Total Fund Balance</b>	<u>\$133.3</u>	<u>\$111.8</u>	<u>\$117.1</u>	<u>\$127.3</u>	<u>\$128.3</u>
<b>Total Expenditures &amp; Fund Balance</b>	<u>\$1,547.2</u>	<u>\$1,628.9</u>	<u>\$1,652.5</u>	<u>\$1,718.0</u>	<u>\$1,759.3</u>

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

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

<sup>(3)</sup> Budgeted figures.

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

Section 1011.051, Florida Statutes, entitled "Guidelines for general funds" requires that if a school district's General Fund balance not classified as restricted, committed or nonspendable in the approved operating budget is projected to fall below three percent (3%) of projected General Fund revenues, the Superintendent shall provide written notification to the district school board and the Commissioner of Education. The section further requires that if the General Fund balance not classified as restricted, committed or nonspendable is projected to fall below two percent (2%) of projected General Fund revenues, the Superintendent shall provide written notification to the district school board and the Commissioner of Education. Within 14 days after receiving such notification of a balance below two percent (2%), if the Commissioner determines that the district does not have a plan that is reasonably anticipated to avoid a financial emergency as determined pursuant to Florida Statutes pertaining thereto, the Commissioner shall appoint a financial emergency board that may take certain delineated steps to assist a district school board in complying with the General Fund requirements. In Fiscal Year 2014-15, the District's General Fund balance not classified as restricted, committed or nonspendable was 5.52% of General Fund Revenues and in Fiscal Year 2015-16 was 6.81% of General Fund Revenues. For Fiscal Year 2016-17, the District's General Fund balance not classified as restricted, committed or nonspendable is budgeted to be 6.95% of General Fund Revenues.

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

	Jul-15	Aug-15	Sep-15	Oct-15	Through Nov 22	After Nov 22	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Total
<b>*Beginning C&amp;I Balance</b>	\$213,471	\$139,178	\$85,961	\$139,984	\$64,977	(\$37,966)	\$181,558	\$657,579	\$547,528	\$500,619	\$453,199	\$439,806	\$369,872	
<b>Receipts:</b>														
<b>Federal Revenues</b>														
Medicaid	16	6	3	17	12	12	27	42	17	37	845	33	1,231	\$2,297
ROTC	-	3	46	59	-	76	129	127	73	77	140	-	178	908
<b>State Revenues:</b>														
FL Ed. Finance Program	22,645	20,541	19,821	19,821	9,910	9,911	21,363	18,090	18,090	18,094	18,171	18,161	18,076	232,694
Instructional Material	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lottery	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
School Recognition Funds	-	-	-	-	-	-	-	-	-	-	9,254	-	-	9,254
Class Size Reduction	17,798	17,798	17,798	17,798	-	17,798	17,798	17,598	17,598	17,598	17,605	17,605	17,604	212,396
Other State Revenues	1,457	1,436	1,647	2,050	-	1,943	1,854	1,815	1,846	1,880	1,812	1,899	2,096	21,735
<b>Local Revenues:</b>														
Ad Valorem Tax	-	16,439	-	-	12	171,647	572,628	70,616	34,775	26,328	47,635	12,371	5,360	957,811
Interest	(55)	211	12	21	-	12	198	263	196	274	142	72	796	2,142
Other Local Revenues	5,990	5,165	17,873	6,448	2,499	2,510	5,782	4,270	6,603	5,949	5,281	3,895	2,614	74,879
Loss Recoveries	-	-	-	1	-	-	-	-	-	3	4	-	112	120
Transfers In	-	-	9,693	242	-	24,227	6,600	14,015	6,867	6,872	7,141	6,876	6,902	89,435
Sale of Capital Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2015 Note Proceeds	-	-	115,000	-	-	-	-	-	-	-	-	-	-	115,000
<b>Total Receipts</b>	<b>\$47,851</b>	<b>\$61,599</b>	<b>\$181,893</b>	<b>\$46,457</b>	<b>\$12,433</b>	<b>\$228,136</b>	<b>\$626,379</b>	<b>\$126,836</b>	<b>\$86,065</b>	<b>\$77,112</b>	<b>\$108,030</b>	<b>\$60,912</b>	<b>\$54,969</b>	<b>\$1,718,671</b>
<b>Disbursements:</b>														
Salaries	93,231	57,872	70,003	67,537	70,521	-	93,027	66,524	77,223	69,211	70,905	78,028	111,183	925,265
Benefits	19,335	13,261	19,728	22,334	23,077	-	23,910	26,107	26,062	23,012	21,585	23,834	48,697	290,942
Vendors	9,578	43,683	38,139	31,593	21,777	8,612	33,421	29,256	29,689	32,306	28,919	28,984	22,750	358,707
Transfers Out	-	-	-	-	-	-	-	-	-	3	14	-	14,533	14,550
2015 Note Payment	-	-	-	-	-	-	-	115,000	-	-	-	-	-	115,000
<b>Total Disbursements</b>	<b>\$122,144</b>	<b>\$114,816</b>	<b>\$127,870</b>	<b>\$121,464</b>	<b>\$115,375</b>	<b>\$8,612</b>	<b>\$150,358</b>	<b>\$236,887</b>	<b>\$132,974</b>	<b>\$124,532</b>	<b>\$121,423</b>	<b>\$130,846</b>	<b>\$197,163</b>	<b>\$1,704,464</b>

The School Board of Palm Beach County  
 General Fund Cash Flow Projections  
 Fiscal Year July 1, 2016 Through June 30, 2017  
 (in thousands)

	Jul-16	Aug-16	Sep-16	Oct-16	Through Nov 22	After Nov 22	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Total
<b>*Beginning C&amp;I Balance</b>	\$227,678	\$149,134	\$93,991	\$19,146	\$55,958	(\$51,404)	\$171,852	\$643,003	\$534,244	\$495,100	\$447,001	\$424,927	\$356,468	
<b>Receipts:</b>														
<b>Federal Revenues</b>														
Medicaid	21	8	4	22	15	15	35	55	22	48	1,104	43	1,608	\$3,000
ROTC	-	8	106	62	-	55	55	107	52	52	112	58	140	807
<b>State Revenues:</b>														
FL Ed. Finance Program	22,170	22,170	22,170	22,170	11,085	11,085	22,170	22,170	22,170	22,170	22,170	22,170	22,172	266,042
Instructional Material	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lottery	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
School Recognition Funds	-	-	-	-	-	-	-	-	9,254	-	-	-	-	9,254
Class Size Reduction	17,935	17,935	17,935	17,935	-	17,935	17,935	17,935	17,935	17,935	17,935	17,935	17,930	215,215
Other State Revenues	1,881	1,881	1,881	1,881	940	941	1,881	1,881	1,881	1,881	1,881	1,881	1,879	22,570
<b>Local Revenues:</b>														
Ad Valorem Tax	-	16,430	-	-	12	171,553	572,313	70,577	34,756	26,314	47,609	12,364	5,357	957,284
Interest	90	90	90	90	45	45	90	90	90	90	90	90	85	1,075
Other Local Revenues	5,271	5,271	5,271	5,271	-	5,271	5,271	5,271	5,271	5,271	5,271	5,271	5,274	63,255
Loss Recoveries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of Capital Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers In	-	-	10,144	253	-	25,355	6,907	14,668	7,187	7,192	7,474	7,196	7,223	93,600
2016 Note Proceeds	-	-	-	115,000	-	-	-	-	-	-	-	-	-	115,000
<b>Total Receipts</b>	<b>\$47,368</b>	<b>\$63,792</b>	<b>\$57,601</b>	<b>\$162,685</b>	<b>\$12,097</b>	<b>\$232,255</b>	<b>\$626,657</b>	<b>\$132,754</b>	<b>\$98,618</b>	<b>\$80,953</b>	<b>\$103,645</b>	<b>\$67,008</b>	<b>\$61,668</b>	<b>\$1,747,102</b>
<b>Disbursements:</b>														
Salaries	95,239	59,118	71,511	68,992	72,040	-	95,031	67,957	78,886	70,702	72,432	79,709	113,578	945,193
Benefits	20,666	14,174	21,086	23,871	24,665	-	25,555	27,904	27,856	24,596	23,070	25,474	52,048	310,964
Vendors	10,008	45,643	39,850	33,010	22,754	8,998	34,920	30,569	31,021	33,755	30,216	30,284	23,771	374,800
Transfers Out	-	-	-	-	-	-	-	84	-	-	-	-	-	84
2016 Note Sinking Fund Transfer*	-	-	-	-	-	-	-	115,000	-	-	-	-	-	115,000
<b>Total Disbursements</b>	<b>\$125,912</b>	<b>\$118,935</b>	<b>\$132,446</b>	<b>\$125,873</b>	<b>\$119,459</b>	<b>\$8,998</b>	<b>\$155,506</b>	<b>\$241,513</b>	<b>\$137,763</b>	<b>\$129,053</b>	<b>\$125,719</b>	<b>\$135,467</b>	<b>\$189,396</b>	<b>\$1,746,041</b>

\* Pursuant to the Resolution, sufficient Pledged Revenues are required to be deposited in the Sinking Fund no later than 21 days prior to the Maturity Date of the Notes (August 31, 2017). However, the District expects to deposit such funds in the Sinking Fund in January 2017. See "SECURITY FOR THE NOTES - The Sinking Fund" herein.

## **Basic Financial Statements**

The audited basic financial statements of the District for the Fiscal Year ended June 30, 2015 are included as "APPENDIX B – EXCERPTED INFORMATION FROM THE COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA FOR FISCAL YEAR ENDED JUNE 30, 2015" 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.

Audited financial statements for the Fiscal Year ended June 30, 2016 are not available as of the date hereof. Excerpted pages from the Superintendent's Annual Financial Report (Unaudited) of The School Board of Palm Beach County, Florida for the Fiscal Year ended June 30, 2016 is also appended hereto as Appendix C as part of this Official Statement. The figures in such report are not audited and are subject to change during the auditing process.

## **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 District participates in the Florida Retirement System ("FRS"), a cost sharing, multiple-employer, public employee retirement system, which covers substantially all regular employees of the District. Beginning in 2002, the FRS became one system with two primary plans, a defined benefit pension plan (the "FRS Pension Plan") and a defined contribution plan known as the Public Employee Optional Retirement Program (the "FRS Investment Plan"). FRS membership is required for all employees filling a regularly established position in a State agency, district school board, county, State university or State community college. Some municipalities, special districts, charter schools and metropolitan planning organizations also choose to participate in the FRS; however, participation is generally irrevocable after the entity elects to participate.

*The information relating to the FRS contained herein has been obtained from the FRS Annual Reports which are available by writing to the Division of Retirement, P.O. Box 9000, Tallahassee, Florida 32315-9000, or by phoning (850) 488-5706. No representation is made by the Board as to the accuracy or adequacy of such information or that there has not been any material adverse change in such information subsequent to the date of such information.*

There are five general classes of membership in the FRS: (1) Senior Management Service Class ("SMSC") members which include, among others, senior management level positions in State and local governments (including school districts) and assistant state attorneys, prosecutors and public defenders; (2) Special Risk Class which includes, among others, positions such as law enforcement officers, firefighters, correctional officers, emergency medical technicians and paramedics; (3) Special Risk Administrative Support Class which include, among others, non-special risk law enforcement, firefighting, emergency medical care or correctional administrative

support positions within a FRS special risk-employing agency; (4) Elected Officers' Class ("EOC") which includes members who are elected State and city officers and the elected officers of cities and special districts that choose to place their officials in this class; and (5) Regular Class members includes members that do not qualify for membership in the other classes.

The FRS is a cost-sharing multiple-employer public-employee retirement system with two primary plans. The Department of Management Services, Division of Retirement administers the FRS Pension Plan and the Florida State Board of Administration (the "SBA") invests the assets of the FRS Pension Plan held in the FRS Trust Fund. Administration costs of the FRS Pension Plan are funded through investment earnings of the FRS Trust Fund. Reporting of the FRS is on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the obligation is incurred.

The SBA administers the FRS Investment Plan, a defined contribution plan available to eligible FRS members as an alternative to the FRS Pension Plan. Retirement benefits are based upon the value of the member's account upon retirement. Regardless of membership class, FRS Investment Plan contributions vest after one year of service. A member vests immediately in all employee contributions paid to the FRS Investment Plan. If a member elects to transfer amounts from the FRS Pension Plan to that member's FRS Investment Plan account, the member must meet the six-year vesting requirement for any such transferred funds and associated earnings. The FRS Investment Plan is funded by employer contributions that are based on salary. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Administration costs of the FRS Investment Plan are funded through a 0.03% employer contribution and forfeited benefits. After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the FRS Investment Plan, receive a lump-sum distribution, or leave the funds invested for future distribution. Disability coverage is provided; the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan or remain in the FRS Investment Plan and rely upon that account balance for retirement income.

Since July 1, 2001, the FRS Pension Plan has provided for vesting of benefits after six years of creditable service. Members not actively working in a position covered by the FRS on July 1, 2001, must return to covered employment for up to one work year to be eligible to vest with less service than was required under the law in effect before July 1, 2001. Members initially enrolled on or after July 1, 2001, through June 30, 2011, vest after six years of service. Members initially enrolled on or after July 1, 2011, vest after eight years of creditable service. Members are eligible for normal retirement when they have met the various plan requirements applicable to each class of membership. Regardless of class, a member may take early retirement any time after vesting within 20 years of normal retirement age; however, there is a five percent benefit reduction for each year prior to normal retirement age.

Benefits under the FRS Pension Plan are computed on the basis of age, average final compensation, creditable years of service, and accrual value by membership class. Members are also eligible for in-line-of-duty or regular disability and survivors' benefits. Pension benefits of retirees and annuitants are increased each July 1 by a cost-of-living adjustment. If the member

was initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3% per year. If the member was initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3% determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3%. FRS Pension Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Effective July 1, 2011, all members of FRS were required to contribute 3% of their gross compensation toward their retirement. In addition, the legislation reduced the required employer contribution rates for each membership class and subclass of the FRS.

Additional legislative changes that only apply to employees who initially enroll on or after July 1, 2011, include: (1) the average final compensation upon which retirement benefits are calculated are based on the eight highest (formerly five highest) fiscal years of compensation prior to retirement; (2) the DROP (as defined herein) is maintained but the interest accrual rate is reduced from 6.5% to 1.3%; (3) the normal retirement age is increased from 62 to 65; and (4) the years of creditable service is increased from 30 to 33 and the vesting period is increased to eight years (formerly six).

Subject to provisions of Section 121.091, Florida Statutes, the Defined Retirement Option Program (the "DROP") permits employees eligible for normal retirement under the FRS to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in the DROP for a period not to exceed 60 months while the member's benefits accumulate in the FRS Trust Fund. Authorized instructional personnel may participate in the DROP for up to 36 additional months beyond their initial 60-month participation period. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. As of June 30, 2015, the FRS Trust Fund projected \$3,119,220,775 in accumulated benefits and interest for 34,829 current and prior participants in the DROP.

The Retiree Health Insurance Subsidy ("HIS") Program is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Division of Retirement within the Department of Management Services. Beginning July 1, 2002, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of creditable service completed at the time of retirement multiplied by \$5. The payments are at least \$30 but not more than \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

The HIS Program is funded by required contributions from FRS participating employers as set by the Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. Beginning July 1, 2014, the contribution rate was 1.26% of payroll pursuant to Section 112.363, Florida Statutes. HIS contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds



fail to provide full subsidy benefits to all participants, the legislature may reduce or cancel HIS payments.

Participating employers must comply with the statutory contribution requirements. Section 121.031(3), Florida Statutes, requires an annual actuarial valuation of the FRS Pension Plan, which is provided to the Florida Legislature as guidance for funding decisions. Employer contribution rates under the uniform rate structure (a blending of both the FRS Pension Plan and FRS Investment Plan rates) are recommended by the actuary but set by the Florida Legislature. Statutes require that any unfunded actuarial liability ("UAL") be amortized within 30 plan years and any surplus amounts available to offset total retirement system costs are to be amortized over a 10-year rolling period on a level-dollar basis. As of June 30, 2015, the balance of legally required reserves for all defined benefit pension plans was \$148,454,681,903. Such funds are reserved to provide for total current and future benefits, refunds and administration of the FRS Pension Plan.

The District's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District's contributions, including employee contributions, to the FRS Pension Plan and FRS Investment Plan for the Fiscal Year ended June 30, 2016, totaled \$78.7 million (unaudited), which was equal to the required contribution for such Fiscal Year. This excludes the HIS Program contribution. The District's contributions to the HIS Plan for the Fiscal Year ended June 30, 2015, totaled \$12.2 million.

As a participating employer in the Florida Retirement System, the District implemented Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date (an amendment to GASB Statement No. 68)*, effective for fiscal years beginning after June 15, 2014. The implementation of these Statements requires the District to record a liability for its proportionate share of the net pension liabilities of the Florida Retirement System plans.

The scope of GASB Statements Nos. 68 and 71 address accounting and financial reporting for pensions that are provided to employees of state and local governmental employers that meet certain characteristics. These Statements establish standards for measuring and recognizing liabilities, deferred outflows/inflows of resources and expense/expenditures. For defined benefit pensions such as the Florida Retirement System plans, GASB Statements Nos. 68 and 71 identify methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service. Pursuant to these Statements, the District is required to record a liability for its proportionate share of pension liabilities as reported by the Florida Retirement System plans. While these Statements require recognition and disclosure of the unfunded pension liability, there is no requirement that such liability be funded. Accordingly, a deficit in unrestricted net position should not be considered, solely, as evidence of financial difficulties. The adoption of GASB Statements Nos. 68 and 71 resulted in a material increase in the District's liabilities and a material decrease in the District's net position. The beginning net position of the District at July 1, 2014 was decreased by \$648.5 million due to adoption of the Statements. The District's proportionate share of the net pension liabilities of the Florida

Retirement System Pension Plan totaled \$154.7 million at June 30, 2015. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined an actuarial valuation as of that July 1, 2014. The District's proportion of the net pension liability was based on the District's Fiscal Year 2014-15 contributions relative to the Fiscal Year 2013-14 contributions of all participating members. At June 30, 2014, the District's proportion was 2.535%, which was an increase of 0.022% from its proportion measured as of June 30, 2013.

As of June 30, 2015, the District reported a net pension liability of \$309.0 million for its proportionate share of the HIS Plan's net pension liability. The current portion of the net pension liability is the District's proportionate share of benefit payments expected to be paid within one year, net of the District's proportionate share of the pension plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The District's proportionate share of the net pension liability was based on the District's Fiscal Year 2013-14 contributions relative to the total Fiscal Year 2013-14 contributions of all participating members. As of June 30, 2014, the District's proportionate share was 3.305%, which was an increase of 0.058% from its proportionate share measured as of June 30, 2013. See APPENDIX B hereto, including the Management's Discussion and Analysis, Note 12 to the Basic Financial Statements and the Required Supplementary Information, to the District's audited financial statements for the Fiscal Year ended June 30, 2015, and APPENDIX C hereto, including Management's Discussion and Analysis, Note 12 to the Basic Financial Statements and the Required Supplementary Information, to the District's annual financial report (unaudited) for the Fiscal Year ended June 30, 2016, for additional information relating to the District's implementation of GASB Statements Nos. 68 and 71.

#### **Other Post Employment Benefit Program.**

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

As with all governmental entities providing similar plans, the District implemented Governmental Accounting Standard's Board Statement No. 45 - Accounting and Financial Reporting by Employers for Post-Employment Benefit Plans other than Pension Plans ("GASB 45") during the 2007-2008 fiscal year. The District had historically accounted for its OPEB contributions on a pay as you go basis. GASB 45 applies accounting methodology similar to that used for pension liabilities to OPEB and attempts to more fully reveal the costs of employment by requiring governmental units to include future OPEB costs in their financial statements. While GASB 45 requires recognition and disclosure of the unfunded OPEB liability, there is no requirement that the liability of such plan be funded. To comply with GASB 45, the District retained an actuary (the "Actuary") to review the District's OPEB liabilities and provide the District with a written valuation. The Actuary determined the District's actuarial accrued liability related to OPEB, which approximates the present value of all future expected postretirement life and medical premiums and administrative costs which are attributable to the past service of those

retired and active employees, at \$141.5 million (unaudited) as of June 30, 2016. The Actuary also determined the District's annual required contribution ("ARC"), which is the portion of the total accrued actuarial liability allocated to the current Fiscal Year needed to pay both normal costs (current and future benefits earned) and to amortize the unfunded accrued liability (past benefits earned, but not previously provided for), to be \$11.8 million (unaudited) as of June 30, 2016. 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 \$107.5 million (unaudited) as of June 30, 2016, which reflects the District's approximately \$6.8 million (unaudited) contribution towards its OPEB liability during Fiscal Year 2015-16. For additional information on OPEB liability, including assumptions on which the calculation is based, see Note 13 and the Required Supplementary Information to the District's audited financial statements for the Fiscal Year ended June 30, 2015, which are attached hereto as Appendix B, and Note 13 and the Required Supplementary Information to the District's unaudited financial statements for the Fiscal Year ended June 30, 2016, which are attached hereto as Appendix C.

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

## **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, homes for the aged, disabled veterans, deployed military personnel, surviving spouses of veterans and low income seniors.

Agricultural land, non-commercial recreational land, inventory, and livestock are assessed at less than 100% of fair market value.

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

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

Section 194.014, Florida Statutes, requires that taxpayers appealing the assessed value or assigned classification of their property must make a required partial payment of taxes (generally equal to 75% of the ad valorem taxes due, less the applicable statutory discount, if any) with respect to properties that will have a petition pending on or after the delinquency date (normally April 1). The new statute further provides that a taxpayer's failure to make the required partial payment before the delinquency date (normally April 1) will result in the denial of the taxpayer's petition.

### **Property Tax Reform**

In 2007, the Florida Legislature enacted Chapter 2007-321, Laws of Florida (2007) (the "Rollback Law"). One component of the adopted legislation requires counties, cities and special districts to roll back their millage rates for the 2007-08 Fiscal Year to a level that, with certain adjustments and exceptions, will generate the same level of ad valorem tax revenue as in Fiscal Year 2006-07; provided, however, depending upon the relative growth of each local government's own ad valorem tax revenues from 2001 to 2006, such rolled back millage rates will be determined after first reducing 2006-07 ad valorem tax revenues by zero to nine percent (0% to 9%). In addition, the legislation limits how much the aggregate amount of ad valorem tax

revenues may increase in future Fiscal Years. **School districts are not required to comply with the particular provisions of the legislation relating to limitations on increases in future years.**

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

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

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

## **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, further limits the millage levy for operational purposes to an amount established each year by the State appropriations act and finally certified by the Commissioner of the State of Florida Department of Education. Within this operational limit, each school district desiring to participate in the State's appropriation of Florida Education Finance Program ("FEFP") funds for current operations must levy the millage certified by the Commissioner of the State of Florida Department of Education, the "required local effort," which is set each year by the State Legislature. In addition to the "required local effort," school districts are entitled to a non-voted current operating discretionary millage. See "Historical Millages" below for information regarding the District's property tax levies in recent Fiscal Years.

In addition to the millage levies for operating purposes, pursuant to Section 1011.71, Florida Statutes, school boards may set an additional non-voted millage known as the "Local Option Millage Levy" for capital outlay and maintenance purposes. In 2008, the Florida Legislature amended Section 1011.71, Florida Statutes, to provide that if the revenues generated

from the reduced Local Option Millage Levy are insufficient to make payments under a lease-purchase agreement entered into prior to June 30, 2008, an amount equal to the revenue generated from 0.50 mills of the operating millage levy may be used to make such lease payments. In 2009, the Florida Legislature further amended Section 1011.71, Florida Statutes, to (i) reduce the maximum Local Option Millage Levy from 1.75 mills to 1.5 mills commencing in Fiscal Year 2009-10 for school districts and (ii) if the revenue from the 1.5 mills is insufficient to make payments due under a lease purchase agreement entered into prior to June 30, 2009, or to meet other critical school district fixed capital outlay needs, authorize a school board to levy up to an additional 0.25 mills of Local Option Millage Levy in addition to the 1.5 mills, in lieu of levying an equivalent amount of the discretionary mills for operations. In 2012, the Florida Legislature further amended Section 1011.71, Florida Statutes to waive the 75% limitation on the use of Local Option Millage Levy revenues for lease-purchase agreements originally entered into prior to June 30, 2009.

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

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

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

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

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

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

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

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

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

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

Fiscal Year Ended June 30	Gross Assessed Value <sup>(1)</sup>	Total Taxable Value for Operating Millages	% Taxable to Total Assessed Value
2017 <sup>(2)</sup>	\$237,451,187	\$178,613,927	75.22%
2016	217,610,910	165,191,584	75.94
2015	192,745,423	150,103,002	77.88
2014	171,884,068	138,661,345	80.67
2013	163,255,148	133,036,113	81.49

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

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

Source: The School District of Palm Beach County, Florida Comprehensive Annual Financial Report for the Fiscal Year Ending June 30, 2015 for Fiscal Years ending June 30, 2013-2015. Fiscal Years 2016 and 2017 figures provided by Palm Beach County, Florida Property Appraiser.

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

	Fiscal Year Ended June 30				
	2013	2014	2015	2016	2017
General Fund					
Required Local Effort <sup>(1)</sup>	5.280	5.088	5.096	5.014	4.572
Discretionary <sup>(2)</sup>	0.952	0.977	0.998	0.998	0.998
Subtotal	6.232	6.065	6.094	6.012	5.570
Debt Service	0.000	0.000	0.000	0.000	0.000
Capital Improvement <sup>(3)</sup>	1.546	1.521	1.500	1.500	1.500
Total Millage Levy	7.778	7.586	7.594	7.512	7.070

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

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

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

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

Pursuant to Article VII of the Constitution of the State of Florida, the Board may not levy ad valorem taxes, exclusive of voted taxes levied for the payment of debt service on bonds, in excess of 10 mills. The Board is levying 6.820 non-voted mills for Fiscal Year ending June 30, 2017.

In the November 2010 general election, the voters of Palm Beach County approved a 0.25 mill operating property tax levy for a four-year period beginning with the 2011-12 Fiscal Year and continuing through the 2014-15 Fiscal Year. In November 2014, the 0.25 mill property tax levy was approved by voters for another four years, beginning with the 2015-16 Fiscal Year and continuing through the 2018-19 Fiscal Year. The primary purpose of the millage is to pay for teachers' salaries, as well as arts, music, physical education, career and academic programs.

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

**County Wide Ad Valorem Millage Rates**

<u>Fiscal Year</u>	<u>District</u>	<u>County</u>	<u>Total Water District</u>	<u>Total County Wide</u>
2015	7.594	6.7619	.3842	14.7401
2014	7.586	6.8022	.4110	14.7992
2013	7.778	6.9380	.3676	15.0836
2012	8.180	6.9619	.3739	15.5158
2011	8.154	7.0163	.5346	15.7049
2010	7.983	6.5202	.5346	15.0378
2009	7.251	5.6879	.5346	13.4735
2008	7.356	5.5775	.5346	13.4681
2007	7.872	6.2059	.5970	14.6749
2006	8.106	6.6264	.5970	15.3294

Source: The School District of Palm Beach County, Florida Comprehensive Annual Financial Report for the Fiscal Year Ending June 30, 2015.

The following table sets forth the amounts billed and collected for ad valorem property taxes levied by the District for the Fiscal Years 2010 through 2016.

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

<u>Fiscal Year Ended June 30</u>	<u>Property Taxes Levied</u>	<u>Current Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Current Tax Collected To Property Taxes Levied<sup>(1)</sup></u>
2016	\$991,543	\$955,613	\$960,894	96.37%
2015	900,204	878,413	879,543	97.58
2014	838,852	806,691	810,669	96.17
2013	827,105	795,917	802,185	96.23
2012	874,162	840,529	847,399	96.15
2011	885,348	848,596	859,191	95.85
2010	908,716	838,198	847,980	92.24

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

Source: The School District of Palm Beach County, Florida Comprehensive Annual Financial Report for the Fiscal Year Ending June 30, 2015. Fiscal Year 2016 figures provided by the School District of Palm Beach County, Florida.

The following table contains the list of the County's ten largest taxpayers for the Fiscal Year ended September 30, 2015 as compared to September 30, 2006.

**Palm Beach County, Florida  
Principal Property Tax Payers  
Current Year and Nine Years Ago  
September 30, 2015**

<u>Taxpayer</u>	2015			2006		
	Total Tax	Rank	% of Total Taxes Levied	Total Tax	Rank	% of Total Taxes Levied
Florida Power & Light	\$102,893,652	1	10.79%	\$24,629,494	1	2.96%
Town Center	8,240,225	2	0.86	5,533,384	3	0.66
Gardens Venture LLC	5,506,996	3	0.58	-	-	-
U.S. Sugar Corporation	5,321,920	4	0.56	5,295,981	4	0.64
BellSouth Communications	5,201,778	5	0.55	10,251,138	2	1.23
TM Wellington Green Mall LP	5,088,671	6	0.53	-	-	-
Comcast of Florida/Georgia LLC	5,062,990	7	0.53	-	-	-
Breakers Palm Beach Inc.	5,058,673	8	0.53	4,378,861	6	0.53
Palm Beach Outlets I LLC	4,547,745	9	0.48	-	-	-
Panthers BRHC LTD	3,880,139	10	0.41	4,482,201	5	0.54
Okeelanta Corporation	-	-	-	3,184,745	10	0.38
TJ Palm Beach Assoc LTD Ptnrs	-	-	-	3,260,221	9	0.39
Landry, Lawrence L.	-	-	-	3,998,763	7	0.48
Batmaskian, James H	-	-	-	3,482,509	8	0.42
<b>Total</b>	<b>\$150,802,789</b>		<b>15.82%</b>	<b>\$68,497,297</b>		<b>8.23%</b>

Source: Palm Beach County, Florida Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2015.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

*Exemption for Low Income Seniors.* Also during the 2012 regular legislative session, the legislature passed House Joint Resolution 169 ("HJR 169") allowing the State Legislature by general law to permit counties and municipalities, by ordinance, to grant an additional homestead

tax exemption equal to the assessed value of homestead property to certain low income seniors. To be eligible for the additional homestead exemption the county or municipality must have granted the exemption by ordinance; the property must have a just value of less than \$250,000; the owner must have title to the property and maintained his or her permanent residence thereon for at least 25 years; the owner must be age 65 years or older; and the owner's annual household income must be less than \$27,300. The additional homestead tax exemption authorized by HJR 169 would not apply to school property taxes.

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

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

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

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

At present, the impact of the amendments passed during the 2013 legislative session on the District's finances has been minimal. However, there can be no assurance that similar or additional legislative or other proposals will not be introduced or enacted in the future that would, or might apply to, or have a material adverse effect upon, the District's finances.

Exemption and Assessment of Renewable Energy Devices Upon all Real Property. In the August 2016 primary election, the voters in the State approved a constitutional amendment exempting the assessed value of certain renewable energy devices from the ad valorem tax on tangible personal property and prohibiting certain renewable energy devices from being considered when calculating the assessed value of all real property, not just real property used for residential purposes as provided for in HB 277 described above. This constitutional amendment will take effect on January 1, 2018 and expire on December 31, 2037. At this time, the impact of this amendment, if any, on the District cannot be ascertained.

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

## LITIGATION

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

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

## **TAX EXEMPTION**

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

In the opinion of Note Counsel, assuming the accuracy of certain representations and certifications of the District and continuing compliance by the District with the tax covenants referred to above, under existing statutes, regulations, rulings and court decisions, the interest on the Notes will be excludable from gross income for federal income tax purposes. Furthermore, interest on the Notes will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest will be taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. Note Counsel is further of the opinion that the Notes and the interest thereon will not be subject to taxation under the laws of the State, except as to estate taxes and taxes under Chapter 220, Florida Statutes, on interest, income or profits on debt obligations owned by corporations as defined in said Chapter 220. Note Counsel will express no opinion as to any other tax consequences regarding the Notes. Prospective purchasers of the Notes should consult their own tax advisors as to the status of interest on the Notes under the tax laws of any state other than Florida.

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

Note Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on factual representations made to Note Counsel as of the date thereof. Note Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances that may thereafter come to Note Counsel's attention, or to reflect any changes

in law that may thereafter occur or become effective. Moreover, Note Counsel's opinions are not a guarantee of a particular result, and are not binding on the IRS or the courts; rather, such opinions represent Note Counsel's professional judgment based on its review of existing law, and in reliance on the representations and covenants that it deems relevant to such opinion.

### **Possibility of Future Changes in Tax Law**

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

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

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

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

### **APPROVAL OF LEGALITY**

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

The form of the proposed opinion is attached to this Official Statement as "APPENDIX 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 2016, (2) the percentage of collection of ad valorem taxes for the Current Fiscal Year, (3) the receipt by the District of the federal and State funds upon which it depends, in part, for the funding of its operations for the Current Fiscal Year, and (4) the absence of the need for extraordinary, unforeseen expenditures during the Current Fiscal Year. These matters are largely dependent upon factors beyond the control of the District, and any adverse developments with respect to these or other factors could affect the ability of the District to pay the principal of and interest on the Notes. See also "THE SCHOOL DISTRICT AND SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA – Constitutional Amendments Related to Class Size Legislation and Pre-K Programs," "AD VALOREM TAXATION – Constitutional Amendments Affecting Ad Valorem Taxes," "Recent Legislative Initiatives and Constitutional Amendments Concerning Ad Valorem Taxes," and "Other Constitutional Amendments and Legislation Affecting Ad Valorem Taxation and District Finances" herein for information concerning certain amendments to the Florida Constitution and other proposed legislation that could materially adversely affect the School Board's financial situation.

#### **UNDERWRITING**

The Notes are being purchased by PNC Capital Markets LLC (the "Underwriter") at an aggregate purchase price of \$116,212,100.00 (which represents the principal amount of the Notes plus a note premium of \$1,217,850.00, minus an underwriting discount of \$5,750.00). The offer of the Underwriter to purchase the Notes provides for the purchase of all of the Notes if any are purchased. The Notes may be reoffered and sold by the Underwriter to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers at prices that are lower than the stated public offering price. After the initial public offering, the offering price may change from time to time by the Underwriter.

#### **CONTINUING DISCLOSURE**

On the date of issuance of the Notes, the District will execute a Material Events Notice Certificate in the form attached hereto as "APPENDIX 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.

Although the District is exempt from the continuing disclosure requirements of the Rule with respect to the Notes, the District, acting through the Board as its governing body, has entered into continuing disclosure undertakings in connection with other obligations under which it is an obligated person. The District is current in its required filings of material event notices, although from June 26, 2008 until mid-2012, the District had ceased filing material event notices of rating changes related to downgrades of municipal bond insurers insuring certain of the District's outstanding obligations under certificates of participation. The District is current in its required filings of defeasance notices of refunded certificates of participation, although due to an inadvertent administrative oversight it had not done so in a timely fashion for two series of certificates that were refunded in November 2011. The District intends to fully comply with all current and future continuing disclosure undertakings. In furtherance thereof, the District has engaged Digital Assurance Certification, L.L.C. as its dissemination agent, in order to ensure ongoing and future compliance with its obligations under the Rule, particularly as it relates to material event filings.

#### **MISCELLANEOUS**

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

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

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

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

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

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

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**AUTHORIZATION OF AND CERTIFICATION  
CONCERNING OFFICIAL STATEMENT**

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

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

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

By: /s/ Robert Avossa, Ed.D.  
Superintendent of Schools

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**APPENDIX A**

**INFORMATION REGARDING PALM BEACH COUNTY, FLORIDA**

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**INFORMATION CONCERNING PALM BEACH COUNTY, FLORIDA**

**General Information**

Palm Beach County (the "County") was founded in 1909 and encompasses an area of 2,385 square miles, making it the largest county in the State of Florida. It is located on the southeast coast of the Florida peninsula with 45 miles of Atlantic Ocean frontage and 25 miles of frontage on Lake Okeechobee. The County has a semi-tropical climate with an average temperature of 75 degrees Fahrenheit and an average rainfall of 62 inches. The temperate climate and other natural amenities, including 88 local, State and federal recreational areas of more than 10 acres and 163 golf courses, have enabled the County to develop a year-round tourist industry.

There are 38 incorporated municipalities within the County encompassing a total of 342 square miles, or approximately 17% of the County's area. An estimated 56% of the County's population resides within the municipalities. The City of West Palm Beach is the County seat and is the largest city in the County. The County had a 2015 population of 1,422,789.

**Population**

In 2015, Palm Beach County was the third largest county in the State in terms of population. Its population increased 65.3% from 1970 - 1980, 49.7% from 1980 - 1990, 31.0% from 1990 - 2000, 14.4% from 2001 to 2010 and 7.8% from 2010 to 2015.

**Population Growth  
2006 - 2015**

Year	Palm Beach County		Florida		United States	
	Population	Change	Population	Change	Population	Change
2006	1,284,489	0.5	18,166,990	1.8	298,379,912	1.0
2007	1,286,586	0.2	18,367,842	1.1	301,231,207	1.0
2008	1,294,938	0.6	18,527,305	0.9	304,093,966	1.0
2009	1,307,371	1.0	18,652,644	0.7	306,771,529	0.9
2010	1,320,134	1.0	18,801,310	0.8	308,745,538	0.6
2011	1,338,500	1.4	19,105,533	1.6	311,718,857	1.0
2012	1,358,396	1.5	19,352,021	1.3	314,102,623	0.8
2013	1,375,826	1.3	19,594,467	1.3	316,427,395	0.7
2014	1,398,518	1.6	19,905,569	1.6	318,907,401	0.8
2015	1,422,789	1.7	20,271,272	1.8	321,418,820	0.8

Source: Florida Research and Economic Information Database Application.

## Income

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

### Per Capita Personal Income 2005-2014

Year	Palm Beach County		Florida		U.S.	
	Dollars	% of Florida	% of U.S.	Dollars	% of U.S.	
2005	\$55,040	151.7	153.3	\$36,294	101.1	\$35,904
2006	60,415	155.7	158.4	38,812	101.8	38,144
2007	64,272	160.9	161.4	39,945	100.3	39,821
2008	62,826	157.0	153.0	40,018	97.4	41,082
2009	55,519	148.1	141.0	37,479	95.2	39,376
2010	56,334	145.5	139.9	38,718	96.1	40,277
2011	60,501	149.2	142.5	40,538	95.5	42,453
2012	64,782	157.1	146.3	41,249	93.2	44,266
2013	64,799	156.9	145.8	41,309	93.0	44,438
2014	66,914	156.6	145.3	42,737	92.8	46,049

Source: Florida Research and Economic Information Database Application.

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

### Palm Beach County Population Distribution by Age Group 2010-2014

Age Group	2010	2011*	2012*	2013*	2014*
0-19	300,186	299,649	300,033	300,555	300,767
20-44	386,375	386,834	388,486	390,309	391,733
45-64	348,418	350,814	354,271	357,877	360,119
65+	285,155	288,461	292,625	296,911	307,619

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

\* Estimated figures.

## Employment

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

### Palm Beach County, Florida Average Monthly Employment Covered by Unemployment Compensation 2013-2014

	Average Monthly Employment		Percent of Total	
	2013	2014	2013	2014
All Industries	464,536	484,480	100.00%	100.00%
Agriculture	6,556	6,411	1.41	1.32
Mining	76	72	0.02	0.01
Utilities	1,510	1,531	0.33	0.32
Construction	25,717	27,774	5.54	5.73
Manufacturing	15,332	16,167	3.30	3.34
Wholesale Trade	19,096	19,924	4.11	4.11
Retail Trade	70,750	74,088	15.23	15.29
Transportation and Warehousing	7,750	8,537	1.67	1.76
Information	9,200	9,968	1.98	2.06
Finance	22,062	22,400	4.75	4.62
Real Estate	14,403	14,634	3.10	3.02
Professional Services	38,536	39,461	8.30	8.15
Management Companies	8,936	9,361	1.92	1.93
Administrative and Waste Services	42,699	44,661	9.19	9.22
Education	9,512	9,916	2.05	2.05
Health Care	74,734	77,558	16.09	16.01
Arts, Entertainment and Recreation	16,469	17,192	3.55	3.55
Accommodation and Food Services	58,737	61,212	12.64	12.63
Other Services	22,387	23,294	4.82	4.81

Source: University of Florida Bureau of Economic and Business Research, Florida Statistical Abstract 2015.

Note: Percentages may not equal due to rounding.

**Palm Beach County**  
**Annual Average Labor Force and Unemployment Estimates**  
**2006-2015**

Year	Civilian Labor Force	Unemployment Rates		
		Palm Beach County	Florida	United States
2006	619,269	3.7%	3.2%	4.6%
2007	626,062	4.4	4.0	4.6
2008	628,411	6.8	6.3	5.8
2009	615,500	10.7	10.4	9.3
2010	645,737	11.0	11.1	9.6
2011	652,697	10.0	10.0	8.9
2012	660,994	8.5	8.5	8.1
2013	672,574	7.2	7.3	7.4
2014	686,600	5.9	6.3	6.2
2015	693,635	5.0	5.4	N/A

N/A=Not available.

Source: Florida Research and Economic Information Database Application.

**Largest Employers**

The following table shows employment at the ten principal employers in the County in 2015.

	No. of Employees
Palm Beach County School Board .....	22,000
Palm Beach County Government .....	11,505
Tenet Healthcare Corp.....	6,100
NextEra Energy (Florida Power & Light) .....	3,854
Hospital Corporation of America (HCA).....	2,714
Florida Atlantic University.....	2,655
Bethesda Memorial Hospital .....	2,600
Boca Raton Regional Hospital .....	2,500
Veterans Health Administration .....	2,500
Jupiter Medical Center .....	2,000

Source: Palm Beach County, Florida Comprehensive Annual Financial Report for Fiscal Year Ended September 30, 2015.

## **Tourism**

The County government is making a concentrated and continuing effort to increase the number of visitors to the area each year, which is expected to generate a 13% increase in Tourist Development Tax (also known as Bed Tax) revenues in fiscal year 2016. There were an estimated 82,700 people employed in jobs related to the tourism industry, with direct spending from visitors contributing approximately \$7 billion annually to the County's economy. During fiscal year 2015, Bed Tax revenues increased 26% over the previous year.

## **Aerospace**

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

## **Agriculture**

The County agricultural acreage has remained stable for the last six years. The County still leads the State of Florida and all counties east of the Mississippi River in agricultural proceeds. The County leads the nation in the production of sugarcane, bell peppers, fresh sweet corn, and sod. It leads the state in the production of rice, lettuce, radishes, Chinese vegetables, specialty leaf produce, and celery. The 460,445 acres dedicated to agriculture represent 36% of the County's total land mass. It ranks third in Florida in nursery production with estimated sales at \$139 million and leads the state in agricultural wages and salary with over \$348 million. The industry currently uses bagasse, a sugarcane by-product, in conjunction with other waste wood products as the fuel source for the largest agriculturally based biomass co-generation plant in the United States for electricity generation. Equestrian acreage in the western part of the County continues to expand, currently ranking it as the second largest equine county in the state, behind Marion County.

## **Bioscience**

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

## Construction

During fiscal year 2015, the total number of permits increased by 3% compared to fiscal year 2014. Building Permit revenues increased by 10% to \$17.5 million, as compared to \$15.9 million in fiscal year 2014. For residential construction, there were 340 multi-family and 1,766 single-family unit starts, as compared to 370 multi-family and 1,185 single-family unit starts in fiscal year 2014. The total value was \$625 million in fiscal year 2015, as compared to \$525 million during fiscal year 2014. Total value of all construction permitted increased from \$1.08 billion in fiscal year 2014 to over \$1.15 billion in fiscal year 2015. Overall, permitting activity in both residential and commercial construction continues to increase.

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Source: Palm Beach County, Florida Comprehensive Annual Financial Report for Fiscal Year Ended September 30, 2015.

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

**Building Permit Activity  
County of Palm Beach, Florida  
(Dollars in Thousands)  
2006 - 2015**

Calendar Year	Single and Multi-Family	Residential Valuation
2006	7,806	\$1,068,926
2007	2,264	504,192
2008	1,196	340,385
2009	634	186,886
2010	768	215,254
2011	1,049	278,202
2012	1,580	411,211
2013	2,055	553,779
2014	1,987	595,492
2015	2,136	619,229

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Source: The School District of Palm Beach County, Florida Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2015.

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## Banking

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

**Total Bank Deposits  
(in thousands)  
2006-2015**

<u>Fiscal Year</u>	<u>Commercial Banks</u>	<u>Federal Savings and Loan Associations</u>
2006	21,335,000	15,858,000
2007	25,313,000	12,603,000
2008	26,760,000	9,501,000
2009	31,813,000	7,217,000
2010	32,093,000	6,499,000
2011	32,136,000	5,773,000
2012	33,720,000	3,296,000
2013	36,761,000	2,362,000
2014	38,274,000	2,295,000
2015	42,750,214	2,284,653

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

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**APPENDIX B**

**EXCERPTED INFORMATION FROM THE COMPREHENSIVE ANNUAL  
FINANCIAL REPORT OF THE SCHOOL BOARD OF PALM BEACH COUNTY,  
FLORIDA FOR FISCAL YEAR ENDED JUNE 30, 2015**

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# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

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

**for the**

**Fiscal Year Ended June 30, 2015**



**Issued by:**

**Robert M. Avossa, Ed.D., Superintendent of Schools  
Michael J. Burke, Chief Operating Officer**

**Prepared by:**

**Division of Financial Management  
Nancy Samuels, C.P.A., Director of Accounting**

**The School District of Palm Beach County  
3300 Forest Hill Boulevard  
West Palm Beach, Florida 33406**

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RSM US LLP

## Independent Auditor's Report

To the Chairperson and Members  
The School District of Palm Beach County, Florida  
West Palm Beach, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of The School District of Palm Beach County, Florida (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of Palm Beach County, Florida, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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**Emphasis of Matter**

As discussed in Note 1 to the accompanying financial statements, the District adopted the recognition and disclosure requirements of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68*, effective July 1, 2014. The net position balance of the governmental activities as of July 1, 2014, has been restated. Our opinion is not modified with respect to this matter.

**Other Matters***Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis, Schedule of Funding Progress – Other Post-Employment Benefits Plan, Schedule of the District's Proportionate Share of the Net Pension Liability – FRS, Schedule of District Contributions – FRS, Schedule of the District's Proportionate Share of the Net Pension Liability – HIS, and Schedule of District Contributions – HIS*, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual non-major fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and schedules are the responsibility of management and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying combining and individual non-major fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued, under separate cover, our report dated December 9, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

RSM US LLP

West Palm Beach, Florida  
December 9, 2015

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

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

The School District of Palm Beach County, Florida's (the "District") discussion and analysis is designed to provide an objective and easy to read analysis of the District's financial activities for the fiscal year ended June 30, 2015, based on currently known facts, decisions or conditions. It is intended to provide a broad overview using a short-term and long-term analysis of the District's activities based on information presented in the financial report and fiscal policies that have been adopted by the seven elected members of the school board (the "Board"). Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the District's financial activity, identify changes in the District's financial position (its ability to address the next and subsequent year challenges), identify any material deviations from the financial plan (the approved budget) and identify individual fund issues or concerns.

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

#### **FINANCIAL HIGHLIGHTS**

- Implementation of Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27 reduced beginning net position by \$648.5 million as explained further in Note 1 (O).
- The net position of the District increased \$0.017 billion from \$1.226 billion to \$1.263 billion. Funding per student has slowly increased since the low point in school year 2011-12, although it has still not recovered to school year 2007-08 levels. The increase is partially related to a net pension credit to expense of \$34.2 million related to the newly adopted GASB #68 offset in part by the increase in the amount passed through to charter schools in Palm Beach County of \$22.1 million from \$112.6 million to \$134.7 million in fiscal year 2015. Enrollment at district schools remained constant (while charter school enrollment increased approximately 3,200 students).
- The District's total long-term debt decreased by \$68.5 million or 3.6% primarily due to debt repayments of \$74.8 million and refunding / defeased transactions, offset by an increase in negative fair value of hedging derivative instruments of \$6.7 million (discussed in Notes 10 and 11).
- Total revenues increased by \$51.3 million or 2.8%, from \$1.831 billion to \$1.883 billion when compared to the prior year.
  - General revenue accounted for \$1.338 billion, or 71.1%, of all revenues and increased \$45.8 million or 3.5%. This increase is primarily attributed to property tax increase of \$82.3 million (mainly due to 8.2% increase in property values) partially offset by a \$24.3 million decrease in the Florida Education Finance Program (FEFP) revenue and a \$8.3 million decrease in impact fees.
  - Program specific revenue in the form of charges for services, grants and contributions accounted for \$544.2 million, or 28.9% of all revenues and increased \$5.5 million or 1.0%. The increase is primarily attributed to an increase in reimbursements for school lunch and breakfast programs and additional funding for Class Size Reduction.
- Total expenses decreased \$49.4 million from \$1.914 billion to \$1.865 billion. The decrease in expenditures is due primarily to \$34.2 million credit to pension expense related to GASB #68 reporting, \$32.9 million lower interest expense mainly related to a one-time SWAP payment of \$25 million in prior year as well as refunding transactions, partially offset by an increase in the amount passed through to charter schools of \$22.1 million.

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

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

- The District's governmental funds reported combined fund balances of \$326.5 million.
  - The General Fund (the primary operating fund), reflected on a current financial resources basis, ended the year with a fund balance of \$117.1 million. Of this amount, \$50.0 million is classified as unassigned that is available to cover unanticipated financial needs and includes the Board approved contingency, \$30.0 million is classified as assigned, \$28.1 million is classified as restricted and \$9.0 million is classified as nonspendable. During the current year, General Fund revenues (including other financing sources) exceeded expenditures by \$5.3 million, primarily due to the receipt of \$4.5 million onetime funds related to the lease of the district spectrum.
  - Debt Service funds ended the year with a fund balance of \$94.8 million and is restricted to cover debt service payments. Other Debt Service fund, a major fund, has a restricted fund balance of \$92.6 million, and the remaining debt service funds which are included with the non-major governmental funds have a restricted fund balance of \$2.2 million.
  - Capital Project funds ended the year with a fund balance of \$87.1 million and is restricted or assigned to fund existing and future capital projects. The Capital Improvement fund, a major fund, has a restricted fund balance of \$26.0 million, and the remaining capital funds which are included with the non-major governmental funds have \$23.1 million restricted fund balance and \$38.0 million assigned fund balance.
  - Special Revenue funds ended the year with a fund balance of \$27.6 million, of which \$24.3 million is restricted to child nutrition costs, \$3.2 million is nonspendable inventory, and \$0.1 million is committed to The Education Network Program which are included with the non-major governmental funds.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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



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

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

<b>Figure 1 Major Features of Government-Wide and Fund Financial Statements</b>				
	<b>Government-wide Statements</b>	<b>Fund Financial Statements</b>		
		<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as instructional costs	Activities the District operates similar to private businesses: health internal service fund and worker’s compensation, automobile and general liability claims fund	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
<i>Required financial statements</i>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenue, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenue, expenses, and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus

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

**Government-wide Statements**

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

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

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

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

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

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

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

#### **Fund Financial Statements**

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

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

The District has three kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, the District provides additional information with the governmental funds statements that explain the relationship (or differences) between them.
- *Proprietary funds* – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements. There are two types of proprietary funds:
  - *Enterprise funds* account for goods and services provided to those outside the District, generally on a user-charge basis. Currently, the District has no enterprise funds.
  - *Internal service funds* report self-insurance activities charged to the District's other programs and activities.
- *Fiduciary funds* – The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong.

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

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

**Other Information** – In addition to the basic financial statements and accompanying notes, this report also provides certain required supplementary information, as well as combining and individual fund statements and schedules beginning on page 76.

## THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

##### Government -Wide

The District's net position was \$1.280 billion at June 30, 2015. The largest portion of the District's net position, \$1.816 billion, reflect its investment in capital assets (i.e. land, buildings, furniture, buses and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net position (\$207.2 million) represents resources that are subject to external restrictions on how they may be used.

**Table 1**

	Summary of Net Position Governmental Activities (in thousands)			
	June 30, 2015	* Restated June 30, 2014	Increase (Decrease)	Percentage Change
Current and other assets	\$ 594,033	\$ 663,761	\$ (69,728)	(10.5%)
Capital assets (net)	3,453,561	3,517,803	(64,242)	(1.8%)
Total assets	<u>4,047,594</u>	<u>4,181,564</u>	<u>(133,970)</u>	<u>(3.2%)</u>
Accumulated Decrease in Fair Value of Hedging Derivatives	74,213	67,487	6,726	10.0%
Deferred Loss on Debt Refunding	102,998	57,986	45,012	77.6%
Pension Related*	117,012	66,857	50,155	75.0%
Total Deferred Outflows of Resources	<u>294,223</u>	<u>192,330</u>	<u>101,893</u>	<u>53.0%</u>
Current and other liabilities	276,294	295,443	(19,149)	(6.5%)
Long-term liabilities*	2,517,444	2,815,386	(297,942)	(10.6%)
Total liabilities	<u>2,793,738</u>	<u>3,110,829</u>	<u>(317,091)</u>	<u>(10.2%)</u>
Pension Related	267,633	-	267,633	
Total Deferred Inflows of Resources	<u>267,633</u>	<u>-</u>	<u>267,633</u>	0.0%
Net position:				
Net investment in Capital Assets	1,816,219	1,781,012	35,207	2.0%
Restricted	207,160	257,756	(50,596)	(19.6%)
Unrestricted (deficit)*	(742,933)	(775,703)	32,770	4.2%
Total net position	<u>\$ 1,280,446</u>	<u>\$ 1,263,065</u>	<u>\$ 17,381</u>	1.4%

\* Restated for GASB 68-increased Deferred Outflows of Resources and Long-term Liabilities (\$715.4M) and decreased Net Position (\$648.5M)

Capital assets (net) decreased \$64.2 million or 1.8% compared to prior year and primarily reflects the impact of current year depreciation exceeding capital spending. See Note 7 of the Notes to the Financial Statements for more information on capital assets.

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

# THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**Table 2**

	Summary of Changes in Net Position Governmental Activities (in thousands)			
	June 30, 2015	* Restated June 30, 2014	Increase (Decrease)	Percentage Change
<b>Revenues:</b>				
Program revenue:				
Charges for services	\$ 47,906	\$ 47,989	\$ (83)	(0.2%)
Operating grants and contributions	480,756	476,357	4,399	0.9%
Capital grants and contributions	15,585	14,357	1,228	8.6%
General revenue:				
Property taxes	1,095,063	1,012,800	82,263	8.1%
Grants and contributions not restricted	197,265	221,228	(23,963)	(10.8%)
Investment earnings	2,299	2,348	(49)	(2.1%)
Other general revenue	43,741	56,186	(12,445)	(22.1%)
Total revenues	<u>1,882,615</u>	<u>1,831,265</u>	<u>51,350</u>	2.8%
<b>Functions/Programs Expenses</b>				
Instruction	1,030,417	1,039,889	(9,472)	(0.9%)
Instructional support services	168,660	173,540	(4,880)	(2.8%)
Board	6,606	6,103	503	8.2%
General administration	9,033	9,162	(129)	(1.4%)
School administration	94,125	96,186	(2,061)	(2.1%)
Facilities acquisition and construction	20,846	26,147	(5,301)	(20.3%)
Fiscal services	5,677	5,837	(160)	(2.7%)
Food services	77,063	73,493	3,570	4.9%
Central services	14,928	15,597	(669)	(4.3%)
Student transportation services	45,795	46,684	(889)	(1.9%)
Operation and maintenance of plant	191,642	190,457	1,185	0.6%
Administrative technology services	7,022	6,068	954	15.7%
Community services	36,538	35,887	651	1.8%
Interest on long-term debt	47,229	80,122	(32,893)	(41.1%)
Unallocated depreciation/amortization	109,653	109,456	197	0.2%
Total expenses	<u>1,865,234</u>	<u>1,914,628</u>	<u>(49,394)</u>	(2.6%)
<b>Change in net position</b>	17,381	(83,363)	100,744	(120.8%)
<b>Net Position - beginning</b>	1,263,065	1,994,931	(731,866)	(36.7%)
<b>Cumulative effect to implementing GASB No. 68 and No. 71</b>	-	(648,503)	648,503	(100.0%)
<b>Net Position - ending</b>	<u>\$ 1,280,446</u>	<u>\$ 1,263,065</u>	<u>\$ 17,381</u>	1.4%

\* Restated expenses for Internal Service Fund Trmfr reported in revenue in FY14 (-\$13M) and adj to Net Position for GASB #68 (-\$648.5M).

The results of this year's operations for the District as a whole are reported in the Statement of Activities. Table 2, above, takes the information from that statement and rearranges them slightly so the reader can see the total revenues and expenses for the current year compared to fiscal year 2014.

As reported in the Statement of Activities, the cost of all of the governmental activities this year was \$1.865 billion. Some costs were paid by those who benefited from the programs (\$47.9 million), or by other governments and organizations who subsidized certain programs with grants and contributions (\$496.3 million). The District paid for the remaining "public benefit" portion of the governmental activities with

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

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

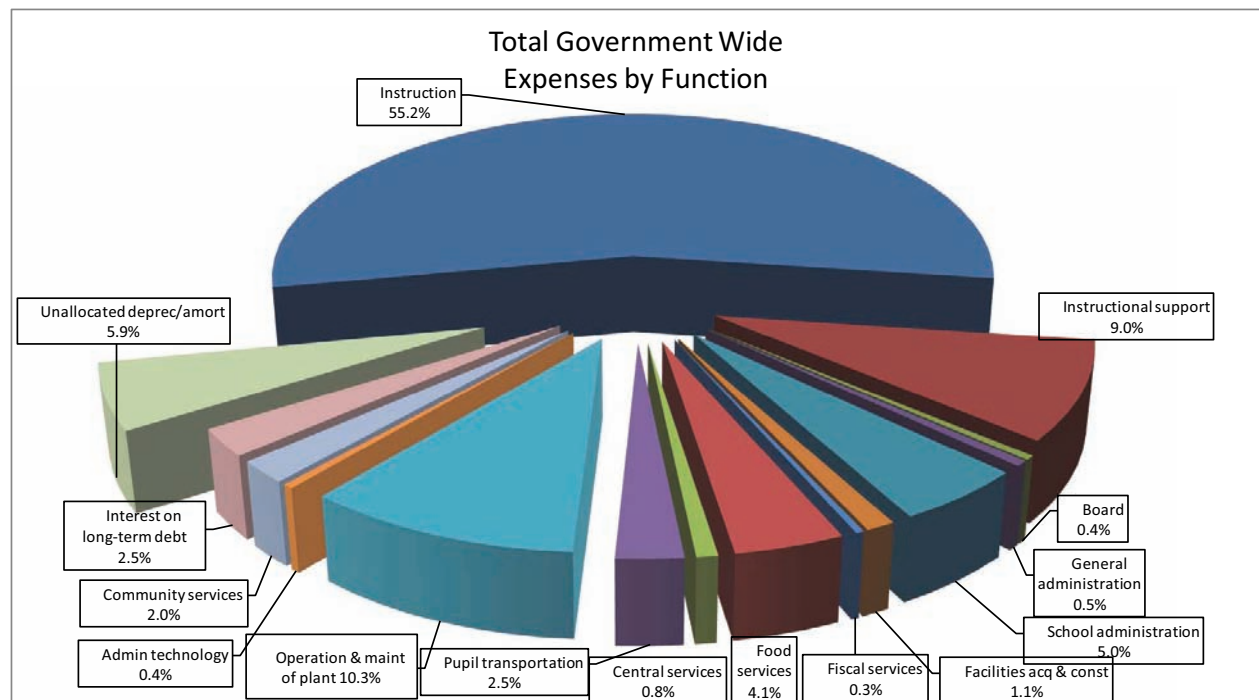
\$1.095 billion in property taxes, \$197.3 million in grants and contributions not restricted to specific programs, \$2.3 million in investment earnings, and \$43.7 million in other general revenue.

Property taxes increased \$82.3 million or 8.1%, which is primarily attributed to an 8% increase in property values.

Grants and contributions not restricted decreased \$24.0 million or 10.8%, which is primarily related to a decrease of \$24.3 million in FEFP revenue. FEFP revenue decreased mainly due to increase in required local effort provided by property taxes.

Other general revenue decreased by \$12.4 million or 22.1%, which is primarily related to \$8.2 million lower Impact Fee revenue in the current year and one time capital E-Rate revenue received in prior year.

The pie chart below represents total expenditures classified by function.



**FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS**

**Governmental Funds**

As of June 30, 2015 the District’s governmental funds reported a combined fund balance of \$326.5 million, which is a decrease of \$61.2 million or 15.8% under the prior year.

The General Fund, which is the chief operating fund of the District and is always considered a major fund, had a fund balance of \$117.1 million which is an increase of \$5.3 million or 4.8%. The increase is mainly due to the receipt of \$4.5 million onetime funds related to the lease of the district spectrum. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$50.0 million.

The COPS Debt Service Fund, another major fund, reported an ending fund balance of \$91.2 million which is a decrease of \$16.0 million or 14.9% when compared with prior year. The decrease is related to debt service payments the District will need to make in early fiscal year 2016.

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

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

The Capital Improvement Fund, another major fund, reported an ending fund balance of \$25.9 million a decrease of \$10.6 million or 28.9% due to the timing of revenue and capital outlay spending. Other Non-Major Governmental Funds, which represent a summarization of all the other governmental funds, ended the year with total fund balance of \$92.3 million, a decrease of \$40.0 million or 30.2%. This decrease is primarily due to capital spending and transfers out exceeding revenue received in the current year.

#### **Proprietary Funds**

The District's internal service funds reported a combined net position of \$50.3 million. The Health Internal Service Fund ended the year with a net position of \$84.5 million, which is an increase of \$11.5 million or 15.7% over last year due to premiums exceeding claims and other expenses. The District created the Worker's Compensation, General and Auto Liabilities Claim Fund on July 1, 2013. Since proprietary funds use accrual basis accounting, this Fund has a negative net position of \$34.2 million due to recording the actuarially determined long term claims liabilities in fiscal year 2014. The District has a plan to fund this negative position over a 15 year period.

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

During the year, appropriations decreased \$3.5 million from original budget to final budget. The decrease in appropriations is primarily attributed to capital maintenance projects that were not completed by the end of the year.

The General Fund actual expenditures were less than the budgeted appropriations by approximately \$65.8 million. This was due to enhanced cost containment measures put in place, such as a hiring freeze on non-instructional positions and increased scrutiny of overtime and purchases, as well as unspent funds in programs such as aftercare, workforce development and state categorical programs.

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

#### **Capital Assets**

As shown in Table 3, on the next page, at June 30, 2015, the District had \$3.454 billion invested in a broad range of capital assets, including land, construction in progress, improvements other than buildings, buildings and fixed equipment, furniture, fixtures and equipment, motor vehicles, audio visual materials and computer software. This amount represents a net decrease (including additions, deletions and depreciation) of \$64.2 million from last year. The decrease is primarily due to depreciation expense of \$108.5 million exceeding capital spending of \$49.2 million. Capital spending in the current year reflects the acquisition of 124 buses, completion of modernization project for North Palm Beach Elementary as well as ongoing modernization of Gladeview Elementary and Rosenwald Elementary.

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**Table 3**

Capital Assets at Year End Governmental Activities (in thousands)			
	June 30, 2015	June 30, 2014	Increase (Decrease)
Land	338,593	\$ 341,459	\$ (2,866)
Construction in progress	36,433	33,737	2,696
Improvements other than buildings	57,898	56,800	1,098
Buildings and fixed equipment	4,135,273	4,111,969	23,304
Furniture, fixtures and equipment	126,019	136,045	(10,026)
Motor vehicles	108,143	98,713	9,430
AV materials and computer software	47,791	56,752	(8,961)
Less: accumulated depreciation	(1,396,564)	(1,317,672)	(78,892)
Total capital assets, net	<u>\$ 3,453,586</u>	<u>\$ 3,517,803</u>	<u>\$ (64,217)</u>

**Long-term Debt**

As shown in Table 4, at the end of this year, the District had \$1.810 billion in debt outstanding which is \$68.5 million lower than last year. The decrease in outstanding debt is due to debt repayments of \$74.8 million, the impact net impact of refunding transactions and regular amortization (\$0.4 million), offset in part by an increase in derivative instruments of \$6.7 million. See Notes 10 and 11 of the Notes to the Financial Statements for more information on long-term liabilities and derivatives.

**Table 4**

Long-term Debt Outstanding at Year End Governmental Activities (in thousands)			
	June 30, 2015	June 30, 2014	Increase (Decrease)
Notes / Loans Payable	\$ 9,785	\$ 14,002	\$ (4,217)
Capital outlay bond issues	17,430	21,885	(4,455)
Certificates of participation	1,600,393	1,711,223	(110,830)
Borrowing-Swap Upfront Payment	2,876	3,092	(216)
Derivative Instruments - Hedging	74,213	67,487	6,726
Plus: issuance premiums	105,256	60,798	44,458
Total	<u>\$ 1,809,953</u>	<u>\$ 1,878,487</u>	<u>\$ (68,534)</u>

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

The District is subject to State laws that limit the amount of State Board of Education Capital Outlay Bond Issues outstanding to 10% of the non-exempt assessed valuation. At June 30, 2015, the statutory limit for the District was approximately \$16.3 billion, providing additional debt capacity of approximately \$16.3 billion.

State Statute requires that no more that 75% of the capital millage levy be used for COP debt service. The District's debt policy limits the issuance of COPS by stating that the debt service could not exceed half of the capital millage levy. In fiscal year 2009, when the capital millage levy was reduced to 1.75 mils, the Debt Policy was amended to allow debt service to be up to 1 mil but should be within 50% of the capital

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

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

millage levy within five years. Based on the reduction of the capital millage levy and existing property values, the District's capacity to issue new COPS debt has been dramatically reduced.

Other long-term obligations include liability for compensated absences, estimated claims liability, post-employment benefits, and the new reporting requirement of GASB #68 related to net pension liabilities.

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

The School District's revenues are determined in large part by the Florida Legislature and Governor. Funding per student is set as part of the State's annual budget approval. Local school board taxing authority is also governed at the state level with the Legislature dictating the largest component of school property taxes, known as the Required Local Effort (RLE), and through statutory caps that limit the remaining components of the school levy. The fiscal year 2016 state budget provided Florida school districts with a 3% increase in funding per student for operating costs.

Although revenues are increasing for fiscal year 2016, budget reductions were needed to offset the loss of \$20 million in non-recurring revenues utilized in fiscal year 2015 and provide funding for School Board budget priorities. School and department allocations were adjusted to achieve \$16.8 million in savings for fiscal year 2016. The proposed budget is responsive to the Board's budget priorities and includes a \$27.2 million reserve for employee salary negotiations. While labor contracts must be bargained to determine salary increases, this reserve is sufficient to fund a 3% salary increase for the entire workforce.

The District's .25 mill property tax levy for operations was approved by the voters for another four years in 2014, from fiscal year 2016 through fiscal year 2019. For fiscal year 2016, the .25 mills generate \$39.6 million in revenue. The revenue is designated for art, music, and physical education instruction, choice programs, and career academies.

The capital budget remains a concern as Florida school districts continue to be seriously impacted by the Legislature's 25% reduction to local capital improvement taxing authority. Our District has lost over \$865 million in capital revenue since the Legislature first approved a reduction to local taxing authority in 2009. In order to balance the proposed fiscal year 2016 budget, \$82.7 million in forecasted needs were left unfunded.

Looking forward, the District is in need of additional revenue to properly maintain school facilities and equipment. With the Legislature once again failing to restore capital millage rates to 2.0 mills, the District is faced with finding other avenues to solve the shortage of funds needed to maintain adequate levels of maintenance, provide technology for classrooms and replace an aging bus fleet.

The District plans to engage an outside company to assist with taking a deep dive into the allocation of resources. This review will look for opportunities to move resources closer to our schools or free up dollars for other budget priorities, including employee salary considerations. The fiscal year 2017 budget will be developed in a manner that aligns resources to the District's anticipated revised strategic plan. The external Budget Advisory Committee will be involved with this process and continue to evaluate budget recommendations before they are brought to the Board for approval.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

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

Visit our website at:

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

View an electronic copy of our CAFR at:

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

**BASIC FINANCIAL STATEMENTS**



**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**  
**(amounts expressed in thousands)**

	<b>Primary Government</b>
	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash, cash equivalents and investments	\$ 526,457
Derivative instrument investments	67
Taxes receivable	20,327
Accounts, deposits and interest receivable	1,209
Due from other governments or agencies	25,147
Inventories	12,216
Restricted assets (cash with fiscal agent)	3,546
Other assets	5,039
Capital assets:	
Land	338,593
Construction in progress	36,433
Improvements other than buildings	57,898
Buildings and improvements	4,135,273
Furniture, fixtures and equipment	126,019
Motor vehicles	108,143
Audio/video materials and software	47,791
Less accumulated depreciation	<u>(1,396,564)</u>
Total capital assets, net of depreciation	<u>3,453,586</u>
<b>TOTAL ASSETS</b>	<b><u>4,047,594</u></b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Accumulated Decreases in Fair Value of Hedging Derivatives	74,213
Deferred Loss on Debt Refunding	102,998
Pension	<u>117,012</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCE</b>	<b><u>294,223</u></b>
<b>LIABILITIES</b>	
Accounts and contracts payable	26,388
Accrued payroll and payroll deductions	115,782
Retainage payable on contracts	1,492
Deposits payable	144
Interest payable	34,126
Unearned revenue	921
Noncurrent liabilities:	
Portion due or payable within one year:	
Loans/note payable	2,720
Bonds payable	3,717
Liability for compensated absences	15,703
Certificates of participation payable	53,495
Borrowing-swap upfront payment	218
Estimated claims	22,538
Portion due or payable after one year:	
Loans/note payable	7,065
Bonds payable	15,386
Liability for compensated absences	166,659
Certificates of participation payable	1,650,482
Borrowing-swap upfront payment	2,658
Derivative instrument - Hedging	74,213
Estimated claims	34,291
Other post-employment benefits obligation	102,032
Net Pension Liability	<u>463,708</u>
<b>TOTAL LIABILITIES</b>	<b><u>2,793,738</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension	<u>267,633</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b><u>267,633</u></b>
<b>NET POSITION</b>	
Net Investment in capital assets	1,816,220
Restricted for:	
Categorical carryover programs	1,957
Debt service	60,645
Capital projects	87,299
School food service	27,479
Other purposes (See Footnote 14)	29,779
Unrestricted (deficit)	<u>(742,933)</u>
<b>TOTAL NET POSITION</b>	<b><u>\$ 1,280,446</u></b>

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

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2015**  
**(amounts expressed in thousands)**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary government:</b>				
Governmental activities:				
Instruction	\$ 1,030,417	\$ 2,359	\$ 311,203	\$ 4,777
Instructional support services	168,660	-	59,247	-
Board	6,606	-	-	-
General administration	9,033	-	2,566	-
School administration	94,125	-	5,996	-
Facilities acquisition and construction	20,846	-	-	2,388
Fiscal services	5,677	-	68	-
Food services	77,063	13,506	66,469	-
Central services	14,928	-	904	-
Student transportation services	45,795	885	23,897	-
Operation of plant	123,559	-	5,296	-
Maintenance of plant	68,083	-	-	-
Administrative technology services	7,022	-	181	3,405
Community services	36,537	31,156	4,929	-
Interest on long-term debt	47,229	-	-	5,015
Unallocated depreciation expense	108,480	-	-	-
Amortization expense	1,173	-	-	-
<b>Total primary government governmental activities</b>	<b>1,865,233</b>	<b>47,906</b>	<b>480,756</b>	<b>15,585</b>

General revenues:

Taxes:

Property taxes, levied for general purposes

Property taxes, levied for capital projects

Grants and entitlements not restricted to specific programs

Investment earnings

Other

Total general revenues and transfers

Change in net position

Net Position—beginning - restated for GASB 65 (see footnote 1(O))

Net Position—ending

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

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

**Primary Government  
Governmental  
Activities**

\$	(712,078)
	(109,413)
	(6,606)
	(6,467)
	(88,129)
	(18,458)
	(5,609)
	2,912
	(14,024)
	(21,013)
	(118,263)
	(68,083)
	(3,436)
	(452)
	(42,214)
	(108,480)
	(1,173)
	<u>(1,320,986)</u>

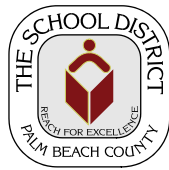
	878,769
	216,293
	197,265
	2,299
	43,741
	<u>1,338,367</u>
	17,381
	<u>1,263,065</u>
\$	<u><u>1,280,446</u></u>

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2015**  
**(amounts expressed in thousands)**

	<u>GENERAL FUND</u>	<u>COPS DEBT SERVICE</u>
<b>ASSETS</b>		
Cash, cash equivalents and investments	\$ 213,471	\$ 91,358
Taxes receivable	16,312	-
Accounts and interest receivable	1,202	7
Due from other governments or agencies	7,394	-
Due from other funds	3,000	-
Inventories	9,016	-
Other assets	-	-
<b>TOTAL ASSETS</b>	<u>250,395</u>	<u>91,365</u>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>LIABILITIES</b>		
Accounts and contracts payable	15,825	183
Accrued payroll and payroll deductions	115,158	-
Due to other funds	-	-
Retainage payable on contracts	-	-
Deposits payable	144	-
Unearned revenue	461	-
<b>TOTAL LIABILITIES</b>	<u>131,588</u>	<u>183</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable Revenue	<u>1,675</u>	<u>-</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>1,675</u>	<u>-</u>
<b>FUND BALANCES</b>		
Nonspendable	9,016	-
Restricted	28,105	91,182
Committed	-	-
Assigned	30,011	-
Unassigned	<u>50,000</u>	<u>-</u>
<b>TOTAL FUND BALANCES</b>	<u>117,132</u>	<u>91,182</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 250,395</u>	<u>\$ 91,365</u>

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

<u>CAPITAL IMPROVEMENT</u>	<u>OTHER NON-MAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
\$ 24,362	\$ 93,397	\$ 422,588
4,015	-	20,327
-	-	1,209
-	15,396	22,790
-	-	3,000
-	3,200	12,216
-	42	42
<u>28,377</u>	<u>112,035</u>	<u>482,172</u>
2,279	5,887	24,174
-	8,593	123,751
-	3,000	3,000
156	1,336	1,492
-	-	144
-	928	1,389
<u>2,435</u>	<u>19,744</u>	<u>153,950</u>
-	-	1,675
-	-	1,675
-	3,200	12,216
25,942	51,000	196,229
-	85	85
-	38,006	68,017
-	-	50,000
<u>25,942</u>	<u>92,291</u>	<u>326,547</u>
<u>\$ 28,377</u>	<u>\$ 112,035</u>	<u>\$ 482,172</u>





**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2015  
(amounts expressed in thousands)**

**Total Fund Balances - Governmental Funds** \$ 326,547

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	4,850,150	
Accumulated depreciation	(1,396,564)	
Total capital assets, net of depreciation		3,453,586

Bond insurance amounts related to debt issuance are reported as expenditures in the governmental funds when first incurred, however, they are included with other assets in the governmental activities in the statement of net position. 990

Deferred outflow of resources are reported at the fair values of corresponding hedging derivative instruments in the statement of net position. 74,213

Deferred outflow of resources are reported at net carrying amount for refunding transactions in the statement of net position. 102,998

Deferred outflows of resources related to Pensions are recorded in the statement of net position. 117,012

Derivative instruments - investment assets reported on the statement of net position. 67

Expenditures for insurance extending over more than one accounting period not allocated between or among accounting periods, but accounted for as expenditures of the period of acquisition in the funds. 4,007

An internal service fund is used by management to charge the costs of health premiums, worker's compensation, auto and general liability to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.

Assets	109,772	
Liabilities	59,439	
Net position		50,333

Revenues that are unavailable or unearned in the governmental funds but are recognized as revenue in the governmental-wide financial statements. 2,143

Deferred inflows of resources related to Pensions are recorded in the statement of net position. (267,633)

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

Loans / Note payable	9,785	
Bonds payable	19,103	
Certificates of participation payable	1,703,977	
Borrowing-swap upfront payment	2,876	
Hedging derivative instruments	74,213	
Compensated absences	174,103	
Other post employment benefits	101,926	
Net Pension Liability	463,708	
Accrued interest on long-term debt	34,126	
		<u>(2,583,817)</u>

**Total Net Position - Governmental Activities** \$ 1,280,446

**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, 2015  
(amounts expressed in thousands)**

	<b>GENERAL FUND</b>	<b>COPS DEBT SERVICE</b>
<b>REVENUES:</b>		
Local sources:		
Ad valorem taxes	\$ 878,769	\$ -
Interest income and other	1,520	90
School age child care fees	31,156	-
Food service sales	236	-
Impact fees	-	-
Local grants and other	38,158	-
Total local sources	<u>949,839</u>	<u>90</u>
State sources:		
Florida education finance program	242,366	-
Capital outlay and debt service	111	-
Food service	-	-
Class size reduction	209,873	-
State grants and entitlements	33,656	-
Total state sources	<u>486,006</u>	<u>-</u>
Federal sources:		
Federal grants and entitlements	8,635	-
National school lunch act	-	-
Total federal sources	<u>8,635</u>	<u>-</u>
<b>TOTAL REVENUES</b>	<u>1,444,480</u>	<u>90</u>
<b>EXPENDITURES:</b>		
<b>Current:</b>		
Instruction	1,001,236	-
Instructional support services	115,767	-
Board	6,778	-
General administration	6,432	-
School administration	96,768	-
Facilities acquisition and construction	541	-
Fiscal services	5,825	-
Food services	87	-
Central services	14,479	-
Pupil transportation services	46,865	-
Operation of plant	126,155	-
Maintenance of plant	69,683	-
Administrative technology services	7,006	-
Community services	36,420	-
<b>Total Current Expenditures</b>	<u>1,534,042</u>	<u>-</u>

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

<u>CAPITAL IMPROVEMENT</u>	<u>OTHER NON-MAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
\$ 216,293	\$ -	\$ 1,095,062
365	174	2,149
-	-	31,156
-	13,270	13,506
-	22,568	22,568
349	5,203	43,710
<u>217,007</u>	<u>41,215</u>	<u>1,208,151</u>
-	-	242,366
-	7,054	7,165
-	1,015	1,015
-	-	209,873
-	9,493	43,149
<u>-</u>	<u>17,562</u>	<u>503,568</u>
-	117,302	125,937
<u>-</u>	<u>65,453</u>	<u>65,453</u>
-	182,755	191,390
<u>217,007</u>	<u>241,532</u>	<u>1,903,109</u>
-	56,947	1,058,183
-	56,521	172,288
-	50	6,828
-	2,566	8,998
-	4	96,772
15,110	6,016	21,667
-	68	5,893
-	76,694	76,781
-	955	15,434
-	405	47,270
-	32	126,187
-	-	69,683
-	79	7,085
<u>-</u>	<u>751</u>	<u>37,171</u>
<u>15,110</u>	<u>201,088</u>	<u>1,750,240</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, 2015  
(amounts expressed in thousands)**

	<u>GENERAL FUND</u>	<u>COPS DEBT SERVICE</u>
<b>Capital outlay</b>	1,363	-
<b>Debt service:</b>		
Retirement of principal	-	66,385
Interest	35	68,764
Fiscal charges	-	1,940
<b>TOTAL EXPENDITURES</b>	<u>1,535,440</u>	<u>137,089</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(90,960)</u>	<u>(136,999)</u>
<b>OTHER FINANCING SOURCES (USES):</b>		
Transfers in	91,341	141,360
Transfers out	(75)	-
Issuance of long-term and refunded debt	-	506,770
Net premium (discount) from issuance of long-term and refunded debt	-	67,669
Payments to refunded debt escrow agent	-	(594,753)
Proceeds of loss recoveries	117	-
Sale of capital assets and other	4,896	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>96,279</u>	<u>121,046</u>
<b>NET CHANGE IN FUND BALANCES</b>	5,319	(15,953)
<b>FUND BALANCES, JULY 1, 2014</b>	<u>111,813</u>	<u>107,135</u>
<b>FUND BALANCES, JUNE 30, 2015</b>	<u>\$ 117,132</u>	<u>\$ 91,182</u>

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

<u>CAPITAL IMPROVEMENT</u>	<u>OTHER NON-MAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
2,589	44,449	48,401
-	8,437	74,822
-	4,707	73,506
-	16	1,956
<u>17,699</u>	<u>258,697</u>	<u>1,948,925</u>
<u>199,308</u>	<u>(17,165)</u>	<u>(45,816)</u>
-	5,157	237,858
(209,865)	(27,918)	(237,858)
-	4,275	511,045
-	305	67,974
-	(4,667)	(599,420)
-	-	117
-	-	4,896
<u>(209,865)</u>	<u>(22,848)</u>	<u>(15,388)</u>
(10,557)	(40,013)	(61,204)
<u>36,499</u>	<u>132,304</u>	<u>387,751</u>
<u>\$ 25,942</u>	<u>\$ 92,291</u>	<u>\$ 326,547</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, 2015  
(amounts expressed in thousands)**

**Total net change in fund balances - governmental funds** \$ (61,204)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense (\$108,480) in excess of capitalized capital outlay (\$49,179) in the current period. (59,301)

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

Bond Insurance Cost Amortization	(1,173)	
Debt Refunding Amortization	1,317	
Premium/Discount Amortization	23,515	
Premium on Current Year Issuance	<u>(67,974)</u>	(44,315)

Investment loss related to derivative instruments reported in the statement of activities that are not reported as revenue in the governmental funds (25)

Revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. 2,144

Revenues reported in the governmental funds that were reported as revenue in the statement in activities in the prior year under full accrual. (23,273)

Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 4,217

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 70,605

COPs refunding proceeds provided current financial resources to governmental funds. COPs refunding payments are expenditures in the governmental funds. The amount by which the refunding proceeds (\$594,753) exceeded refunding payment (\$506,770) in the current period. 87,983

Bond 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 (\$4,667) exceeded refunding proceeds (\$4,275) in the current period. 392

The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net position. (4,916)

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	(172)	
Compensated absences	4,163	
Other post employment benefits	(6,393)	
Pension Expense	34,174	
Borrowing-SWAP	216	
Accrued interest on long-term debt	<u>3,185</u>	35,173

An internal service fund is used by management to charge the costs of self insurance claims (including health, workers compensation, auto and general liability) to individual funds. The net income of the internal service fund is reported with governmental activities. 9,901

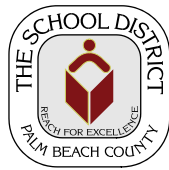
**Change in net position of governmental activities** \$ 17,381

**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, 2015**  
**(amounts expressed in thousands)**

	<b>Budgeted Amounts</b>		<b>Actual (Budgetary Basis)</b>	<b>Variances - Positive (Negative)</b>	
	<b>Original</b>	<b>Final</b>		<b>Original to Final</b>	<b>Final to Actual</b>
<b>REVENUES:</b>					
Local sources	\$ 941,428	\$ 949,843	\$ 949,839	\$ 8,415	\$ 4
State sources	477,884	486,002	486,006	8,118	(4)
Federal sources	8,207	8,635	8,635	428	-
<b>TOTAL REVENUES</b>	<b>1,427,519</b>	<b>1,444,480</b>	<b>1,444,480</b>	<b>16,961</b>	<b>-</b>
<b>EXPENDITURES:</b>					
Instruction	1,057,315	1,045,691	1,002,658	11,624	43,033
Instructional support services	115,671	119,157	115,777	(3,486)	3,380
Board	7,161	7,341	6,845	(180)	496
General administration	6,508	6,541	6,432	(33)	109
School administration	95,279	97,327	96,768	(2,048)	559
Facilities acquisition and construction	634	880	541	(246)	339
Fiscal services	5,976	6,130	5,825	(154)	305
Food Services	22	93	87	(71)	6
Central services	14,706	16,040	14,780	(1,334)	1,260
Student transportation services	46,521	47,635	46,866	(1,114)	769
Operation of plant	126,533	127,500	126,164	(967)	1,336
Maintenance of plant	77,956	75,103	70,498	2,853	4,605
Administrative Technology Services	8,131	7,994	7,006	137	988
Community services	43,515	45,014	36,476	(1,499)	8,538
Debt service	122	122	35	-	87
<b>TOTAL EXPENDITURES</b>	<b>1,606,050</b>	<b>1,602,568</b>	<b>1,536,758</b>	<b>3,482</b>	<b>65,810</b>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	<b>(178,531)</b>	<b>(158,088)</b>	<b>(92,278)</b>	<b>20,443</b>	<b>65,810</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	106,325	91,341	91,341	(14,984)	-
Transfers out	(7)	(75)	(75)	(68)	-
Sale of capital assets	4,900	4,896	4,896	(4)	-
Proceeds from loss recoveries	2,000	117	117	(1,883)	-
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>113,218</b>	<b>96,279</b>	<b>96,279</b>	<b>(16,939)</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (65,313)</b>	<b>\$ (61,809)</b>	<b>4,001</b>	<b>\$ 3,504</b>	<b>\$ 65,810</b>
<b>FUND BALANCE, JULY 1, 2014 (GAAP BASIS)</b>			<b>111,813</b>		
<b>FUND BALANCE, JUNE 30, 2015 (BUDGETARY BASIS)</b>			<b>115,814</b>		
<b>Adjustment To Conform With GAAP:</b>					
Elimination of encumbrances			<b>1,318</b>		
<b>FUND BALANCE, JUNE 30, 2015 (GAAP BASIS)</b>			<b>\$ 117,132</b>		

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





**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**JUNE 30, 2015**  
**(amounts expressed in thousands)**

	<u><b>Governmental Activities Internal Service Fund</b></u>
<b>ASSETS</b>	
Current Assets:	
Cash, cash equivalents and investments	\$ 103,869
Due from other agencies	2,357
Total Current Assets	<u>106,226</u>
Noncurrent Assets:	
Restricted cash	3,546
Total Noncurrent Assets	<u>3,546</u>
Total assets	<u><u>\$ 109,772</u></u>
 <b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 2,214
Accrued payroll and payroll deductions	68
Portion due or payable within one year:	
Estimated unpaid claims	22,538
Total Current Liabilities	<u>24,820</u>
Noncurrent liabilities:	
Portion due or payable after one year:	
Liability for compensated absences	222
Estimated unpaid claims	34,291
Other post-employment benefits obligation	106
Total Noncurrent Liabilities	<u>34,619</u>
Total liabilities	<u>59,439</u>
 <b>NET POSITION</b>	
Unrestricted	<u><u>\$ 50,333</u></u>

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

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2015  
(amounts expressed in thousands)**

	<b>Governmental Activities</b>
	<b>Internal Service Fund</b>
<b>OPERATING REVENUES:</b>	
Premium revenue	\$ 198,709
Other operating revenue	10,163
<b>TOTAL OPERATING REVENUES</b>	<u>208,872</u>
<b>OPERATING EXPENSES:</b>	
Salaries	1,133
Benefits	338
Purchased services	333
Claims and other expenses	197,342
<b>TOTAL OPERATING EXPENSES</b>	<u>199,146</u>
<b>OPERATING INCOME</b>	9,726
<b>NONOPERATING REVENUES:</b>	
Interest and other income	175
<b>TOTAL NONOPERATING REVENUES</b>	<u>175</u>
<b>CHANGE IN NET POSITION</b>	9,901
<b>NET POSITION - Beginning of year</b>	<u>40,432</u>
<b>NET POSITION - End of year</b>	<u>\$ 50,333</u>

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

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2015**  
**(amounts expressed in thousands)**

	<u><b>Governmental Activities Internal Service Fund</b></u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash receipts from customers and interfund services provided	\$ 198,709
Cash payments for claims and administration	(191,982)
Cash payments for salaries and benefits	(1,468)
Other receipts	8,969
Net cash provided by operating activities	<u>14,228</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest and other income	175
Net cash provided by investing activities	<u>175</u>
Net increase in cash and cash equivalents	14,403
Cash and cash equivalents, beginning of year*	<u>93,012</u>
Cash and cash equivalents, end of year*	<u><u>\$ 107,415</u></u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Operating Loss	<u>\$ 9,726</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Changes in assets and liabilities:	
Increase in due from other agencies	(1,194)
Increase in accounts payable	700
Increase in payroll and payroll deductions	3
Increase in estimated unpaid claims	4,993
Total adjustments	<u>4,502</u>
Net cash provided by operating activities	<u><u>\$ 14,228</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, 2015**  
(amounts expressed in thousands)

	<u>PRIVATE- PURPOSE TRUST FUND</u>	<u>AGENCY FUND</u>
	<u>FLORIDA FUTURE EDUCATORS OF AMERICA</u>	<u>SCHOOL INTERNAL FUNDS</u>
<b>ASSETS</b>		
Cash, cash equivalents and investments	\$ 359	\$ 17,700
Accounts receivable	<u>-</u>	<u>1,178</u>
<b>TOTAL ASSETS</b>	<u>\$ 359</u>	<u>\$ 18,878</u>
<b>LIABILITIES</b>		
Accounts payable	\$ -	\$ 489
Due to student organizations	<u>-</u>	<u>18,389</u>
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>\$ 18,878</u>
<b>NET POSITION</b>		
Held in trust for scholarships	<u>359</u>	
<b>TOTAL NET POSITION</b>	<u>\$ 359</u>	

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

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015  
(amounts expressed in thousands)**

	<b>PRIVATE- PURPOSE TRUST FUND FLORIDA FUTURE EDUCATORS OF AMERICA</b>
<b>ADDITIONS</b>	
Donations	\$ 33
Interest	1
<b>TOTAL ADDITIONS</b>	<u>34</u>
<b>DEDUCTIONS</b>	
Scholarships	<u>62</u>
<b>TOTAL DEDUCTIONS</b>	<u>62</u>
<b>CHANGE IN NET POSITION</b>	(28)
<b>NET POSITION - Beginning of year</b>	<u>387</u>
<b>NET POSITION - End of year</b>	<u><u>\$ 359</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, 2015**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

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

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

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

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

***Government-wide Financial Statements***

The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for Fiduciary Funds. The District eliminates from the Statement of Net Position and the Statement of Activities most interfund receivables and payables and transfers between funds as well as the transaction associated with its Internal Service Funds.

The government-wide statements are prepared using the economic resources measurement focus and accrual basis accounting. This is the same approach used in the preparation of the Proprietary Fund financial statements but differs from the manner in which governmental fund financial statements are prepared.

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

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Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

***Fund Financial Statements***

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

The Governmental Funds are accounted for on the "flow of current financial resources" measurement focus. Governmental fund financial statements are prepared using the current financial resource measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred. The Proprietary Fund is accounted for on an "economic resources" measurement focus. Accordingly, the Statement of Revenues, Expenses and Changes in Fund Net Position for the Proprietary Fund reports increases and decreases in total economic net worth. The private purpose trust fund is reported using the economic resources measurement focus.

**GOVERNMENTAL FUNDS**

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

***General Fund***

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

***COPS Debt Service Fund***

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

***Capital Improvement Fund***

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

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

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**PROPRIETARY FUNDS**

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

***Internal Service Fund***

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

**FIDUCIARY FUNDS**

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

***Agency Funds***

Agency Funds consist of activity funds, which are established at each school to record 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 recognized in the financial records and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and Fiduciary Funds use the accrual basis of accounting.

***Modified Accrual***

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



**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

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

**Accrual**

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

**Revenue Recognition**

**State Revenue Sources** – Revenues from State sources for current operations are primarily from the Florida Education Finance Program (“FEFP”), administered by the Florida Department of Education (“FDOE”), under the provisions of Chapter 1011, Florida Statutes. This revenue is recognized when received. 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 and recognizes revenue from the State to administer certain categorical educational programs. State Board of Education rules require that revenue earmarked for these programs be expended only for the program for which the money is provided and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical educational programs.

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

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

**C. Budgetary Policies**

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

Annual budgets are legally adopted for all funds except the Fiduciary Funds. The budget amounts for revenues and expenditures reflect all amendments to the original budget dated September 11, 2013 the date of the final amendment approved by the Board. Significant dates in the budgeting timetable follow:

1. The Palm Beach County Property Appraiser certifies to the District the taxable value of all nonexempt District property by July 1 of each year, or the Clerk of the Circuit Court is required to certify an interim tax roll.
2. Within 24 days of tax roll certification, the Board considers and approves for advertising a tentative

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

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budget.

3. Within 29 days after tax roll certification, the District advertises the tentative budget and the millage rates therein.
4. A public hearing to adopt the tentative budget and proposed millage rate is held not less than two nor more than five days after the budget is advertised.
5. Within 35 days of tax roll certification, the District notifies the Palm Beach County Property Appraiser of proposed millage rates.

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

The major functional level is the legal level of budgetary control. Per Board policy, management is authorized to make budget amendments at function level with Board approval. All interim budget amendments between major functional areas within each fund are submitted to the Board for approval. Federal and State grant budget amendments which require State approval prior to processing are also submitted to the Board for approval with monthly amendments.

Unreserved appropriations are cancelled at the end of the fiscal year. However, encumbered appropriations for funds do not lapse at the end of the fiscal year. Restricted, committed and assigned fund balances at June 30, 2015 for funds under budgetary control have been re-appropriated for the fiscal year 2016 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, using the average cost method. The District's inventories include various items consisting of school supplies, paper, textbooks, fuel, commodities, etc. USDA commodities received from the Federal government are recorded at the value established by the Federal government using the average cost method. Inventorial items are recorded as expenditures when shipped to schools and department offices (the consumption method). The nonspendable fund balance at the governmental fund level is equal to the amount of inventories at year-end to indicate the portion of the governmental fund balances that are nonspendable.

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**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). On the Government Wide financial statements these amounts are reported as prepaid.

**H. Capital Assets**

Capital assets represent the cumulative amount of capital assets owned by the District. Purchased assets are recorded as expenditures in the fund financial statements and are capitalized at cost on the government-wide statement of net position. Gifts or contributions are recorded at fair value at the time received. The District's capitalization levels are \$1,000 on tangible personal property, \$100,000 on building improvements, \$50,000 on improvements other than buildings and \$100,000 on intangible assets. Other costs incurred for repairs and maintenance is expensed as incurred. All reported capital assets except land and construction in progress are depreciated.

Depreciation is computed using the straight-line method over the following estimated useful lives:

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

**I. Deferred outflows/inflows of resources**

In addition to assets, the statement of financial position has a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. One item is accumulated decrease in fair value of hedging derivatives (See Note 11). A second item is the net carrying amount of debt refunding reported in the government-wide statement of net position. A deferred loss on debt refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded debt or new refunding debt. A third item, in accordance with GASB 68, the District restated beginning balances and reports pension related deferred outflows of resources and deferred inflows of resources on its financial statements (see footnote 12 for additional information).

On the Government Wide financial statements Deferred Outflows of Resources activity for fiscal year ended June 30, 2015 is as follows (in thousands):

	(Restated)			Ending Balance June 30, 2015
	Ending Balance June 30, 2014	Increase	Decrease	
<b>Deferred Outflows of Resources</b>				
Accumulated Decrease in Fair Value of Hedging Derivatives	\$ 67,487	\$ 6,726	\$ -	\$ 74,213
Deferred Loss on Debt Refunding	57,986	56,482	11,470	102,998
Pension Related - FRS (see footnote 12)	55,326	89,297	55,326	89,297
Pension Related - HIS (see footnote 12)	11,321	27,715	11,321	27,715
<b>Total Outflows of Resources</b>	<b>\$ 192,120</b>	<b>\$ 180,220</b>	<b>\$ 78,117</b>	<b>\$ 294,223</b>

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA**  
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In addition to liabilities, the statement of net position has a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has \$1.7 million Unavailable Deferred Revenue (related to Medicaid administration claims) that qualifies as a deferred inflow of resources and it is shown in the governmental funds Balance Sheet under the modified accrual basis of accounting.

On the Government Wide financial statements Deferred Inflows of Resources total \$267.6 million as shown below (in thousands):

	Ending Balance				Ending Balance
	June 30, 2014	Increase	Decrease		June 30, 2015
<b>Deferred Inflows of Resources</b>					
Pension Related - FRS (see footnote 12)	\$ -	\$ 267,633	\$ -		\$ 267,633
<b>Total Inflows of Resources</b>	<u>\$ -</u>	<u>\$ 267,633</u>	<u>\$ -</u>		<u>\$ 267,633</u>

**J. Long Term Debt**

In the fund-level financial statements, governmental funds report the face amount of debt issued and debt principal payments, as well as any premiums (discounts) as other financing sources (uses). Debt issuance costs are reported as debt service expenditures. In the government-wide financial statements, long-term debt is reported as liabilities in the statement of net position. Bond premiums/discounts and Bond insurance cost are amortized over the life of the bonds.

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

**K. Self-Insurance**

The District is self-insured for health (health insurance for employees and eligible dependents) and portions of its general and automobile liability insurance and workers' compensation (insurance for various risks of loss related to torts; theft of; damage to; destruction of assets; errors and omissions; injury to employees and natural disasters). The estimated liability for self-insured risks represents an estimate of the amount to be paid on insurance claims reported and on insurance claims incurred but not reported (See Note 8).

Consistent with GAAP guidelines, in the Proprietary Fund financial statements, the liability for self-insured risks is recorded under the accrual basis of accounting. As of July 1, 2013, Workers Compensation, General and Auto Claims are reported as an Internal Service Fund. The negative net position will be funded over a fifteen year period.

**L. Compensated Absences**

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

The District uses the vesting method to calculate the compensated absences amounts. The entire 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

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payments come due each period, for example, as a result of employee resignations and retirements. Compensated absences not recorded at the fund level represent a reconciling item between the fund level and government-wide presentations (See Note 10).

**M. Pensions**

In the government-wide statement of net position, liabilities are recognized for the District's proportionate share of each pension plan's net pension liability. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) defined benefit plan and additions to deductions from the FRS's and the HIS's fiduciary net position have been determined on the same basis as they are reported by the FRS and the HIS plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. See footnote 12 for additional information regarding the District's retirement plans and related amounts.

**N. 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/deferred outflows of resources and liabilities/deferred inflows of resources and disclosures of contingent assets/deferred outflows of resources and liabilities/deferred inflows of resources 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.

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

Recently Issued and Adopted Accounting Pronouncements

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27 and GASB Statement No. 71, Pension Transition for Contributions made subsequent to the measurement date* which were adopted by the District effective July 1, 2014. The District participates in the Florida Retirement System (FRS) defined benefit pension plan and the Health Insurance Subsidy (HIS) defined benefit plan administered by Florida Division of Retirement. As a participating employer, GASB Statement No. 68, requires employers participating in cost-sharing multiple-employer defined benefit pension plans to report the employers' proportionate share of the net pension liabilities and related pension amounts of the defined benefit pension plans. The effect of the accounting change on net position as previously reported for fiscal year 2014 and prior years is a reduction of \$648.5 million and is adjusted as of June 30, 2014 as follows (amounts in thousands):

	Governmental Activities
Net Position, previously reported	\$ 1,911,568
Adjustment for FRS	\$ (377,138)
Adjustment for HIS	(271,365)
Total pension related adjustment	(648,503)
Net Position, restated	\$ 1,263,065

Recently Issued Accounting Pronouncements

In February 2015, GASB Statement No. 72, *Fair Value Measurement and Application*, will be effective for the District beginning with its year ending June 30, 2016. This Statement will address accounting and financial reporting issues related to fair value measurements, provide guidance for determining a fair value

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measurement for financial reporting purposes, and provide guidance for applying fair value to certain investments and disclosures related to all fair value measurements. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In June 2015, GASB Statement No. 73, *Accounting and Financial Reporting for Pension and Related Assets That Are Not Within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statement Nos. 67 and 68*, will be effective for the District beginning with its year ending June 30, 2016, except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of GASB Statement No. 68, which are effective for the District beginning with its year ending June 30, 2017. This Statement will establish requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In June 2015, GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, will be effective for the District beginning with its year ending June 30, 2017. This Statement will establish rules on reporting by OPEB plans that administer benefits on behalf of governments. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In June 2015, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will be effective for the District beginning with its year ending June 30, 2018. This Statement outlines reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In June 2015, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, will be effective for the District beginning with its year ending June 30, 2016. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the AICPA that is cleared by the GASB. The Statement also addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In August 2015, GASB Statement No. 77, *Tax Abatement Disclosures*, will be effective for the District beginning with its year ending June 30, 2017. This Statement requires state and local governments, for the first time, to disclose information about tax abatement agreements. It requires governments to disclose information about their own tax abatements separately from information about tax abatements that are entered into by other governments and reduce the reporting government's tax revenues. Management of the District is still in the process of determining what effect, if any, GASB 77 will have on the basic financial statements and related disclosures.

## **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

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November 1 and are due no later than April 1. After this date, taxes become an enforceable lien on property. Discounts of up to 4% are available for early payment. The majority of ad valorem taxes are collected in November and December and remitted to the School Board. Section 197.383, Florida Statutes, requires the Palm Beach County Tax Collector to distribute the taxes collected to each taxing authority at least four times during the first two months after the tax roll comes into the Tax Collector's possession, and at least once per month thereafter. Taxes are considered delinquent if not paid prior to April 1. State law provides for enforcement of collection of taxes by the sale of tax certificates on real property and for levy upon, seizure and sale of personal property after the Palm Beach County Tax Collector initiates a sequence of required procedures resulting in a court order to carry out the action.

The State Legislature prescribes the maximum non-voted millage that may be levied by the Board for each fiscal year. The total millage rate levy was 7.586 mills and the total assessed value on which the 2014-15 levy was based was \$150.1 billion. Gross taxes levied were approximately \$1.1 billion. Total revenue, net of discounts, was approximately \$1.1 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 2015, the maintenance transfer amounted to approximately \$78.7 million. Additionally, approximately \$7.8 million was transferred for property insurance; approximately \$4.8 million was transferred for charter school capital outlay bringing the total transfer from capital to approximately \$91.3 million.

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

#### **Cash and Cash Equivalents**

Florida Statutes authorize the deposit of District funds in demand deposits or time deposits of financial institutions approved by the State Treasurer and are defined as public deposits. All District public deposits are held in qualified public depositories pursuant to chapter 280, Florida Statutes, the "Florida Security for Public Deposits Act." Under the Act, all qualified public depositories are required to pledge eligible collateral having a market value equal to or greater than the average daily or monthly balance of all public deposits times the depository's collateral pledging level. The collateral pledging level may range from 50% to 125% depending upon the depository's financial condition and the length of time that the depository has been established. All collateral must be deposited with the State Treasurer. Any losses to public 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, 2015, the carrying amount of the District's cash deposits was approximately \$253.4 million and the bank balance was approximately \$260.3 million. The carrying amount of the Agency Fund - School Internal Funds cash deposits was approximately \$17.7 million.

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

Cash Equivalents consist of amounts invested in Money Markets, Florida Education Investment Trust Fund (FEITF) and Florida Prime.

#### **Investments**

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

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As of June 30, 2015, the District had the following unrestricted cash and investments and maturities (amounts in thousands):

<b>PORTFOLIO / INVESTMENTS</b>	<b>CARRYING VALUE</b>	<b>EFFECTIVE DURATION</b>
<b>Cash Deposits</b>	\$ 253,382	N/A
<b>Money Market Funds</b>	67,604	N/A
<b>Florida Education Investment Trust Fund (FEITF)</b>	58,687	N/A
<b>Florida Prime</b>	10	0.09
<b>Commercial Paper</b>	1,890	0.33
<b>Core Fund Investments</b>		
US Treasury - Notes	127,953	0.53
Federal Agency - Bond/Notes	8,864	1.77
Corporate Notes	5,712	2.07
Municipal Bonds	2,355	0.80
<b>TOTAL</b>	<b>\$ 526,457</b>	

**Interest Rate Risk**

To limit exposure to fair value losses resulting from increases in interest rates, the District's Investment Policy limits operating funds to maturities of two years or less. Investments of reserves, project funds, debt proceeds and other non-operating funds ("core funds") shall have a term appropriate to the need for funds and in accordance with debt covenants, but in no event shall exceed five (5) years and the average duration of the funds as a whole may not exceed three (3) years. The District's investment in the Federally Backed Securities (Fannie Mae, Freddie Mac (also known as Federal Home Loan Mortgage Corporation) and Farmer Mac) matures between September, 2016 and September, 2017. As of June 30, 2015, the District held no callable securities.

**Concentration of Credit Risk**

The District's Investment Policy specifies the maximum percentage allocation to any single investment type as well as the maximum percentage holding per issuer. Up to 100% of the portfolio may be invested in U.S. Government securities, 80% may be invested in Federal Instrumentalities (US government sponsored agencies) with no more than 50% with a single issuer and 50% may be invested in US government agencies with no more than 25% with a single issuer. Corporate Notes are limited to 15% of the portfolio with no more than 5% with a single issuer.



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PORTFOLIO / INVESTMENTS	CARRYING VALUE (in thousands)	PERCENTAGE OF INVESTMENT BALANCE	RATING S&P / MOODY'S
<b>Cash Deposits</b>	\$ 253,382	48.13%	
<b>Money Market Funds</b>			
Dreyfus Treasury and Agency	41,393	7.86%	AAAm/Aaa-mf
Federated Government Obligation	16,543	3.14%	AAAm/Aaa-mf
Fidelity Institutional Government Fund	9,462	1.80%	AAAm/Aaa-mf
Goldman Sachs Government Fund	100	0.02%	AAAm/Aaa-mf
Morgan Stanley US Government	106	0.02%	AAAm/Aaa-mf
<b>Florida Education Investment Trust Fund (FEITF)</b>	58,687	11.15%	AAAm
<b>Florida Prime</b>	10	0.00%	AAAm
<b>Commercial Paper</b>			
Fortis	1,890	0.36%	A-1
<b>Investments in Fixed Income Securities</b>			
US Treasury - Notes/Bill	127,953	24.30%	AA+/Aaa
Toyota Motor Corporation	1,209	0.23%	AA-/Aa3
Berkshire Hathaway	1,126	0.21%	AA/Aa2
Coca-Cola	451	0.09%	AA/Aa3
Apple	1,190	0.23%	AA+/Aa1
Chevron	1,736	0.33%	AA/Aa1
Federally Backed Securities (Fannie Mae, Farmer Mac & Freddie Mac) - Long Term	8,864	1.68%	AA+/Aaa
Municipal Bonds	2,355	0.45%	AA/Aa3
<b>TOTAL</b>	<b>\$ 526,457</b>	<b>100.00%</b>	

As of June 30, 2015, 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.

**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, 2015, the District held \$5.7 million of corporate notes of which had an S&P rating between AA- and AA+. All investments in the Federally Backed Securities (Fannie Mae, Freddie Mac (also known as Federal Home Loan Mortgage Corporation) and Farmer Mac) had a rating between AA+ and Aaa for securities held for more than one year. All other rated investments were rated between AA and AAA by S&P. As of June 30, 2015, the Local Government Investment Pools were rated AAAm by S&P.

**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

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and apart from the assets of the financial institution. A third party custodian is defined as any bank depository chartered by the Federal government, the state of Florida, or any other state or territory of the United States which has a branch or principal place of business in the state of Florida as defined in § 658.12, F.S., or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in the state of Florida. Certificates of deposit will be placed in the provider's safekeeping department for the term of the deposit. Security transactions between a broker/dealer and the custodian involving the purchase or sale of securities by transfer of money or securities are made on a "delivery vs. payment" basis, if applicable, to ensure that the custodian will have the security or money, as appropriate, in hand at the conclusion of the transaction. As of June 30, 2015, the District's investment portfolio was held with a third-party custodian.

**4. INVESTMENT DERIVATIVE INSTRUMENTS**

The District received an upfront premium payment of \$3.0 million for allowing the swap counterparty the right to terminate the 2003B Interest Rate Swap if the 180 day average of the BMA Index exceeds 7.0% in the future. The barrier feature was effective June 2003 and is exercisable anytime until August 2018. Once the barrier option expires the District will be left with a fixed-payer swap that matures August 2029. Therefore, for accounting and financial reporting purposes, the barrier option derivative instrument is considered an investment derivative instrument. At June 30, 2015, the fair value of the barrier option is approximately \$67,000 in asset position (See Note 11).

**5. DUE FROM OTHER GOVERNMENTS OR AGENCIES**

At June 30, 2015, the District had a total of approximately \$25.1 million in Due From Other Governments or Agencies which consisted of the following balances (amount in thousands):

	General Fund	Non-major Governmental Funds	Internal Service Fund	Total
<b>Federal and State Sources</b>				
Medicaid*	\$ 3,702	\$ -	\$ -	\$ 3,702
MLVR (Motor Vehicle License Renewal)	2,035	-	-	2,035
Grant and Entitlements	-	14,962	-	14,962
FEMA	358	7	-	365
Fuel Tax*	138	-	-	138
<b>Local Sources</b>				
Family Central	703	-	-	703
Pharmacy Rebates	-	-	2,357	2,357
Other	458	427	-	885
<b>Total Due From Other Governments or Agencies</b>	<b>\$ 7,394</b>	<b>\$ 15,396</b>	<b>\$ 2,357</b>	<b>\$ 25,147</b>

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

**6. INTERFUND ACTIVITIES**

Due to/from other funds consisted of the following balances at June 30, 2015 (amounts in thousands):

	Interfund Receivables	Interfund Payables
General Fund	\$ 3,000	\$ -
Other Non-Major Governmental Funds	-	3,000
<b>Total Interfund</b>	<b>\$ 3,000</b>	<b>\$ 3,000</b>

The amount payable by the Other Non-Major Governmental Fund to the General Fund is to cover temporary cash shortages related to timing of receipts.

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Interfund transfers for the year ended June 30, 2015 were as follows (amounts in thousands):

Transfer from:	Transfer to:			Total
	General Fund	COPS Debt Service	Other Non-Major Governmental Funds	
Capital Improvement	\$ 63,520	\$ 141,360	\$ 4,985	\$ 209,865
General Fund	-	-	75	75
Other Non-Major Governmental Funds	27,821	-	97	27,918
<b>Total</b>	<b>\$ 91,341</b>	<b>\$ 141,360</b>	<b>\$ 5,157</b>	<b>\$ 237,858</b>

Transfers to the General Fund relate primarily to funding for the maintenance, renovation and/or repair of school facilities, pursuant to Section 1011.71 of the Florida Statutes, and charter school capital outlay. Transfers to other non-major funds relate primarily to amounts transferred to make debt service payments.

**7. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2015 is as follows (amounts in thousands):

	Ending Balance June 30, 2014	Additions and Transfer In	Retirements and Transfers Out	Ending Balance June 30, 2015
<b><u>Non-Depreciable Assets:</u></b>				
Land	\$ 341,459	\$ 1,096	\$ 3,962	\$ 338,593
Construction in Progress	33,737	27,320	24,624	36,433
<b>Total Non-Depreciable Assets</b>	<b>375,196</b>	<b>28,416</b>	<b>28,586</b>	<b>375,026</b>
<b><u>Depreciable Assets:</u></b>				
Improvements Other Than Buildings	56,800	1,165	67	57,898
Buildings and Improvements	4,111,969	24,204	900	4,135,273
Furniture, Fixtures & Equipment	136,045	6,014	16,040	126,019
Motor Vehicles	98,713	13,675	4,245	108,143
Audio/Video Materials & Software	56,752	329	9,290	47,791
<b>Total Depreciable Assets</b>	<b>4,460,279</b>	<b>45,387</b>	<b>30,542</b>	<b>4,475,124</b>
<b><u>Less Depreciation For:</u></b>				
Improvements Other Than Buildings	(24,002)	(3,833)	(45)	(27,790)
Buildings and Improvements	(1,057,649)	(86,747)	(813)	(1,143,583)
Furniture, Fixtures & Equipment	(105,063)	(9,177)	(15,286)	(98,954)
Motor Vehicles	(79,861)	(6,457)	(4,201)	(82,117)
Audio/Video Materials & Software	(51,097)	(2,266)	(9,243)	(44,120)
<b>Total Accumulated Depreciation</b>	<b>(1,317,672)</b>	<b>(108,480)</b>	<b>(29,588)</b>	<b>(1,396,564)</b>
<b>Capital Assets, Net</b>	<b>\$ 3,517,803</b>	<b>\$ (34,677)</b>	<b>\$ 29,540</b>	<b>\$ 3,453,586</b>

Depreciation expense for the year ended June 30, 2015 of approximately \$108.5 million was not allocated to specific functions. The District's capital assets essentially serve all functions and as such the depreciation expense is included as a separate line item in the statement of activities.

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**8. RISK MANAGEMENT**

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

The employee health insurance claims liability is based on an analysis performed by management, which is based on historical trends. The remaining claims liability is based on an actuarial evaluation performed by an independent actuary as of June 30, 2015 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, 2015, the liability for claims consisted of approximately \$13.0 million, \$13.2 million and \$30.6 million for employee health, auto and general liability, and workers' compensation, respectively.

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

	Fiscal Year Ended June 30, 2014	Fiscal Year Ended June 30, 2015
Beginning Balance	\$ 47,705	\$ 51,836
Additions:		
Current year and changes in estimates	178,550	185,046
Reductions:		
Claim payments	(174,419)	(180,053)
Ending Balance	<u>\$ 51,836</u>	<u>\$ 56,829</u>

**9. SHORT-TERM DEBT**

**Tax Anticipation Notes**

On September 25, 2014 the District issued Tax Anticipation Notes ("TANS"), Series 2014 for \$115.0 million. Note proceeds were used to pay fiscal year 2015 District operating expenditures prior to the receipt of ad valorem taxes. The notes were repaid in January 2015.

Short-term debt activity for the year ended June 30, 2015 was as follows (amounts in thousands):

	Beginning Balance July 1, 2014	Issued	Redeemed	Ending Balance June 30, 2015
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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**10. LONG-TERM LIABILITIES**

A summary of changes in long-term liabilities for the year ended June 30, 2015, is as follows (amounts in thousands):

	(Restated) Beginning Balance June 30, 2014	Additions	Reductions	Ending Balance June 30, 2015	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Bonds, Notes and Leases Payable:					
Notes/Loans Payable	\$ 14,002	\$ -	\$ (4,217)	\$ 9,785	\$ 2,720
Capital Outlay Bond Issue	21,885	4,275	(8,730)	17,430	3,717
Certificates of Participation	1,711,223	506,770	(617,600)	1,600,393	53,495
Borrowing-Swap Upfront Payment	3,092	-	(216)	2,876	218
Derivative Instruments-Hedging	67,487	6,726	-	74,213	-
	<u>1,817,689</u>	<u>517,771</u>	<u>(630,763)</u>	<u>1,704,697</u>	<u>60,150</u>
Plus (Less) Issuance Premium (Discount)	60,798	67,974	(23,515)	105,257	-
<b>Total Bonds, Notes and Leases Payable</b>	<u>1,878,487</u>	<u>585,745</u>	<u>(654,278)</u>	<u>1,809,954</u>	<u>60,150</u>
Other Liabilities:					
Compensated Absences	186,582	12,117	(16,337)	182,362	15,703
Self-Insurance					
Claims and Judgments	51,836	185,046	(180,053)	56,829	22,538
Post Employment Benefits	95,639	12,006	(5,613)	102,032	-
Net Pension Liability	715,360	26,325	(277,977)	463,708	-
<b>Total Other Liabilities</b>	<u>1,049,417</u>	<u>235,494</u>	<u>(479,980)</u>	<u>804,931</u>	<u>38,241</u>
<b>Total Governmental Activities</b>					
<b>Long-Term Liabilities</b>	<u>\$ 2,927,904</u>	<u>\$ 821,239</u>	<u>\$ (1,134,258)</u>	<u>\$ 2,614,885</u>	<u>\$ 98,391</u>

The compensated absences and post-employment benefits are generally liquidated by the general fund. Long term claims and judgments are liquidated by the internal service funds. Pension contributions are paid by the governmental fund consistent with employee compensation.

Beginning balances restated in accordance with GASB Statement No. 68 and No. 71 see footnote 12.

**Bus and Equipment Loan**

On February 20, 2014, the District entered into a loan agreement with TD Equipment Finance for financing the acquisition of 124 buses and other equipment for \$14.0 million. Under the terms of the loan agreement, the District's annual payment includes interest at 1.235% and is payable over five years.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total Principal and Interest</u>
FY16	\$ 2,720	\$ 113	\$ 2,833
FY17	2,802	78	2,880
FY18	2,836	44	2,880
FY19	1,427	9	1,436
	<u>\$ 9,785</u>	<u>\$ 244</u>	<u>\$ 10,029</u>

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**State Board of Education Capital Outlay Bond Issues**

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

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

Capital Outlay Bond Issues	Date of Issue	Amount Issued	Remaining Interest Rates (Percent)	Final Maturity Date	Debt Outstanding June 30, 2014	Debt Issued	Debt Matured FY 14-15	Debt Refunded FY 14-15	Debt Outstanding June 30, 2015
COBI 2005-A (1)	5/1/2005	\$ 21,200	-	1/1/2017	\$ 6,000	\$ -	\$ 2,640	\$ 3,360	\$ -
COBI 2005-B (1)	7/1/2005	2,675	-	1/1/2020	1,430	-	280	1,150	-
COBI 2009-A	9/10/2009	1,655	5.0%	1/1/2019	915	-	160	-	755
COBI 2010-A	10/14/2010	9,700	3.5% to 5.0%	1/1/2030	8,000	-	425	-	7,575
COBI 2010-A	10/14/2010	1,790	4.0% to 5.0%	1/1/2022	1,550	-	140	-	1,410
COBI 2011-A	12/7/2011	5,820	3.0% to 5.0%	1/1/2023	3,990	-	575	-	3,415
COBI 2014-B (1)	12/2/2014	<u>4,275</u>	2.0% to 5.0%	1/1/2020	-	4,275	-	-	4,275
		<u>\$47,115</u>			<u>\$ 21,885</u>	<u>\$ 4,275</u>	<u>\$ 4,220</u>	<u>\$ 4,510</u>	<u>\$ 17,430</u>

(1) COBI 2014-B refunded COBI 2005-A and COBI 2005-B

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
2016	\$ 3,717	\$ 813	\$ 4,530
2017	2,317	610	2,927
2018	1,543	494	2,037
2019	1,311	417	1,728
2020	1,177	358	1,535
2021-2025	4,590	1,007	5,597
2026-2030	<u>2,775</u>	<u>331</u>	<u>3,106</u>
Total	<u>\$ 17,430</u>	<u>\$ 4,030</u>	<u>\$ 21,460</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

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valuation. At June 30, 2015, the statutory limit for the District was approximately \$16.3 billion, providing additional debt capacity of approximately \$16.3 billion.

**Capital Outlay Bond Issue Refunding**

On December 2, 2015, the Florida Department of Education issued State Board of Education Capital Outlay Bonds, Series 2014-A (COBI 2014-A). The bonds were issued to advance refund the State Board of Education Capital Outlay Bonds, Series 2005-A (COBI 2005-A) and Series 2005B-B (COBI 2005-B). The COBI 2014-A coupon rate ranges from 2.0% to 5.0%. The COBI 2014-A bonds are due on January 1, 2020.

**Certificates of Participation**

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

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

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

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

As part of the American Reinvestment and Recovery Act, the District was authorized to issue up to \$67.7 million of Qualified School Construction Bonds (QSCB) for the purpose of new construction. The District chose to modernize two schools (Galaxy Elementary and Gove Elementary) and replace two roofs (Belle Glade Elementary and Pioneer Park Elementary). The District issued the bonds as Taxable Certificates of Participation through the Build America Bond program, also created by the ARRA legislation. The District issued taxable bonds and receives a federal subsidy from the Treasury department equal to the difference between the taxable and tax-exempt rates. The Certificates were sold to Bank of America during a competitive sale held on November 3, 2010 and closed on November 15, 2010. The par amount was \$67.7 million and the interest rate was 5.40%. The District will pay interest only until 2019 when deposits to the sinking fund begin. The final maturity of the bonds is August 1, 2025. The total interest that will be paid over the life of the bonds is \$53.8 million. A total subsidy of \$48.5 million will be recorded as revenue in the year earned. Therefore, the amount the District will pay net of the federal subsidy is \$5.3 million. In the current year, the District recorded \$3.2 million subsidy as revenue and \$3.6 million as interest expense resulting in a net impact of \$0.4 million.

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Subsequent to the sale of the QSCB 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 \$2.8 million to be used to repay the principal in 2025.

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



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

Certificate Series	Date of Issue	Amount Issued	Remaining Interest Rates (Percent)	Final Maturity Date	Debt Outstanding June 30, 2014	Debt Issued FY 14-15	Debt Matured FY 14-15	Debt Refunded/Defeased June 30, 2015	Debt Outstanding June 30, 2015	Ground Lease Term
2002 QZAB	06/11/2002	\$ 950	-	06/11/2016	\$ 950	\$ -	\$ -	\$ -	\$ 950	06/11/2016
2002E (1)	09/01/2002	93,350	4.00% to 5.38%	08/01/2016	26,425	-	11,665	-	14,760	06/30/2016
2003A (2)	06/26/2003	60,865	3.4% to 5.00%	08/01/2015	7,250	-	3,570	-	3,680	08/01/2021
2003B (3)	06/26/2003	124,295	0.72% **	08/01/2029	124,295	-	-	-	124,295	08/01/2029
2004A (13)	05/04/2004	103,575	5.00%	08/01/2015	6,830	-	3,335	-	3,495	08/01/2029
2004 QZAB	04/30/2004	2,923	-	04/30/2020	2,923	-	-	-	2,923	04/29/2020
2005A (4)	03/22/2005	124,630	-	08/01/2015	123,080	-	220	122,860	-	08/01/2028
2005 QZAB	12/15/2005	2,150	-	12/15/2020	2,150	-	-	-	2,150	12/15/2020
2006A	05/25/2006	222,015	4.25% to 5.00%	08/01/2016	181,025	-	6,585	160,405	14,035	08/01/2031
2007A	02/28/2007	268,545	4.00% to 5.50%	08/01/2017	205,360	-	12,205	152,885	40,270	08/01/2031
2007C (5)	03/22/2007	192,310	4.00% to 5.00%	08/01/2027	184,585	-	5,325	-	179,260	07/31/2027
2007D (6)	05/03/2007	30,485	5.00%	08/01/2015	9,760	-	4,760	-	5,000	06/30/2015
2007E	10/31/2007	147,390	3.90% to 5.00%	08/01/2017	134,675	-	4,585	115,065	15,025	08/01/2032
2010A QSCB	11/15/2010	67,665	5.40% ***	08/01/2025	67,665	-	-	-	67,665	08/01/2032
2011B (7)	06/29/2011	166,270	1.90%	08/01/2015	1,680	-	835	-	845	08/01/2025
2011A (8)	07/13/2011	112,425	4.125% to 5.00%	08/01/2032	112,425	-	-	-	112,425	08/01/2032
2011C (9)	11/15/2011	15,355	1.74%	08/01/2018	14,865	-	8,325	-	6,540	08/01/2018
2011D (10)	11/15/2011	25,065	2.64%	08/01/2021	24,525	-	330	-	24,195	08/01/2021
2012A (11)	05/15/2012	20,085	5.00%	08/01/2028	20,085	-	-	-	20,085	08/01/2028
2012B (12)	06/29/2012	116,555	0.56% ****	08/01/2028	111,955	-	4,645	-	107,310	08/01/2028
2012C (13)	08/09/2012	67,145	4.00% to 5.00%	08/01/2029	67,145	-	-	-	67,145	08/01/2029
2014A (14)	01/31/2014	115,560	0.1841% *	08/01/2027	115,560	-	-	-	115,560	08/01/2027
2014B (15)	06/27/2014	166,010	3.00% to 5.00%	08/01/2025	166,010	-	-	-	166,010	08/01/2025
2014C (16)	07/29/2014	33,280	5.00%	08/01/2031	-	33,280	-	-	33,280	08/01/2031
2015A (17)	05/05/2015	106,315	2.52%	08/01/2022	-	106,315	-	-	106,315	08/01/2022
2015B (18)	01/14/2015	145,535	5.00%	08/01/2031	-	145,535	-	-	145,535	08/01/2031
2015D (19)	04/30/2015	221,640	5.00%	08/01/2032	-	221,640	-	-	221,640	08/01/2032
		<u>\$ 2,752,388</u>			<u>\$ 1,711,223</u>	<u>\$ 506,770</u>	<u>\$ 66,385</u>	<u>\$ 551,215</u>	<u>\$ 1,600,393</u>	

\* 2014A - Variable rate paid to certificate holders SIFMA +46 BPS. Resets weekly, 0.1841% at 6/30/2015

\*\* 2003B - Variable rate paid to certificate holders SIFMA + 65 basis points. Resets weekly, 0.72% at 6/30/2015

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

\*\*\*\* 2012B - Variable rate paid to certificate holders SIFMA +49 BPS. Resets weekly, 0.56% at 6/30/2015

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- (1) Issued to advance refund and defease a portion of the Series 1995A and Series 1996A Certificates of Participation.
- (2) Refunded and partially defeased by Series 2011D Certificates of Participation.
- (3) On March 20, 2008, the District converted and remarketed the Series 2003B (with no change to principal).
- (4) Issued to advance refund and defease a portion the Series 2001A, Series 2002A, Series 2002C and Series 2002D Certificates of Participation. \*\*
- (5) Issued to advance refund and defease a portion of the Series 2001A and Series 2002C Certificates of Participation. \*\*
- (6) Issued to advance refund and defease a portion of Series 1997A Certificates of Participation (which previously refunded Series 1994A Certificates of Participation). \*\*
- (7) Issued to advance refund and defease a portion of Series 2001B Certificates of Participation (which previously refunded Series 2000A Certificates of Participation). \*\*
- (8) Issued to advance refund and defease Series 2007B Certificates of Participation. \*\*
- (9) Issued to advance refund and defease a portion of Series 2002A Certificates of Participation. \*\*
- (10) Issued to advance refund and defease a portion of Series 2003A Certificates of Participation. \*\*
- (11) Issued to advance refund and defease a portion of Series 2002D Certificates of Participation. \*\*
- (12) Issued to advance refund and defease remaining Series 2002D Certificates of Participation. \*\*
- (13) Issued to advance refund and defease a portion of Series 2004A Certificates of Participation. \*\*
- (14) Issued to advance refund and defease remaining Series 2002B Certificates of Participation. \*\*
- (15) Issued to advance refund and defease a portion of Series 2011B Certificates of Participation (which previously refunded Series 2000A Certificates of Participation). \*\*
- (16) Issued to advance refund and defease Series 2007A Certificates of Participation. \*\*
- (17) Issued to advance refund and defease a portion of Series 2005A Certificates of Participation (which previously refunded Series 2001A, 2002A, 2002C, and 2002D Certificates of Participation). \*\*
- (18) Issued to advance refund and defease a portion of Series 2006A Certificates of Participation. \*\*
- (19) Issued to advance refund and defease a portion of Series 2007A and 2007E Cert. of Participation. \*\*

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

The Certificates are not separate legal obligations of the Board but represent undivided proportionate interests in lease payments to be made from appropriated funds budgeted annually by the School Board for such purpose from current or other funds authorized by law and regulations of the Department of Education, including the local optional millage levy. However, neither the Board, the District, the State of Florida, nor any political subdivision thereof are obligated to pay, except from Board appropriated funds, any sums due under the Master Lease from any source of taxation. The full faith and credit of the Board and the District are not pledged for payment of such sums due under the Master Lease, and such sums do not constitute an indebtedness of the Board or the District within the meaning of any constitutional or statutory provision or limitation. A trust fund was established with a Trustee to facilitate payments in accordance with the Master Lease and the Trust Agreement. Various accounts are maintained by the Trustee in accordance with the trust indenture. Interest earned on invested funds is applied toward the basic lease payments. Basic lease payments are deposited with the Trustee semi-annually on June 30 and December 30 or January 5 (for variable rate issue), 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. During the year ended June 30, 2015, approximately \$24.9 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, 2015, the arbitrage liability was zero.

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

Year ended June 30	Series 2002E	Series 2003A	Series 2003B	Series 2004A	Series 2006A	Series 2007A	Series 2007C	Series 2007D	Series 2007E	Series 2011A
2016	\$ 12,295	\$ 3,680	\$ -	\$ 3,495	\$ 6,850	\$ 12,825	\$ 920	\$ 5,000	\$ 4,795	\$ -
2017	2,465	-	-	-	7,185	13,455	1,075	-	5,015	-
2018	-	-	-	-	-	13,990	605	-	5,215	-
2019	-	-	-	-	-	-	800	-	-	-
2020	-	-	19,150	-	-	-	1,905	-	-	5,630
2021-2025	-	-	105,145	-	-	-	67,170	-	-	32,880
2026-2030	-	-	-	-	-	-	106,785	-	-	6,010
2031-2033	-	-	-	-	-	-	-	-	-	67,905
<b>Total</b>	<b>\$ 14,760</b>	<b>\$ 3,680</b>	<b>\$ 124,295</b>	<b>\$ 3,495</b>	<b>\$ 14,035</b>	<b>\$ 40,270</b>	<b>\$ 179,260</b>	<b>\$ 5,000</b>	<b>\$ 15,025</b>	<b>\$ 112,425</b>

Year ended June 30	Bank Loan Series 2011B	Series 2011C	Series 2011D	Series 2012A	Series 2012B	Series 2012C	Series 2014A	Series 2014B	Series 2014C	Series 2015A
2016	\$ 845	\$ 370	\$ 340	\$ -	\$ 85	\$ -	\$ 105	\$ 940	\$ -	\$ -
2017	-	4,585	4,205	-	105	3,500	105	11,345	-	22,165
2018	-	230	4,325	-	5,130	3,680	-	14,335	-	22,595
2019	-	1,355	4,435	-	5,380	3,825	3,045	14,945	-	18,820
2020	-	-	4,555	-	70	4,015	10,420	15,615	-	18,345
2021-2025	-	-	6,335	1,795	23,335	22,950	59,435	88,645	-	24,390
2026-2030	-	-	-	18,290	73,205	29,175	42,450	20,185	16,175	-
2031-2033	-	-	-	-	-	-	-	-	17,105	-
<b>Total</b>	<b>\$ 845</b>	<b>\$ 6,540</b>	<b>\$ 24,195</b>	<b>\$ 20,085</b>	<b>\$ 107,310</b>	<b>\$ 67,145</b>	<b>\$ 115,560</b>	<b>\$ 166,010</b>	<b>\$ 33,280</b>	<b>\$ 106,315</b>

Year ended June 30	Series 2015B	Series 2015D	Series 2002 QZAB	Series 2004 QZAB	Series 2005 QZAB	Series 2010A QSCB	Total Lease Payment	Total Interest	Total Lease Payment & Interest
2016	\$ -	\$ -	\$ 950	\$ -	\$ -	\$ -	\$ 53,495	\$ 67,225	\$ 120,720
2017	-	-	-	-	-	-	75,205	70,030	145,235
2018	6,745	-	-	-	-	-	76,850	67,286	144,136
2019	7,080	18,915	-	-	-	-	78,600	64,152	142,752
2020	7,435	5,275	-	2,923	-	-	95,338	61,027	156,365
2021-2025	43,140	30,600	-	-	2,150	-	507,970	251,743	759,713
2026-2030	55,060	107,190	-	-	-	67,665	542,190	118,290	660,480
2031-2033	26,075	59,660	-	-	-	-	170,745	11,260	182,005
<b>Total</b>	<b>\$ 145,535</b>	<b>\$ 221,640</b>	<b>\$ 950</b>	<b>\$ 2,923</b>	<b>\$ 2,150</b>	<b>\$ 67,665</b>	<b>\$ 1,600,393</b>	<b>\$ 711,013</b>	<b>\$ 2,311,406</b>

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

**Defeased Debt**

On July 29, 2014, the District issued certificates of participation (Series 2014C) in the amount of \$33.3 million (plus a premium of \$2.2 million) with interest rate of 5.00% to refund a portion certificates of participation Series 2007A with interest rate of 5.00%. The District made a principal payment of \$33.3 million and a call premium of \$0.8 million, the total is recorded in the fund level financial statements as a payment to escrow agent. In addition, \$1.2 million was placed in an escrow capital interest account for August 1, 2014, February 1, 2015 and August 1, 2015. The District was offered an upfront payment plus costs of issuance to extend the call date of the Certificates from 2017 to 2024. The net savings from this transaction is \$2.2 million or 6.2% (which was applied as a call extension premium payment). 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 January 14, 2015, the District issued certificates of participation (Series 2015B) in the amount of \$145.5 million (plus a premium of \$26.8 million) with net interest cost of 3.26% to refund certificates of participation Series 2006A with interest rate at 5.0%. The District made a principal payment of \$160.4 million and a call premium payment of \$14.8 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 \$22.2M which results in an economic savings (the difference between the present value of the debt service payments on the old and new debt) of \$17.7 million, or 11.03% 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 April 30, 2015, the District issued certificates of participation (Series 2015D) in the amount of \$221.6 million (plus a premium of \$38.7 million) with net interest cost of 3.53% to refund certificates of participation Series 2007A and 2007E with interest rate ranging from 4.25% to 5.00% and interest rate of 5.00% respectively. The District made a principal payment of \$234.7 million, and a call premium of \$24.8 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 \$22.3M which results in an economic savings of \$17.6 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 May 5, 2015, the District issued certificates of participation (Series 2015A) in the amount of \$106.3 million (at par) with net interest cost of 2.52% to refund certificates of participation Series 2005A with interest rate at 5.0%. The District made a principal payment of \$122.9 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 decrease its total debt service requirement by \$7.9M which results in an economic savings of \$7.1 million, or 5.8% 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 26, 2015, the District restructured Series 2012B in the amount of \$107.3 million. The interest rate was variable with a rate that reset monthly @70% of 1-M Libor + 75 bps through August 1, 2015. The new interest rate is SIFMA + 49 bps which not only reduce the interest rate but also eliminates the basis risk by aligning the index to the same index used by the associated interest rate swap.

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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, 2015, the total amount of defeased debt outstanding but removed from the District's financial statements amounted to \$517.9 million.

**Certificates of Participation:**

<u>Series</u>	<u>Maturities</u>	Thousands <u>Outstanding</u>	<u>Call Date</u>	Defeased by <u>COPS Series</u>
2001A	8/2015 - 8/2022	\$ 49,580	8/1/2015	2015A
2002A	8/2015 - 8/2022	27,290	8/1/2015	2015A
2002C	8/2015 - 8/2022	24,980	8/1/2015	2015A
2005A	8/2015 - 8/2022	21,010	8/1/2015	2015A
2006A	8/2015 - 8/2031	160,405	8/1/2026	2015B
2007A	8/2015 - 8/2031	119,605	8/1/2025	2015D
2007E	8/2015 - 8/2032	115,065	8/1/2025	2015D
<b>Total Defeased COPS</b>		<b>\$ 517,935</b>		

**Hedging Derivative Instrument Payments and Hedged Debt**

As of June 30, 2015, 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):

<b>Fiscal Year</b>	<b>Hedging Derivative Instruments,</b>				
<b>Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Net</b>	<b>Total</b>	
2016	\$ 190	\$ 2,107	\$ 14,458	\$ 16,755	
2017	210	2,106	14,453	16,769	
2018	5,130	2,077	14,211	21,418	
2019	8,425	2,039	13,898	24,362	
2020	10,490	2,003	13,626	26,119	
2021-2025	101,920	8,557	57,432	167,909	
2026-2030	220,800	4,302	26,885	251,987	
	<b>\$ 347,165</b>	<b>\$ 23,191</b>	<b>\$ 154,963</b>	<b>\$ 525,319</b>	

**Borrowings of Hybrid Derivative Instruments**

The District sold a swaption with the 2002D certificates with a notional amount of \$116,555,000. Upon entering into the swaption, the District received an up-front payments of \$4,240,000 from the counterparty. The up-front payment was composed of the swaptions' intrinsic value and time value. Accordingly, the

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swaption is a hybrid instrument consisting of a borrowing and an embedded derivative instrument. The embedded derivative instrument – the option – was recorded at a value equal to the time value of the option only and the remaining value of the swaption was allocated to the companion instrument (borrowing). The intrinsic value of the borrowing was calculated using the net present value method and is recorded at historical cost. During the option period, interest accreted at the market rate at inception of the borrowing of 4.40% totaling \$882,451. The 2002D swaption was executed August 1, 2012.

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

Debt service requirements for the 2012B/2002D borrowing at June 30, 2015, are as follows (amounts in thousands):

<b>Fiscal Year</b>	<b>Total</b>		
<b>Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal and Interest</b>
2016	\$ 218	\$ 118	\$ 336
2017	228	108	336
2018	229	98	327
2019	223	89	312
2020	224	79	303
2021-2025	1,128	246	1,374
2026-2030	626	40	666
	<u>\$ 2,876</u>	<u>\$ 778</u>	<u>\$ 3,654</u>

**11. DERIVATIVE INSTRUMENTS**

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2015, classified by type, and the changes in fair value of such derivative instruments are as follows (amounts in thousands):

		<b>Changes in Fair Value</b>		<b>Fair Value at June 30, 2015</b>		
		<b>Classification</b>	<b>Amount</b>	<b>Classification</b>	<b>Amount</b>	<b>Notional</b>
<u>Governmental Activities Hedging Derivatives:</u>						
2002B/2014A Pay-fixed Interest Rate Swap	Deferred outflow of resources		\$ 728	Liability	\$(24,156)	\$115,350
2003B Pay-fixed Interest Rate Swap	Deferred outflow of resources		(4,967)	Liability	(25,518)	124,295
2002D/2012B Pay-fixed Interest Rate Swap	Deferred outflow of resources		<u>(2,487)</u>	Liability	<u>(24,539)</u>	107,310
Total Hedging Derivative Instruments			<u>\$ (6,726)</u>		<u>\$ (74,213)</u>	
<u>Investment Derivatives:</u>						
2003B-Barrier Option at 7%	Investment earnings		<u>(25)</u>	Asset	<u>67</u>	100,000
Total Investment Derivative Instruments			<u>\$ (25)</u>		<u>\$ 67</u>	

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

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

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

**Objective and Terms of Derivative Instruments**

The table below displays the objective and terms of the District's derivative instruments outstanding at June 30, 2015, 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/2014A - Interest Rate Swap	Hedge changes in cash flows on the 2014A Certificates	\$115,350	3/20/2002	8/1/2027	N/A	Pay 4.22%; receive 67% of USD LIBOR or SIFMA bps Swap Index	Citigroup Financials Products Inc.	Baa2,A-,A
2003B -Interest Rate Swap	Hedge changes in cash flows on the 2003B Certificates	124,295	6/26/2003	8/1/2029	N/A	Pay 3.91%; receive SIFMA bps Swap Index	UBS AG, Stamford Branch	A2,A,A
2002D/2012B - Interest Rate Swap	Hedge changes in cash flows on the 2012B Certificates	107,310	8/1/2012	8/1/2028	\$ 4,240	Pay 4.71%; receive SIFMA Swap Index	Citibank N.A. New York	A2,A,A
<u>Investment Derivatives:</u>								
2003B -Barrier option at 7%	Hedge against future increase in interest rates	100,000	6/26/2003	8/1/2018	3,010	See Note 1	UBS AG, Stamford Branch	A2,A,A

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

**Risks**

**Credit Risk**

The District is exposed to credit risk on hedging derivative instruments that are in asset positions. To minimize its exposure to loss related to credit risk, it is the District's policy to require counterparty collateral posting

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

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

The District has investment derivative instruments in asset position of \$67 thousand and no hedging derivative instruments in asset positions at June 30, 2015.

***Interest rate risk***

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

***Basis risk***

The District is exposed to basis risk on its pay-fixed 2002B/2014A interest rate swap hedging derivative instrument because the variable-rate payments received by the District is based on a rate or index other than interest rate the District pays on its hedged variable-rate debt, which is reset every 7 days. As of June 30, 2015, the weighted-average interest rate on the District's hedged variable-rate debt is 0.51%, while the fiscal year 2015 average of the SIFMA swap index rate is 0.05% and 67% of LIBOR is 0.11%.

***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**

**Florida Retirement System (FRS) – Defined Benefit Pension Plans**

**General Information about the FRS**

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any state-administered retirement system in paying the costs of health insurance.

Essentially all regular employees of the District are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative



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Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost-sharing, multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' Website ([www.dms.myflorida.com](http://www.dms.myflorida.com)).

The District's pension expense in the governmental funds totaled \$71.6 million for the fiscal year ended June 30, 2015.

**FRS Pension Plan**

Plan Description. The FRS Pension Plan (Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees. The general classes of membership are as follows:

- *Regular Class* – Members of the FRS who do not qualify for membership in the other classes.
- *Elected County Officers Class* – Members who hold specified elective offices in local government.
- *Senior Management Service Class (SMSC)* – Members in senior management level positions.
- *Special Risk Class* – Members who are employed as law enforcement officers and meet the criteria to qualify for this class

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, "except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service"). All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service "except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service"). Members of the Plan may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits.

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The following chart shows the percentage value for each year of service credit earned:

<u>Class, Initial Enrollment, and Retirement Age/Years of Service</u>	<u>% Value</u>
<b>Regular Class members initially enrolled before July 1, 2011</b>	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
<b>Regular Class members initially enrolled on or after July 1, 2011</b>	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
<b>Elected County Officers</b>	3.00
<b>Senior Management Service Class</b>	2.00
<b>Special Risk Regular</b>	
Service from December 1, 1970 through September 30, 1974	2.00
Service on and after October 1, 1974	3.00

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2014-15 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	7.37
FRS, Elected County Officers	3.00	43.24
FRS, Senior Management Service	3.00	21.14
FRS, Special Risk Regular	3.00	19.82
DROP - Applicable to		
Members from All of the Above Classes	0.00	12.28
FRS, Reemployed Retiree	(2)	(2)
TRS, Plan E	6.25	11.50

Notes: (1) Employer rates include 1.26 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.04 percent for administrative costs of the Investment Plan.

(2) Contribution rates are dependent upon retirement class in which reemployed.

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The District's contributions to the Plan totaled \$79.7 million (which includes \$20.1 million of employee contributions) for the fiscal year ended June 30, 2015. This excludes the HIS defined benefit pension plan contributions.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At June 30, 2015, the District reported a liability of \$154.7 million for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The District's proportionate share of the net pension liability was based on the District's 2014-15 fiscal year contributions relative to the 2013-14 fiscal year contributions of all participating members. At June 30, 2014, the District's proportionate share was 2.535 percent, which was an increase of 0.022 from its proportionate share measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the District recognized pension credit of \$44.1 million related to the Plan. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ (9,573)
Change of assumptions	26,791	
Net difference between projected and actual earnings on FRS pension plan investments	-	(258,060)
Changes in proportion and differences between District FRS contributions and proportionate share of contributions	3,182	-
District FRS contributions subsequent to the measurement date	59,324	-
<b>Total</b>	<b>\$ 89,297</b>	<b>\$ (267,633)</b>

The deferred outflows of resources related to pensions, totaling \$59.3 million, resulting from District contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2016	\$ (60,666)
2017	(60,666)
2018	(60,666)
2019	(60,666)
2020	3,849
Thereafter	1,155

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Actuarial Assumptions. The total pension liability in the July 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Investment rate of return	7.65 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the July 1, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Arithmetic Return</u>	<u>(Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.00%	3.11%	3.10%	1.65%
Intermediate-Term Bonds	18.00%	4.18%	4.05%	5.15%
High Yield Bonds	3.00%	6.79%	6.25%	10.95%
Broad US Equities	26.50%	8.51%	6.95%	18.90%
Developed Foreign Equities	21.20%	8.66%	6.85%	20.40%
Emerging Market Equities	5.30%	11.58%	7.60%	31.15%
Private Equity	6.00%	11.80%	8.11%	30.00%
Hedge Funds / Absolute Return	7.00%	5.81%	5.35%	10.00%
Real Estate (Property)	12.00%	7.11%	6.35%	13.00%
<b>Total</b>	<u>100.00%</u>			
Assumed inflation - Mean		2.60%		2.00%

Note: (1) As outlined in the Plan's investment policy

Discount Rate. The discount rate used to measure the total pension liability was 7.65 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the District's Proportionate Share of the Net Position Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.65 percent) or 1-percentage-point higher (8.65 percent) than the current rate (amounts in thousands):

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	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
District's proportionate share of the net pension liability	\$ 661,659	\$ 154,697	\$ (266,999)

Pension Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan. At June 30, 2015, the District reported a payable of \$16.2 million for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2015.

**HIS Pension Plan**

Plan Description. The HIS Pension Plan (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Division of Retirement within the Florida Department of Management Services.

Benefits Provided. For the fiscal year ended June 30, 2015, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2015, the contribution rate was 1.26 percent of payroll pursuant to section 112.363, Florida Statutes. The District contributed 100 percent of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The District's contributions to the HIS Plan totaled \$12.2 million for the fiscal year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2015, the District reported a net pension liability of \$309.0 million for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The District's proportionate share of the net pension liability was based on the District's 2013-14 fiscal year contributions relative to the total 2013-14 fiscal year contributions of all participating members. At June 30, 2014, the District's proportionate share was 3.305 percent, which was an increase of 0.058 from its proportionate share measured as of June 30, 2013. For the fiscal year ended June 30, 2015, the District recognized pension expense of \$9.9 million related to the HIS Plan. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA**  
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**FOR THE YEAR ENDED JUNE 30, 2015**

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change of assumptions	\$ 10,996	\$ -
Net difference between projected and actual earnings on HIS pension plan investments	148	-
Changes in proportion and differences between District HIS contributions and proportionate share of HIS contributions	4,344	-
District contributions subsequent to the measurement date	12,227	-
<b>Total</b>	<b>\$ 27,715</b>	<b>\$ -</b>

The deferred outflows of resources related to pensions, totaling \$12.2 million, resulting from District contributions to the HIS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2016	\$ 2,511
2017	2,511
2018	2,511
2019	2,511
2020	2,475
Thereafter	2,969

Actuarial Assumptions. The total pension liability in the July 1, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Municipal Bond Rate	4.29 percent

Mortality rates were based on the Generational RP-2000 with Projected Scale BB. The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

Discount Rate. The discount rate used to measure the total pension liability was 4.29 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 4.29 percent, as well as what the District's proportionate share of the net pension liability would be if

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

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it were calculated using a discount rate that is 1-percentage-point lower (3.29 percent) or 1-percentage-point higher (5.29 percent) than the current rate (amounts in thousands):

	1% Decrease (3.29%)	Current Discount Rate (4.29%)	1% Increase (5.29%)
District's proportionate share of the net pension liability	\$351,475	\$ 309,011	\$273,566

*Pension Plan Fiduciary Net Position.* Detailed information about the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

*Payables to the Pension Plan.* At June 30, 2015, the District reported a payable of \$2.3 million for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2015.

**FRS – Defined Contribution Pension Plan**

The District contributes to the FRS Investment Plan (Investment Plan), a defined contribution pension plan, for its eligible employees electing to participate in the Investment Plan. The Investment Plan is administered by the SBA, and is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report. Service retirement benefits are based upon the value of the member's account upon retirement.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. District employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices.

Allocations to the investment member's accounts during the 2014-15 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Compensation</u>
FRS, Regular	6.30
FRS, Elected County Officers	11.34
FRS, Senior Management Service	7.67
FRS, Special Risk Regular	14.00

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA**  
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covered employment within the five year period, the employee will regain control over their account. If the employee does not return within the five year period, the employee will forfeit the accumulated account balance. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of Investment Plan members. For the fiscal year ended June 30, 2015, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the District.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The District's Investment Plan pension expense totaled \$13.2 million for the fiscal year ended June 30, 2015.

Payables to the Investment Plan. At June 30, 2015, the District reported a payable of \$1.9 million for the outstanding amount of contributions to the Investment Plan required for the fiscal year ended June 30, 2015.

### **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, 2015.

#### ***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 2015, 1,174 retirees received health care benefits. The District provided required contributions of approximately \$5.6 million toward the annual OPEB cost. Retiree contributions totaled approximately \$6.4 million.



**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA**  
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**FOR THE YEAR ENDED JUNE 30, 2015**

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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	\$ 12,084
Interest on Net OPEB Obligation	3,826
Adjustment to Annual Required Contribution	<u>(3,904)</u>
Annual OPEB Cost (Expense)	12,006
Contribution Towards OPEB Cost	<u>(5,613)</u>
Increase in Net OPEB Obligation	6,393
Net OPEB Obligation - Beginning of Year	<u>95,639</u>
Net OPEB Obligation - End of Year	<u><u>\$ 102,032</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2015, was as follows (amounts in thousands):

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	\$ 12,006	47%	\$ 102,032
June 30, 2014	13,311	37%	95,639
June 30, 2013	12,678	32%	87,297

**Funded Status and Funding Progress**

As of June 30, 2015, the actuarial accrued liability for benefits was \$135.6 million, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$966.1 million, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 14.0%.

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

**Methods and Assumptions**

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

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA**  
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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, 2014. 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, 2014 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, 2014.

*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 \$11,484 and at age 70 is \$6,030.

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

*Mortality* – Life expectancies were based on mortality tables from the National Center for Health Statistics. The RP-2014 Table projected to 2030 using Scale MP-14 and applied on a gender specific basis.

*Healthcare Cost Trend Rate*— The expected rate of increase in healthcare insurance premiums was based on District historical experience, our market-place knowledge and macro-economic theory. A rate of 8.0% for under age 65 and 7.0% over age 65 initially, reduced 0.5% each year until reaching the ultimate trend rate of 4.5%.

*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, 2014. The annual termination probability is dependent on an employee's age, gender, and years of service.

*Plan Participation Percentage* – It is assumed that 30% of all future retirees and their dependents who are eligible for benefits participate in the post-employment benefit plan in fiscal year 2015.

*Census Data* – The census data was provided as of May 2015.

*Salary Increase Assumption* – 2.5% per annum.

*Discount Rate* – 4% per annum

*Inflation Rate* – 3%

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

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

**Net Position**

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

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

Net position is categorized as follows:

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

**Fund Balance**

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

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

- Restricted fund balance is constrained by external parties, and constitutional provisions or enabling legislation. 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.

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

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

The District has not established a stabilization arrangement. Instead, the Board has established policy 2.55, Fund Balance for Contingency to set aside 3% of total annual operating fund appropriations and transfers from the operating fund to cover unanticipated financial needs and to avoid a budget deficit. At the end of the fiscal year, the unassigned general fund balance was \$50.0 million or 3.3% of general fund total expenditures.

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Major Funds</b>				
	<b>General Fund</b>	<b>COPS Debt Service</b>	<b>Capital Improvement</b>	<b>Other Non-Major Governmental</b>	<b>Total Governmental</b>
<b>FUND BALANCES:</b>					
<b><u>Nonspendable:</u></b>					
<b>Inventory:</b>					
Textbooks	\$ 7,402	\$ -	\$ -	\$ -	\$ 7,402
Child Nutrition	-	-	-	3,200	3,200
Warehouse	1,225	-	-	-	1,225
Other	389	-	-	-	389
Total Nonspendable	9,016	-	-	3,200	12,216
<b><u>Restricted for:</u></b>					
Categorical carryover programs	1,957	-	-	-	1,957
IB, AP, AICE & Industry cert prog	7,890	-	-	-	7,890
School Improvement	1,479	-	-	-	1,479
Workforce development	16,779	-	-	-	16,779
Child nutrition	-	-	-	24,279	24,279
Debt service	-	91,182	-	3,589	94,771
Capital projects	-	-	25,942	23,132	49,074
Total Restricted	28,105	91,182	25,942	51,000	196,229
<b><u>Committed to:</u></b>					
The Education Network program	-	-	-	85	85
Total Committed	-	-	-	85	85
<b><u>Assigned to:</u></b>					
<b>School Operations</b>					
Instruction	59	-	-	-	59
Instructional support services	10	-	-	-	10
Board	67	-	-	-	67
Central services	302	-	-	-	302
Operation of plant	824	-	-	-	824
<b>Community services:</b>					
After care/summer camp	7,485	-	-	-	7,485
Pre-K/VPK Fee Based Activities	132	-	-	-	132
Community Schools	1,038	-	-	-	1,038
Other	56	-	-	-	56
Capital projects	220	-	-	38,006	38,226
Misc local grants/donations	1,868	-	-	-	1,868
Next year budget appropriations	17,950	-	-	-	17,950
Total Assigned	30,011	-	-	38,006	68,017
<b>Unassigned</b>	50,000	-	-	-	50,000
Total fund balance	\$ 117,132	\$ 91,182	\$ 25,942	\$ 92,291	\$ 326,547

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

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**15. COMMITMENTS AND CONTINGENCIES**

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

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

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

As part of its capital outlay program, the District has entered into various construction contracts. The District's construction commitments of \$5.7 million and other encumbrances of \$1.9 million as of June 30, 2015 are shown below (amounts in thousands):

	<u>Encumbrances</u>	<u>Construction Commitments</u>	<u>Total</u>
General Fund	\$ 1,318	\$ -	\$ 1,318
Capital Improvement	-	2,104	2,104
Other Non-Major Governmental	578	3,592	4,170
<b>Total Commitments</b>	<b>\$ 1,896</b>	<b>\$ 5,696</b>	<b>\$ 7,592</b>

The District entered into a voluntary non-exchange transaction with Dell Marketing L.P. On October 30, 2012 Dell Marketing, L.P. (Dell) agreed to provide \$7.0 million in hardware to the District contingent upon Dell receiving a \$12.0 million purchase order from the District by November 1, 2012 for computers and associated peripheral items. The District received \$7.1 million of donated hardware as of June 30, 2015 (\$0.3 million in the current year and \$6.8 million in the prior years) and recorded the value of the items received as revenue and expenditure in governmental activities.

**16. SUBSEQUENT EVENTS**

On July 2, 2015, the District entered into a loan agreement with Banc of America Public Capital Corp 2015 for financing the acquisition of 120 buses and other equipment of \$14.2 million issue a coupon rate of 1.242%. Under the terms of the loan agreement the debt is payable over five years.

On September 22, 2015, the District issued \$63.0 million in Certificates of Participation, Series 2015C to refund the Series 2007B Certificates owned by Morgan Stanley. Refinancing the Series 2007B will generate \$6.7 million or 9.92% net present value savings. The series 2015C Certificates possess an underlying credit rating of Aa3 and AA- Moody's and Fitch, respectively.

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

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On September 22, 2015 the District issued Tax Anticipation Notes ("TANS") Series 2015. The \$115.0 million issue a coupon rate of 1.0% with an effective yield of 0.08%. The notes are dated October 5, 2015 and are due February 1, 2016.

On November 18, 2015, the District entered into a loan agreement with Banc of America Public Capital Corp 2015A for financing the acquisition of Air Conditioner Chillers of \$7.2 million. The \$7.2 million issue a coupon rate of 1.274% and under the terms of the loan agreement the debt is payable over five years.

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA**  
**REQUIRED SUPPLEMENTARY INFORMATION -**  
**SCHEDULE OF FUNDING PROGRESS**  
**OTHER POST EMPLOYMENT BENEFITS PLAN**  
**JUNE 30, 2015**

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<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (in thousands) (b)</b>	<b>Unfunded AAL (UAAL) (in thousands) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (in thousands) (c)</b>	<b>UAAL as a percentage of Covered Payroll ((b-a)/c)</b>
July 1, 2014	\$ -	\$ 135,559	\$ 135,559	0.0%	\$ 966,098	14.03%
July 1, 2013	-	138,454	138,454	0.0%	971,608	14.25%
July 1, 2012	-	130,194	130,194	0.0%	933,906	13.94%
July 1, 2011	-	168,939	168,939	0.0%	900,783	18.75%
July 1, 2010	-	161,375	161,375	0.0%	906,746	17.80%
July 1, 2009	-	218,964	218,964	0.0%	922,938	23.72%
July 1, 2008	-	216,013	216,013	0.0%	926,287	23.32%
June 30, 2008	-	239,500	239,500	0.0%	930,821	25.73%



**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION -**

**Schedule of the District's Proportionate Share of the Net Pension Liability -  
Florida Retirement System Pension Plan (1)**

	<u>2015</u>	<u>2014</u>
District's proportion of the FRS net pension liability (asset)	n/a	2.5354%
District's proportionate share of the FRS net pension liability (asset)	n/a	\$ 154,697
District's covered-employee payroll	\$ 966,098	\$ 971,624
District's proportionate share of the FRS net pension liability (asset) as a percentage of its covered-employee payroll	n/a	15.92%
FRS Plan fiduciary net position as a percentage of the total pension liability	n/a	96.09%

**Schedule of District Contributions -  
Florida Retirement System Pension Plan (1)**

	<u>2015</u>	<u>2014</u>
Contractually required FRS contribution	\$ 59,324	\$ 55,536
FRS contributions in relation to the contractually required contribution	<u>(59,324)</u>	<u>(55,536)</u>
FRS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 966,098	\$ 971,624
FRS contributions as a percentage of covered-employee payroll	6.14%	5.72%

**Schedule of the District's Proportionate Share of the Net Pension Liability -  
Health Insurance Subsidy Pension Plan (1)**

	<u>2015</u>	<u>2014</u>
District's proportion of the HIS net pension liability (asset)	n/a	3%
District's proportionate share of the HIS net pension liability (asset)	n/a	\$ 309,012
District's covered-employee payroll	\$ 966,098	\$ 971,624
District's proportionate share of the HIS net pension liability (asset) as a percentage of its covered-employee payroll	n/a	32%
HIS Plan fiduciary net position as a percentage of the total pension liability	n/a	0.99%

**Schedule of District Contributions -  
Health Insurance Subsidy Pension Plan (1)**

	<u>2015</u>	<u>2014</u>
Contractually required HIS contribution	\$ 12,227	\$ 11,321
HIS contributions in relation to the contractually required HIS contribution	<u>(12,227)</u>	<u>(11,321)</u>
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 966,098	\$ 971,624
HIS contributions as a percentage of covered-employee payroll	1.27%	1.17%

Note: (1) The amounts presented for each fiscal year were determined as of June 30 (in thousands).



RSM US LLP

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

**Independent Auditor's Report**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of Palm Beach County, Florida (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 9, 2015, which contained unmodified opinions on those financial statements, and included an emphasis of matter paragraph for the adoption of Governmental Accounting Standards Board (GASB) Statements No. 68 and 71.

**Internal Control Over Financial Reporting**

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

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

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

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**Compliance and Other Matters**

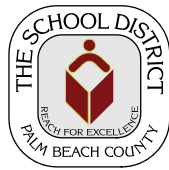
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

**Purpose of This Report**

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

RSM US LLP

West Palm Beach, Florida  
December 9, 2015



**APPENDIX C**

**EXCERPTED INFORMATION FROM THE SUPERINTENDENT'S ANNUAL  
FINANCIAL REPORT (UNAUDITED) OF THE SCHOOL BOARD OF PALM BEACH  
COUNTY, FLORIDA FOR FISCAL YEAR ENDED JUNE 30, 2016**

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# **SUPERINTENDENT'S ANNUAL FINANCIAL REPORT**

(Unaudited)

For the Fiscal Year Ended  
June 30, 2016

Robert M. Avossa, Ed.D.  
Superintendent of Schools

*The School District of Palm Beach County, Florida*

The School District of Palm Beach County, Florida's (the "District") discussion and analysis is designed to provide an objective and easy to read analysis of the District's financial activities for the fiscal year ended June 30, 2016, based on currently known facts, decisions or conditions. It is intended to provide a broad overview using a short-term and long-term analysis of the District's activities based on information presented in the financial report and fiscal policies that have been adopted by the seven elected members of the school board (the "Board"). Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the District's financial activity, identify changes in the District's financial position (its ability to address the next and subsequent year challenges), identify any material deviations from the financial plan (the approved budget) and identify individual fund issues or concerns.

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

## **FINANCIAL HIGHLIGHTS**

- The net position of the District increased \$0.063 billion, or 4.9%, from \$1.280 billion to \$1.343 billion. Funding per student has slowly increased since the low point in school year 2011-12, although it has still not recovered to school year 2007-08 levels. The increase is partially related a net pension credit to expense related to GASB #68 pension accounting, as well as usual transactions related to debt and capital. Enrollment at district schools increased 1%, approximately 1,670 students (while charter school enrollment increased 6.7%, approximately 1,290 students).
- The District's total long-term debt decreased by \$33.7 million or 1.9% primarily due to debt repayments of \$63.5 million and refunding / defeased transactions of \$15.4 million, offset by an increase in negative fair value of hedging derivative instruments of \$16.9 million and Loan proceeds of \$28.3 million (discussed in Notes 10 and 11).
- Total revenues increased by \$104.0 million or 5.5%, from \$1.883 billion to \$1.987 billion when compared to the prior year.
  - General revenue accounted for \$1.428 billion, or 71.9%, of all revenues and increased \$89.2 million or 6.7%. This increase is primarily attributed to property tax increase of \$106.5 million (mainly due to 10.1% increase in property values and \$7.1 million additional tax collections for prior years) partially offset by a \$9.8 million decrease in the Florida Education Finance Program (FEFP) revenue and a \$7.5 million decrease in non-recurring revenue.
  - Program specific revenue in the form of charges for services, grants and contributions accounted for \$558.9 million, or 28.1% of all revenues and increased \$14.7 million or 2.7%. The increase is primarily attributed to an increase in reimbursements for school lunch and breakfast programs, increase in Class Size Reduction revenue, and an increase in Afterschool Program fees.
- Total expenses increased \$58.4 million from \$1.865 billion to \$1.924 billion. The increase in expenditures is due primarily to raises given to employees mid-year 2015 and full year 2016, an increase in the amount passed through to charter schools of \$14.2 million, additional \$10.4 million in interest and write-offs associated with debt refunding transactions entered into to reduce future debt service payments.



- The District’s governmental funds reported combined fund balances of \$326.5 million.
  - The General Fund (the primary operating fund), reflected on a current financial resources basis, ended the year with a fund balance of \$127.3 million. Of this amount, \$50.0 million is classified as unassigned that is available to cover unanticipated financial needs and includes the Board approved contingency, \$53.0 million is classified as assigned, \$18.3 million is classified as restricted and \$6.0 million is classified as nonspendable. During the current year, General Fund revenues (including other financing sources) exceeded expenditures (including other financing uses) by \$10.1 million, primarily due to higher than anticipated staff vacancies, and less than expected charter school enrollment and terminal leave payout.
  - Debt Service funds ended the year with a fund balance of \$124.3 million and is restricted to cover debt service payments. Other Debt Service fund, a major fund, has a restricted fund balance of \$122.6 million, and the remaining debt service funds which are included with the non-major governmental funds have a restricted fund balance of \$1.7 million.
  - Capital Project funds ended the year with a fund balance of \$111.2 million and is restricted or assigned to fund existing and future capital projects. The Capital Improvement fund, a major fund, has a restricted fund balance of \$40.1 million, and the remaining capital funds which are included with the non-major governmental funds have \$42.2 million restricted fund balance and \$28.9 million assigned fund balance.
  - Special Revenue funds ended the year with a fund balance of \$28.0 million, of which \$23.8 million is restricted to child nutrition costs, and \$4.2 million is nonspendable inventory.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

<b>Figure 1 Major Features of Government-Wide and Fund Financial Statements</b>				
	<b>Government-wide Statements</b>	<b>Fund Financial Statements</b>		
		<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as instructional costs	Activities the District operates similar to private businesses: health internal service fund and worker's compensation, automobile and general liability claims fund	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
<i>Required financial statements</i>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenue, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenue, expenses, and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus

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

**Government-wide Statements**

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

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

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

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

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

## **Fund Financial Statements**

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

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

The District has three kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, the District provides additional information with the governmental funds statements that explain the relationship (or differences) between them.
- *Proprietary funds* – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements. There are two types of proprietary funds:
  - *Enterprise funds* account for goods and services provided to those outside the District, generally on a user-charge basis. Currently, the District has no enterprise funds.
  - *Internal service funds* report self-insurance activities charged to the District's other programs and activities.
- *Fiduciary funds* – The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong.

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

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

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

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

### Government –Wide

The District’s net position was \$1.343 billion at June 30, 2016. The largest portion of the District’s net position, \$1.783 billion, reflect its investment in capital assets (i.e. land, buildings, furniture, buses and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District’s net position (\$248.5 million) represents resources that are subject to external restrictions on how they may be used.

**Table 1**

Summary of Net Position Governmental Activities (in thousands)				
	June 30, 2016	June 30, 2015	Increase (Decrease)	Percentage Change
Current and other assets	\$ 673,057	\$ 594,033	\$ 79,024	13.3%
Capital assets (net)	3,370,622	3,453,561	(82,939)	(2.4%)
Total assets	4,043,679	4,047,594	(3,915)	(0.1%)
Accumulated Decrease in Fair Value of Hedging Derivatives	91,076	74,213	16,863	22.7%
Deferred Loss on Debt Refunding	100,902	102,998	(2,096)	(2.0%)
Pension Related	159,861	117,012	42,849	36.6%
Total Deferred Outflows of Resources	351,839	294,223	57,616	19.6%
Current and other liabilities	308,677	276,294	32,383	11.7%
Long-term liabilities	2,639,322	2,517,444	121,878	4.8%
Total liabilities	2,947,999	2,793,738	154,261	5.5%
Pension Related	104,152	267,633	(163,481)	
Total Deferred Inflows of Resources	104,152	267,633	(163,481)	0.0%
Net position:				
Net investment in Capital Assets	1,782,848	1,816,219	(33,371)	(1.8%)
Restricted	248,545	207,160	41,385	20.0%
Unrestricted (deficit)	(688,026)	(742,933)	54,907	7.4%
Total net position	\$ 1,343,367	\$ 1,280,446	\$ 62,921	4.9%

Capital assets (net) decreased \$82.9 million or 2.4% compared to prior year and primarily reflects the impact of current year depreciation exceeding capital spending. See Note 7 of the Notes to the Financial Statements for more information on capital assets.

The analyses in Table 1, above, and Table 2, on page 6, focus on the summary of net position and summary of changes in net position for the District’s governmental activities.

**Table 2**

Summary of Changes in Net Position Governmental Activities (in thousands)				
	June 30, 2016	June 30, 2015	Increase (Decrease)	Percentage Change
<b>Revenues:</b>				
Program revenue:				
Charges for services	\$ 53,493	\$ 47,906	\$ 5,587	11.7%
Operating grants and contributions	491,973	480,756	11,217	2.3%
Capital grants and contributions	13,432	15,585	(2,153)	(13.8%)
General revenue:				
Property taxes	1,201,557	1,095,063	106,494	9.7%
Grants and contributions not restricted	180,622	197,265	(16,643)	(8.4%)
Investment earnings	3,493	2,299	1,194	51.9%
Other general revenue	41,937	43,741	(1,804)	(4.1%)
Total revenues	<u>1,986,507</u>	<u>1,882,615</u>	<u>103,892</u>	<u>5.5%</u>
<b>Functions/Programs Expenses</b>				
Instruction	1,062,354	1,030,417	31,937	3.1%
Instructional support services	170,617	168,660	1,957	1.2%
Board	6,634	6,606	28	0.4%
General administration	10,089	9,033	1,056	11.7%
School administration	97,556	94,125	3,431	3.6%
Facilities acquisition and construction	14,750	20,846	(6,096)	(29.2%)
Fiscal services	6,805	5,677	1,128	19.9%
Food services	81,095	77,063	4,032	5.2%
Central services	15,646	14,928	718	4.8%
Student transportation services	48,223	45,795	2,428	5.3%
Operation and maintenance of plant	194,129	191,642	2,487	1.3%
Administrative technology services	7,916	7,022	894	12.7%
Community services	40,980	36,538	4,442	12.2%
Interest on long-term debt	57,657	47,229	10,428	22.1%
Unallocated depreciation/amortization	109,135	109,653	(518)	(0.5%)
Total expenses	<u>1,923,586</u>	<u>1,865,234</u>	<u>58,352</u>	<u>3.1%</u>
<b>Change in net position</b>	62,921	17,381	45,540	262.0%
<b>Net Position - beginning</b>	<u>1,280,446</u>	<u>1,263,065</u>	<u>17,381</u>	<u>1.4%</u>
<b>Net Position - ending</b>	<u>\$ 1,343,367</u>	<u>\$ 1,280,446</u>	<u>\$ 62,921</u>	<u>4.9%</u>

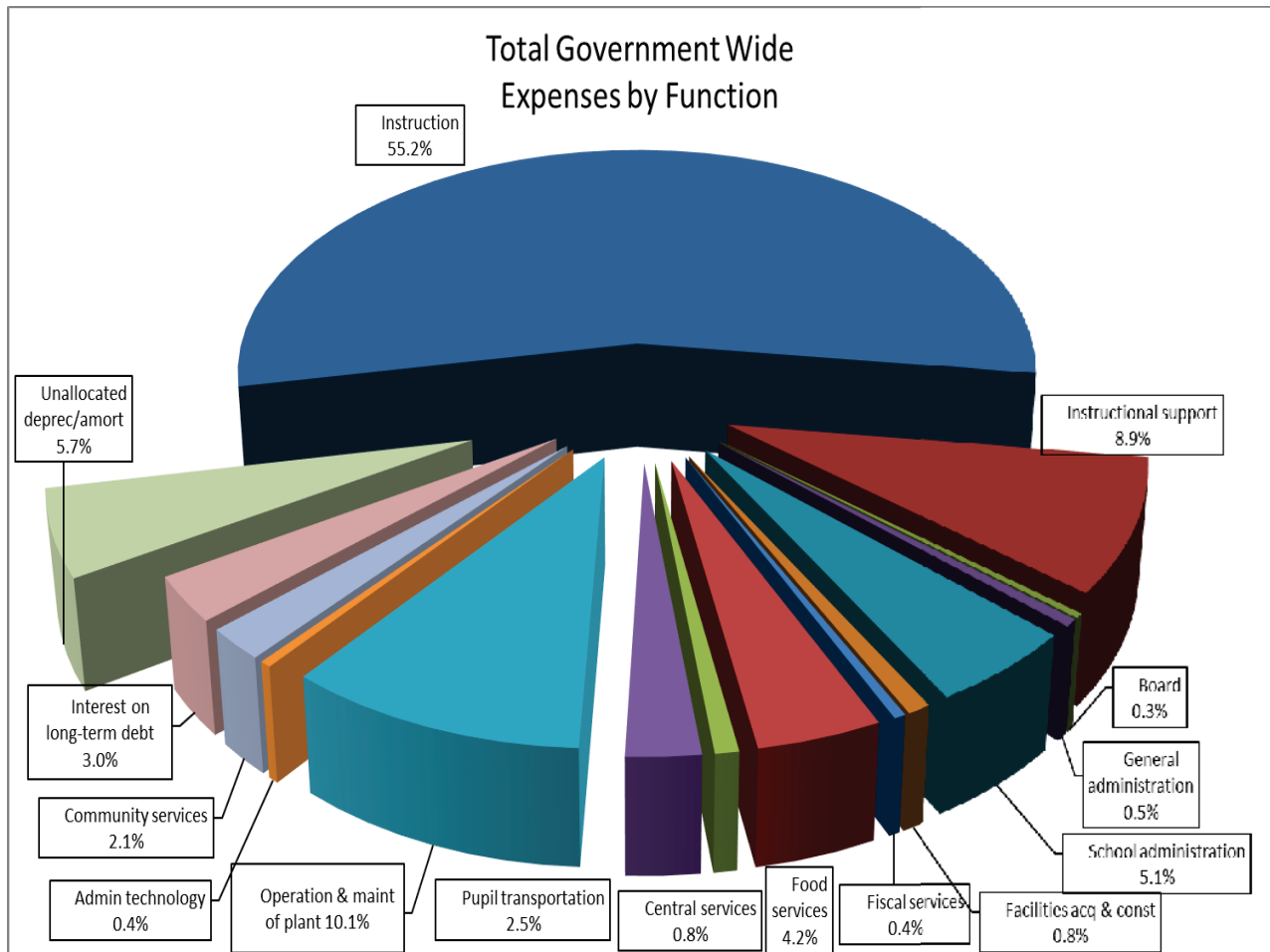
The results of this year's operations for the District as a whole are reported in the Statement of Activities. Table 2, above, takes the information from that statement and rearranges them slightly so the reader can see the total revenues and expenses for the current year compared to fiscal year 2015.

As reported in the Statement of Activities, the cost of all of the governmental activities this year was \$1.924 billion. Some costs were paid by those who benefited from the programs (\$53.5 million), or by other governments and organizations who subsidized certain programs with grants and contributions (\$505.4 million). The District paid for the remaining "public benefit" portion of the governmental activities with \$1.2 billion in property taxes, \$180.6 million in grants and contributions not restricted to specific programs, \$3.5 million in investment earnings, and \$41.9 million in other general revenue.

Property taxes increased \$106.5 million or 9.7%, which is primarily attributed to a 10% increase in property values as well as a \$7.1 million higher collection of prior year taxes than in fiscal year 2015.

Grants and contributions not restricted decreased \$16.6 million or 8.4%, which is primarily related to a decrease of \$9.7 million in FEFP revenue. FEFP revenue decreased mainly due to increase in required local effort provided by property taxes.

The pie chart below represents total expenditures classified by function.



## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

### Governmental Funds

As of June 30, 2016 the District's governmental funds reported a combined fund balance of \$390.7 million, which is an increase of \$64.2 million or 19.7% over the prior year.

The General Fund, which is the chief operating fund of the District and is always considered a major fund, had a fund balance of \$127.3 million which is an increase of \$10.1 million or 8.6%. The increase is primarily due to higher than anticipated staff vacancies and less than expected charter school enrollment and terminal leave payouts. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$50.0 million.

The Other Debt Service Fund, another major fund, reported an ending fund balance of \$122.6 million which is an increase of \$29.9 million or 32.3% when compared with prior year. The increase is related to debt service payments the District will need to make in early fiscal year 2017.

The Capital Improvement Fund, another major fund, reported an ending fund balance of \$40.1 million which is an increase of \$14.2 million or 54.7% due to the timing of revenue and capital outlay spending.

Other Governmental Funds, which represent a summarization of all the other non-major governmental funds, ended the year with total fund balance of \$100.8 million, an increase of \$9.9 million or 10.9%. This increase is primarily due to revenue and transfers in exceeding capital spending and transfers out in the current year.

### **Proprietary Funds**

The District's internal service funds reported a combined net position of \$61.7 million. The Health Internal Service Fund ended the year with a net position of \$89.1 million, which is an increase of \$4.5 million or 5.3% over last year due to premiums exceeding claims and other expenses. The District created the Worker's Compensation, General and Auto Liabilities Claim Fund on July 1, 2013. Since proprietary funds use accrual basis accounting, this Fund has a negative net position of \$27.4 million in fiscal year 2016 mainly due to recording the actuarially determined long term claims liabilities in fiscal year 2014. The District has a plan to fund this negative position over a 15 year period.

### **General Fund Budgetary Highlights**

During the year, appropriations decreased \$6.5 million from original budget to final budget. The decrease in appropriations is primarily attributed to capital maintenance projects that were not completed by the end of the year and less than anticipated annual leave payouts.

The General Fund actual expenditures were less than the budgeted appropriations by approximately \$77.3 million. This is primarily due to enhanced cost containment measures put in place, such as a hiring freeze on non-instructional positions and increased scrutiny of overtime and purchases, as well as unspent funds in programs such as afterschool, International Baccalaureate, Advanced Placement, Workforce Development and state categorical programs.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

As shown in Table 3, on the next page, at June 30, 2016, the District had \$3.371 billion invested in a broad range of capital assets, including land, construction in progress, improvements other than buildings, buildings and fixed equipment, furniture, fixtures and equipment, motor vehicles, audio visual materials and computer software. This amount represents a net decrease (including additions, deletions and depreciation) of \$83.0 million from last year. The decrease is primarily due to depreciation expense of \$109.0 million exceeding capital spending of \$26.5 million. Capital spending in the current year reflects the acquisition of 125 buses, installation of new air conditioner chillers at 18 locations, and completion of modernization projects for Rosenwald Elementary and Gladeview Elementary.

The District's successful building program, which was funded from the proceeds of the Sales Tax Referendum that ended in 2010 and capital millage proceeds, is complete. Between fiscal year 2001 and fiscal year 2016, forty-one (41) new schools were built and fifty-six (58) others were replaced or totally renovated. The Modernization of Rosenwald Elementary was completed in November 2015, and the Modernization of Gladeview Elementary was completed in December 2015. The District continues its effort to provide state-of-the-art facilities for all of its students. Future school renovations and

replacements will be scheduled based upon the availability of funding. See Note 7 of the Notes to the Financial Statements for more information on capital assets.

**Table 3**

Capital Assets at Year End Governmental Activities (in thousands)			
	June 30, 2016	June 30, 2015	Increase (Decrease)
Land	\$ 338,680	\$ 338,593	\$ 87
Construction in progress	1,150	36,433	(35,283)
Improvements other than buildings	58,506	57,898	608
Buildings and fixed equipment	4,173,322	4,135,273	38,049
Furniture, fixtures and equipment	127,183	126,019	1,164
Motor vehicles	116,031	108,143	7,888
AV materials and computer software	41,127	47,791	(6,664)
Less: accumulated depreciation	(1,485,377)	(1,396,564)	(88,813)
Total capital assets, net	<u>\$ 3,370,622</u>	<u>\$ 3,453,586</u>	<u>\$ (82,964)</u>

### Long-term Debt

As shown in Table 4, at the end of this year, the District had \$1.776 billion in debt outstanding which is \$33.7 million lower than last year. The decrease in outstanding debt is due to debt repayments of \$63.5 million, the net impact of refunding transactions and regular amortization, offset in part by a \$28.3 million increase in loans for 185 buses, air conditioner chillers and other equipment, and an increase in derivative instruments of \$16.9 million. See Notes 10 and 11 of the Notes to the Financial Statements for more information on long-term liabilities and derivatives.

**Table 4**

Long-term Debt Outstanding at Year End Governmental Activities (in thousands)			
	June 30, 2016	June 30, 2015	Increase (Decrease)
Notes / Loans Payable	\$ 31,846	\$ 9,785	\$ 22,061
Capital Outlay Bond Issues	13,713	17,430	(3,717)
Certificates of Participation	1,541,963	1,600,393	(58,430)
Borrowing-Swap Upfront Payment	2,658	2,876	(218)
Derivative Instruments - Hedging	91,076	74,213	16,863
Plus: Issuance Premium	95,001	105,257	(10,256)
Total	<u>\$ 1,776,257</u>	<u>\$ 1,809,954</u>	<u>\$ (33,697)</u>

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

The District is subject to State laws that limit the amount of State Board of Education Capital Outlay Bond Issues outstanding to 10% of the non-exempt assessed valuation. At June 30, 2016, the statutory limit for the District was approximately \$17.6 billion, providing additional debt capacity of approximately \$17.6 billion.



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 existing property values, the District's capacity to issue new COPS debt has been dramatically reduced.

Other long-term obligations include liability for compensated absences, estimated claims liability, post-employment benefits, and the new reporting requirement of GASB #68 related to net pension liabilities.

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

The School District's revenues are determined in large part by the Florida Legislature and Governor. Funding per student is set as part of the State's annual budget approval. Local school board taxing authority is also governed at the state level with the Legislature dictating the largest component of school property taxes, known as the Required Local Effort (RLE), and through statutory caps that limit the remaining components of the school levy. The fiscal year 2017 state budget provided Florida school districts with a disappointing 1.0% increase in funding per student for operating costs. The increase for Palm Beach is slightly higher due to categorical adjustments and local tax levies. District-wide enrollment is expected to increase approximately 1,600 students. Although the State economy continues to improve, funding for K-12 education is not expected to grow proportionally due to competition with other budget drivers including tax cuts, Medicaid and higher education.

With limited new funds allocated by the state, the primary goal of this, and future budget cycles, is to optimize existing resources. The District partnered with Educational Resource Strategies (ERS) to perform a comprehensive ten-month review of how we allocate our resources – people, time, and money. The findings from ERS helped to shape the FY17 budget, which redirects \$14.7 million across all funds to schools and instructional teaching positions, employee raises, increased benefit costs, and strategic initiatives.

The District's .25 mill property tax levy for operations was approved by the voters for another four years in 2014, from fiscal year 2016 through fiscal year 2019. For fiscal year 2017, the .25 mills is expected to generate \$42.9 million in revenue. The revenue is designated for art, music, and physical education instruction, choice programs, and career academies.

The capital budget remains a concern as Florida school districts continue to be seriously impacted by the Legislature's 25% reduction to local capital improvement taxing authority. The District is unable to present a balanced Capital Budget that meets basic needs. Each year these needs are postponed puts the District in a deeper hole as deferred maintenance projects, unmet technology needs, and school bus replacement becomes more expensive and more critical. The Board recognized the need and is placing a question on the November 8 ballot proposing a one-penny Local Government Infrastructure Surtax jointly with the county and municipalities. The total amount projected to be generated for the District is \$1.345 billion over the proposed 10-year duration of the surtax. The surtax will be allocated 50% to the District, 30% to the county and 20% to municipalities.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

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

Visit our website at:

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

View an electronic copy of our SAFR at:

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

DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY  
STATEMENT OF NET POSITION  
June 30, 2016

	Account Number	Primary Government			Charter Schools
		Governmental Activities	Business-Type Activities	Total	Total Nonmajor Charter Schools
<b>ASSETS</b>					
Cash and Cash Equivalents	1110	440,640,466.18		440,640,466.18	12,432,255.94
Investments	1160	157,934,031.08		157,934,031.08	1,827,843.62
Derivative Instrument - Investment Asset	1169	25,248.35		25,248.35	0.00
Taxes Receivable, Net	1120	23,700,828.77		23,700,828.77	0.00
Accounts Receivable, Net	1131	1,144,105.05		1,144,105.05	3,768,799.40
Interest Receivable on Investments	1170	7,228.63		7,228.63	0.00
Due From Other Agencies	1220	30,571,504.37		30,571,504.37	1,059,160.33
Cash with Fiscal/Service Agent	1114	2,507,722.46		2,507,722.46	2,303,101.25
Inventory	1150	10,208,471.52		10,208,471.52	8,873.68
Prepaid Items	1230	1,819,182.65		1,819,182.65	0.00
Issuance Costs	1400	833,214.06		833,214.06	0.00
Prepaid Insurance Costs	1430	3,666,743.00		3,666,743.00	1,342,999.29
<i>Capital Assets</i>					
Land	1310	338,680,254.70		338,680,254.70	3,409,432.00
Construction in Progress	1360	1,149,751.03		1,149,751.03	0.00
Nondepreciable Capital Assets		339,830,005.73	0.00	339,830,005.73	3,533,814.00
Improvements Other Than Buildings	1320	58,506,222.09		58,506,222.09	2,946,728.22
Less Accumulated Depreciation	1329	(31,764,584.88)		(31,764,584.88)	(1,423,645.83)
Buildings and Fixed Equipment	1330	4,173,321,947.20		4,173,321,947.20	57,056,223.86
Less Accumulated Depreciation	1339	(1,230,314,949.06)		(1,230,314,949.06)	(4,160,643.25)
Furniture, Fixtures and Equipment	1340	127,182,812.96		127,182,812.96	11,041,151.42
Less Accumulated Depreciation	1349	(101,804,686.18)		(101,804,686.18)	(6,517,117.80)
Motor Vehicles	1350	116,030,469.74		116,030,469.74	100,207.00
Less Accumulated Depreciation	1359	(81,900,185.40)		(81,900,185.40)	(65,321.00)
Audiovisual Materials	1381	4,793,066.38		4,793,066.38	525,300.58
Less Accumulated Depreciation	1388	(4,775,743.41)		(4,775,743.41)	(244,480.97)
Computer Software	1382	36,333,812.02		36,333,812.02	4,913,655.04
Less Accumulated Amortization	1389	(34,816,553.44)		(34,816,553.44)	(2,953,982.28)
Depreciable Capital Assets, Net		3,030,791,628.02	0.00	3,030,791,628.02	61,218,074.99
Total Capital Assets		3,370,621,633.75	0.00	3,370,621,633.75	64,751,888.99
<b>Total Assets</b>		4,043,680,379.87	0.00	4,043,680,379.87	88,365,187.00
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Accumulated Decrease in Fair Value of Hedging Derivative	1910	91,076,123.72		91,076,123.72	0.00
Net Carrying Amount of Debt Refunding	1920	100,901,504.87		100,901,504.87	0.00
Pension	1940	159,860,689.00		159,860,689.00	0.00
<b>Total Deferred Outflows of Resources</b>		351,838,317.59	0.00	351,838,317.59	0.00
<b>LIABILITIES</b>					
Accrued Salaries and Benefits	2110	110,385,357.98		110,385,357.98	3,008,496.46
Payroll Deductions and Withholding	2170	5,395,216.59		5,395,216.59	406,397.16
Accounts Payable	2120	29,077,155.54		29,077,155.54	6,176,881.29
Sales Tax Payable	2260	35,578.90		35,578.90	0.00
Accrued Interest Payable	2210	35,672,413.79		35,672,413.79	0.00
Deposits Payable	2220	430,122.46		430,122.46	0.00
Due to Other Agencies	2230	669,152.00		669,152.00	0.00
Due to Fiscal Agent	2240	73,692.36		73,692.36	208,379.00
Construction Contracts Payable	2140	23,584.07		23,584.07	0.00
Construction Contracts Payable - Retained Percentage	2150	119,428.26		119,428.26	0.00
Unearned Revenues	2410	987,366.31		987,366.31	0.00
<i>Noncurrent Liabilities</i>					
<i>Portion Due Within One Year:</i>					
Notes Payable	2310	8,360,867.57		8,360,867.57	0.00
Bonds Payable	2320	2,317,000.00		2,317,000.00	1,613,216.00
Liability for Compensated Absence	2330	15,982,624.76		15,982,624.76	90,968.58
Lease-Purchase Agreements Payable	2340	75,205,000.00		75,205,000.00	0.00
Borrowing - SWAP Upfront Payment	2340	227,587.00		227,587.00	0.00
Estimated Liability for Long-Term Claim	2350	23,714,000.00		23,714,000.00	0.00
Net Pension Liability	2365	0.00		0.00	0.00
Due Within One Year		125,807,079.33	0.00	125,807,079.33	1,704,184.58
<i>Portion Due After One Year:</i>					
Notes Payable	2310	23,485,154.83		23,485,154.83	0.00
Bonds Payable	2320	12,857,860.38		12,857,860.38	67,660,559.34
Liability for Compensated Absence	2330	167,097,272.79		167,097,272.79	0.00
Lease-Purchase Agreements Payable	2340	1,560,297,610.46		1,560,297,610.46	0.00
Borrowing - SWAP Upfront Payment	2340	2,429,737.00		2,429,737.00	0.00
Estimated Liability for Long-Term Claim	2350	34,098,000.00		34,098,000.00	0.00
Net Other Postemployment Benefits Obligation	2360	107,486,000.00		107,486,000.00	189,435.49
Net Pension Liability	2365	640,495,411.00		640,495,411.00	0.00
Derivative Instrument	2390	91,076,123.72		91,076,123.72	0.00
Due in More than One Year		2,639,323,170.18	0.00	2,639,323,170.18	68,249,994.83
Total Long-Term Liabilities		2,765,130,249.51	0.00	2,765,130,249.51	69,954,179.41
<b>Total Liabilities</b>		2,947,999,317.77	0.00	2,947,999,317.77	79,754,333.32
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred Revenue	2630	0.00		0.00	2,173,445.90
Pension	2640	104,152,160.00		104,152,160.00	0.00
<b>Total Deferred Inflows of Resources</b>		104,152,160.00	0.00	104,152,160.00	2,173,445.90
<b>NET POSITION</b>					
Net Investment in Capital Assets	2770	1,782,847,633.59		1,782,847,633.59	(5,927,065.30)
<i>Restricted For:</i>					
Categorical Carryover Programs	2780	3,266,643.22		3,266,643.22	71,867.34
Food Service	2780	27,952,933.54		27,952,933.54	0.00
Debt Service	2780	88,621,817.95		88,621,817.95	1,150,646.31
Capital Projects	2780	111,390,975.16		111,390,975.16	2,160,652.68
Other Purposes	2780	17,312,855.37		17,312,855.37	1,684,070.57
Unrestricted	2790	(688,025,639.14)		(688,025,639.14)	7,297,236.18
<b>Total Net Position</b>		1,343,367,219.69	0.00	1,343,367,219.69	6,437,407.78

The notes to financial statements are an integral part of this statement  
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**DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY**  
**STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2016**

FUNCTIONS	Account Number	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Charter Schools
						Governmental Activities	Business-Type Activities	Total	
<i>Governmental Activities:</i>									
Instruction	5000	1,062,353,975.75	2,335,237.89	314,180,758.77	3,088,262.00	(742,749,717.09)		(742,749,717.09)	
Student Support Services	6100	56,359,481.46		13,140,367.12		(43,219,114.34)		(43,219,114.34)	
Instructional Media Services	6200	17,623,264.63		799,355.13		(16,823,909.50)		(16,823,909.50)	
Instruction and Curriculum Development Services	6300	51,281,298.66		18,319,374.81		(32,961,923.85)		(32,961,923.85)	
Instructional Staff Training Services	6400	36,643,349.78		28,541,837.88		(8,101,511.90)		(8,101,511.90)	
Instruction-Related Technology	6500	8,709,603.31		209,099.12		(8,500,504.19)		(8,500,504.19)	
Board	7100	6,633,783.03		0.00		(6,633,783.03)		(6,633,783.03)	
General Administration	7200	10,089,084.85		3,171,448.91		(6,917,635.94)		(6,917,635.94)	
School Administration	7300	97,555,773.90		5,664,213.79		(91,891,560.11)		(91,891,560.11)	
Facilities Acquisition and Construction	7400	14,749,749.10		0.00	3,139,983.92	(11,609,765.18)		(11,609,765.18)	
Fiscal Services	7500	6,804,971.39		80,131.92		(6,724,839.47)		(6,724,839.47)	
Food Services	7600	81,094,744.22	13,376,519.56	70,909,459.76		3,191,235.10		3,191,235.10	
Central Services	7700	15,646,230.20		1,043,293.43		(14,602,936.77)		(14,602,936.77)	
Student Transportation Services	7800	48,222,744.15	820,066.86	25,037,939.94		(22,364,737.35)		(22,364,737.35)	
Operation of Plant	7900	124,526,466.57		5,179,456.41		(119,347,010.16)		(119,347,010.16)	
Maintenance of Plant	8100	69,603,200.14		0.00	2,691,357.00	(66,911,843.14)		(66,911,843.14)	
Administrative Technology Services	8200	7,915,610.09		217,390.54		(7,698,219.55)		(7,698,219.55)	
Community Services	9100	40,979,932.63	36,961,244.87	5,479,359.95		1,460,672.19		1,460,672.19	
Interest on Long-Term Debt	9200	57,657,367.11		0.00	4,511,909.63	(53,145,457.48)		(53,145,457.48)	
Unallocated Depreciation/Amortization Expense		109,135,396.26				(109,135,396.26)		(109,135,396.26)	
<b>Total Governmental Activities</b>		1,923,586,027.23	53,493,069.18	491,973,487.48	13,431,512.55	(1,364,687,958.02)		(1,364,687,958.02)	
<b>Total Business-Type Activities</b>		0.00	0.00	0.00	0.00		0.00	0.00	
<b>Total Primary Government</b>		1,923,586,027.23	53,493,069.18	491,973,487.48	13,431,512.55	(1,364,687,958.02)	0.00	(1,364,687,958.02)	
<i>Charter Schools:</i>									
Major Charter School		0.00	0.00	0.00	0.00				0.00
Total Nonmajor Charter Schools		110,946,536.88	2,538,858.77	7,241,625.39	3,751,029.14				(97,415,023.58)
<b>Total Charter Schools</b>		110,946,536.88	2,538,858.77	7,241,625.39	3,751,029.14				(97,415,023.58)

**General Revenues:**

*Taxes:*

Property Taxes, Levied for Operational Purposes

Property Taxes, Levied for Debt Service

Property Taxes, Levied for Capital Projects

Local Sales Taxes

Grants and Contributions Not Restricted to Specific Programs

Investment Earnings

Miscellaneous

**Total General Revenues, Special Items, Extraordinary Items and Transfers**

**Change in Net Position**

Net Position, July 1, 2015

Adjustments to Net Position

Net Position, June 30, 2016

960,467,850.72		960,467,850.72	0.00
0.00		0.00	0.00
241,089,331.41		241,089,331.41	0.00
0.00		0.00	0.00
180,622,153.33		180,622,153.33	94,965,159.98
3,492,735.25		3,492,735.25	296,992.83
41,937,443.15		41,937,443.15	2,720,664.14
1,427,609,513.86	0.00	1,427,609,513.86	98,153,595.09
62,921,555.84	0.00	62,921,555.84	738,571.51
1,280,445,663.85		1,280,445,663.85	0.00
		0.00	5,698,836.27
1,343,367,219.69	0.00	1,343,367,219.69	6,437,407.78

The notes to financial statements are an integral part of this statement.  
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DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2016

	Account Number	General 100	Other Debt Service 290	Nonvoted Capital Improvement Fund 370	Other Governmental Funds	Total Governmental Funds
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>						
<b>ASSETS</b>						
Cash and Cash Equivalents	1110	227,678,565.94	3,796,409.70	36,508,181.60	55,583,315.99	323,566,473.23
Investments	1160	0.00	118,822,182.21	0.00	39,111,848.87	157,934,031.08
Taxes Receivable, Net	1120	18,968,234.95	0.00	4,732,593.82	0.00	23,700,828.77
Accounts Receivable, Net	1131	1,144,105.05	0.00	0.00	0.00	1,144,105.05
Interest Receivable on Investments	1170	0.00	7,228.63	0.00	0.00	7,228.63
Due From Other Agencies	1220	6,025,041.55	0.00	0.00	22,049,768.05	28,074,809.60
Due From Budgetary Funds	1141	2,000,000.00	0.00	0.00	0.00	2,000,000.00
Inventory	1150	6,039,973.39	0.00	0.00	4,168,498.13	10,208,471.52
Prepaid Items	1230	0.00	0.00	0.00	52,515.65	52,515.65
<b>Total Assets</b>		261,855,920.88	122,625,820.54	41,240,775.42	120,965,946.69	546,688,463.53
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Accumulated Decrease in Fair Value of Hedging Derivatives	1910	0.00	0.00	0.00	0.00	0.00
<b>Total Deferred Outflows of Resources</b>		0.00	0.00	0.00	0.00	0.00
<b>Total Assets and Deferred Outflows of Resources</b>		261,855,920.88	122,625,820.54	41,240,775.42	120,965,946.69	546,688,463.53
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accrued Salaries and Benefits	2110	102,431,790.83	0.00	0.00	8,294,464.73	110,726,255.56
Payroll Deductions and Withholdings	2170	10,775,017.68	0.00	0.00	910,779.96	11,685,797.64
Accounts Payable	2120	18,124,268.40	2,000.00	1,066,532.93	7,715,771.33	26,908,572.66
Sales Tax Payable	2260	35,578.90	0.00	0.00	0.00	35,578.90
Deposits Payable	2220	429,567.62	0.00	0.00	554.84	430,122.46
Due to Budgetary Funds	2161	0.00	0.00	0.00	2,000,000.00	2,000,000.00
Due to Fiscal Agent	2240	0.00	73,692.36	0.00	0.00	73,692.36
Pension Liability	2115	0.00	0.00	0.00	0.00	0.00
Construction Contracts Payable	2140	0.00	0.00	16,621.25	6,962.82	23,584.07
Construction Contracts Payable - Retained Percentage	2150	0.00	0.00	25,111.06	94,317.20	119,428.26
Unearned Revenue	2410	358,266.19	0.00	0.00	1,068,123.57	1,426,389.76
<b>Total Liabilities</b>		132,823,641.62	75,692.36	1,108,265.24	20,090,974.45	154,098,573.67
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred Revenues	2630	1,782,000.00	0.00	0.00	102,503.83	1,884,503.83
<b>Total Deferred Inflows of Resources</b>		1,782,000.00	0.00	0.00	102,503.83	1,884,503.83
<b>FUND BALANCES</b>						
<i>Nonspendable:</i>						
Inventory	2711	6,039,973.39	0.00	0.00	4,168,498.13	10,208,471.52
<b>Total Nonspendable Fund Balances</b>	2710	6,039,973.39	0.00	0.00	4,168,498.13	10,208,471.52
<i>Restricted for:</i>						
Economic Stabilization	2721	0.00	0.00	0.00	0.00	0.00
State Required Carryover Programs	2723	3,266,643.22	0.00	0.00	0.00	3,266,643.22
Debt Service	2725	0.00	122,550,128.18	0.00	1,744,103.56	124,294,231.74
Capital Projects	2726	0.00	0.00	40,132,510.18	41,812,575.77	81,945,085.95
Restricted for other purposes (see footnote)	2729	14,988,166.58	0.00	0.00	23,784,435.41	38,772,601.99
<b>Total Restricted Fund Balances</b>	2720	18,254,809.80	122,550,128.18	40,132,510.18	67,341,114.74	248,278,562.90
<i>Committed to:</i>						
Economic Stabilization	2731	0.00	0.00	0.00	0.00	0.00
Contractual Agreements	2732	0.00	0.00	0.00	0.00	0.00
Committed for	2739	0.00	0.00	0.00	37,375.33	37,375.33
Committed for	2739	0.00	0.00	0.00	0.00	0.00
<b>Total Committed Fund Balances</b>	2730	0.00	0.00	0.00	37,375.33	37,375.33
<i>Assigned to:</i>						
Special Revenue	2741	0.00	0.00	0.00	0.00	0.00
Capital Projects	2743	220,409.47	0.00	0.00	29,225,480.21	29,445,889.68
Assigned for other purposes (see footnote)	2749	11,804,492.48	0.00	0.00	0.00	11,804,492.48
Assigned for Next Year Budget Appropriation	2749	40,930,594.12	0.00	0.00	0.00	40,930,594.12
<b>Total Assigned Fund Balances</b>	2740	52,955,496.07	0.00	0.00	29,225,480.21	82,180,976.28
<b>Total Unassigned Fund Balances</b>	2750	50,000,000.00	0.00	0.00	0.00	50,000,000.00
<b>Total Fund Balances</b>	2700	127,250,279.26	122,550,128.18	40,132,510.18	100,772,468.41	390,705,386.03
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>		261,855,920.88	122,625,820.54	41,240,775.42	120,965,946.69	546,688,463.53

The notes to financial statements are an integral part of this statement.  
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**DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION  
For the Fiscal Year Ended June 30, 2016**

**Total Fund Balances - Governmental Funds** \$ 390,705,386.03

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

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

Cost of the Assets	4,855,998,336.12	
Accumulated Depreciation	<u>(1,485,376,702.37)</u>	
Total capital assets, net of depreciation		3,370,621,633.75

Bond insurance amounts related to debt issuance are reported as expenditures in the governmental funds when first incurred, however, they are included as deferred charges in the governmental activities in the statement of net position. 833,214.06

Deferred outflow of resources are reported at the fair values of corresponding hedging derivative instruments in the statement of net position. 91,076,123.72

Deferred outflow of resources are reported at net carrying amount for refunding transactions in the statement of net position. 100,901,504.87

Deferred outflows of resources related to Pensions are recorded in the statement of net position. 159,860,689.00

Derivative instruments - investment assets reported on the statement of net position. 25,248.35

Expenditures for insurance and software 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. 5,433,410.00

An internal service fund is used by management to charge the costs of health premiums, worker's compensation, auto and general liability to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.

Assets	122,078,410.18	
Liabilities (includes OPEB, compensated absences, and long term claims)	<u>(60,386,758.66)</u>	
Net position		61,691,651.52

Revenues that have been deferred or unearned in the governmental funds but are recognized as revenue in the governmental-wide financial statements. 2,323,527.28

Deferred inflows of resources related to Pensions are recorded in the statement of net position. (104,152,160.00)

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

Notes / Loan Payable	31,846,022.40	
Bonds Payable	15,174,860.38	
Certificates of Participation	1,635,502,610.46	
Borrowing-SWAP Upfront Payment	2,657,324.00	
Hedging Derivative Instruments	91,076,123.72	
Compensated Absences	176,148,243.14	
Other Post Employment Benefits	107,380,000.00	
Net Pension Liability	640,495,411.00	
Accrued Interest on Long-term Debt	<u>35,672,413.79</u>	
		<u>(2,735,953,008.89)</u>

**Total Net Position - Governmental Activities** \$ 1,343,367,219.69

The notes to financial statements are an integral part of this statement.  
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**DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2016**

	Account Number	General 100	Other Debt Service 290	Nonvoted Capital Improvement Fund 370	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Federal Direct	3100	907,441.56	0.00	0.00	6,413,566.96	7,321,008.52
Federal Through State and Local	3200	2,297,724.13	0.00	0.00	182,683,556.99	184,981,281.12
State Sources	3300	476,078,540.84	0.00	0.00	17,574,227.01	493,652,767.85
<i>Local Sources:</i>						
Property Taxes Levied, Tax Redemptions and Excess Fees for Operational Purposes	3411, 3421, 3423	960,467,850.72	0.00	0.00	0.00	960,467,850.72
Property Taxes Levied, Tax Redemptions and Excess Fees for Capital Projects	3413, 3421, 3423	0.00	0.00	241,089,331.41	0.00	241,089,331.41
Charges for Service - Food Service	345X	0.00	0.00	0.00	13,143,937.52	13,143,937.52
Impact Fees	3496	0.00	0.00	0.00	7,725,360.00	7,725,360.00
Other Local Revenue		71,613,977.12	128,040.87	658,902.02	5,423,002.22	77,823,922.23
Total Local Sources	3400	1,032,081,827.84	128,040.87	241,748,233.43	26,292,299.74	1,300,250,401.88
<b>Total Revenues</b>		1,511,365,534.37	128,040.87	241,748,233.43	232,963,650.70	1,986,205,459.37
<b>EXPENDITURES</b>						
<i>Current:</i>						
Instruction	5000	1,028,301,889.66	0.00	0.00	57,816,444.60	1,086,118,334.26
Student Support Services	6100	44,551,116.02	0.00	0.00	12,889,052.69	57,440,168.71
Instructional Media Services	6200	18,365,772.54	0.00	0.00	8,983.13	18,374,755.67
Instruction and Curriculum Development Services	6300	33,991,526.51	0.00	0.00	18,108,878.91	52,100,405.42
Instructional Staff Training Service:	6400	9,461,711.04	0.00	0.00	27,438,050.13	36,899,761.17
Instruction-Related Technology	6500	8,827,025.97	0.00	0.00	51,535.92	8,878,561.89
Board	7100	6,747,835.37	0.00	0.00	49,680.00	6,797,515.37
General Administration	7200	7,428,145.68	0.00	0.00	3,171,448.91	10,599,594.59
School Administration	7300	99,740,254.73	0.00	0.00	24,194.86	99,764,449.59
Facilities Acquisition and Constructor	7410	486,688.22	0.00	0.00	0.00	486,688.22
Fiscal Services	7500	6,591,230.74	0.00	0.00	80,131.92	6,671,362.66
Food Services	7600	104,011.74	0.00	0.00	80,604,295.57	80,708,307.31
Central Services	7700	14,991,276.94	0.00	0.00	1,032,583.30	16,023,860.24
Student Transportation Services	7800	49,101,315.10	0.00	0.00	422,856.65	49,524,171.75
Operation of Plant	7900	126,259,071.33	0.00	0.00	9,033.38	126,268,104.71
Maintenance of Plant	8100	70,415,628.89	0.00	0.00	0.00	70,415,628.89
Administrative Technology Service:	8200	7,949,593.72	0.00	0.00	102,292.52	8,051,886.24
Community Services	9100	40,502,170.57	0.00	0.00	924,328.90	41,426,499.47
<i>Debt Service: (Function 9200)</i>						
Redemption of Principa	710	0.00	59,770,805.26	0.00	3,717,000.00	63,487,805.26
Interest	720	29,005.53	64,803,737.57	0.00	4,562,501.61	69,395,244.71
Dues and Fees	730	0.00	512,576.22	0.00	11,877.00	524,453.22
Miscellaneous:	790	0.00	0.00	0.00	0.00	0.00
<i>Capital Outlay:</i>						
Facilities Acquisition and Constructor	7420	117,573.14	0.00	11,830,465.23	22,948,256.29	34,896,294.66
Other Capital Outlay	9300	2,288,449.06	0.00	0.00	3,775,255.05	6,063,704.11
<b>Total Expenditures</b>		1,576,251,292.50	125,087,119.05	11,830,465.23	237,748,681.34	1,950,917,558.12
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>		(64,885,758.13)	(124,959,078.18)	229,917,768.20	(4,785,030.64)	35,287,901.25
<b>OTHER FINANCING SOURCES (USES)</b>						
Issuance of Bonds	3710	0.00	0.00	0.00	0.00	0.00
Loans	3720	0.00	0.00	0.00	28,337,536.00	28,337,536.00
Sale of Capital Assets	3730	0.00	0.00	0.00	12,500.00	12,500.00
Loss Recoveries	3740	119,886.38	0.00	0.00	0.00	119,886.38
Face Value of Refunding Bonds	3715	0.00	0.00	0.00	0.00	0.00
Premium on Refunding Bonds:	3792	0.00	0.00	0.00	0.00	0.00
Refunding Lease-Purchase Agreements:	3755	0.00	62,970,000.00	0.00	0.00	62,970,000.00
Premium on Refunding Lease-Purchase Agreement:	3794	0.00	8,541,319.50	0.00	0.00	8,541,319.50
Payments to Refunding Escrow Agent (Function 9299)	760	0.00	(71,110,801.13)	0.00	0.00	(71,110,801.13)
Transfers In	3600	89,434,470.00	154,490,894.82	0.00	14,555,779.23	258,481,144.05
Transfers Out	9700	(14,550,629.23)	0.00	(215,727,265.16)	(28,203,249.66)	(258,481,144.05)
<b>Total Other Financing Sources (Uses)</b>		75,003,727.15	154,891,413.19	(215,727,265.16)	14,702,565.57	28,870,440.75
<b>SPECIAL ITEMS</b>						
		0.00	0.00	0.00	0.00	0.00
<b>EXTRAORDINARY ITEMS</b>						
		0.00	0.00	0.00	0.00	0.00
<b>Net Change in Fund Balances</b>		10,117,969.02	29,932,335.01	14,190,503.04	9,917,534.93	64,158,342.00
Fund Balances, July 1, 2015	2800	117,132,310.24	92,617,793.17	25,942,007.14	90,854,933.48	326,547,044.03
Adjustments to Fund Balances	2891	0.00	0.00	0.00	0.00	0.00
Fund Balances, June 30, 2016	2700	127,250,279.26	122,550,128.18	40,132,510.18	100,772,468.41	390,705,386.03

The notes to financial statements are an integral part of this statement  
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**DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2016**

**Net Change in Fund Balances - Governmental Funds** \$ 64,158,342.00

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense (\$108,978,947.38) in excess of capitalized capital outlay (\$26,487,657.35) in the current period. (82,491,290.03)

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:

Bond Insurance Issuance Cost Amortization	(156,448.78)	
Debt Refunding Amortization	(5,302,165.09)	
Premium / Discount Amortization	18,796,290.88	
Premium on Current Year Issuance	<u>(8,541,319.50)</u>	
		4,796,357.51

Investment loss related to derivative instruments reported in the statement of activities that are not reported as revenue in the governmental funds. (42,242.00)

Revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. 2,323,527.28

Revenues reported in the governmental funds that were reported as revenue in the statement of activities in the prior year under full accrual. (2,143,569.68)

Repayment of notes / loans is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 6,276,291.46

Note / Loan proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position (28,337,536.00)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 57,212,000.00

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 (\$71,110,801.13) exceeded refunding proceeds (\$62,970,000.00) in the current period. 8,140,801.13

The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net position. (473,261.42)

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 & Software	1,426,142.32	
Compensated Absences	(2,042,987.52)	
Other post employment benefits	(5,454,000.00)	
Pension Expense	29,542,527.00	
Borrowing	218,195.00	
Accrued interest on long-term debt	<u>(1,546,176.17)</u>	
		22,143,700.63

An internal service fund is used by management to charge the cost of employee health premiums, worker's compensation, auto and general liability claims to individual funds. The net income of the internal service fund is reported with governmental activities. 11,358,434.96

Change in net position of governmental activities \$ 62,921,555.84



**DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
June 30, 2016**

	Account Number	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
		Self-Insurance Consortium 911	Other Enterprise Funds	Totals	
<b>ASSETS</b>					
Cash and Cash Equivalents	1110	0.00	0.00	0.00	117,073,992.95
Due From Other Agencies	1220	0.00	0.00	0.00	2,496,694.77
Due From Insurer	1180	0.00	0.00	0.00	0.00
Due From Budgetary Funds	1141	0.00	0.00	0.00	0.00
Deposits Receivable	1210	0.00	0.00	0.00	0.00
Cash with Fiscal/Service Agents	1114	0.00	0.00	0.00	2,507,722.46
Other Postemployment Benefits Asset	1410	0.00	0.00	0.00	0.00
Pension Asset	1415	0.00	0.00	0.00	0.00
<i>Capital Assets:</i>					
Land	1310	0.00	0.00	0.00	0.00
Land Improvements - Nondepreciable	1315	0.00	0.00	0.00	0.00
Construction in Progress	1360	0.00	0.00	0.00	0.00
Nondepreciable Capital Assets		0.00	0.00	0.00	0.00
Depreciable Capital Assets, Net		0.00	0.00	0.00	0.00
Total Capital Assets		0.00	0.00	0.00	0.00
<b>Total Assets</b>		0.00	0.00	0.00	122,078,410.18
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Accumulated Decrease in Fair Value of Hedging Derivatives	1910	0.00	0.00	0.00	0.00
Net Carrying Amount of Debt Refunding	1920	0.00	0.00	0.00	0.00
Pension	1940	0.00	0.00	0.00	0.00
<b>Total Deferred Outflows of Resources</b>		0.00	0.00	0.00	0.00
<b>LIABILITIES</b>					
Cash Overdraft	2125	0.00	0.00	0.00	0.00
Accrued Salaries and Benefits	2110	0.00	0.00	0.00	62,838.75
Payroll Deductions and Withholdings	2170	0.00	0.00	0.00	15,047.24
Accounts Payable	2120	0.00	0.00	0.00	2,168,582.88
Pension Liability	2115	0.00	0.00	0.00	0.00
Estimated Unpaid Claims - Self-Insurance Program	2271	0.00	0.00	0.00	0.00
Estimated Liability for Claims Adjustment	2272	0.00	0.00	0.00	0.00
Unearned Revenues	2410	0.00	0.00	0.00	0.00
<i>Noncurrent Liabilities</i>					
<i>Portion Due Within One Year:</i>					
Obligations Under Capital Leases	2315	0.00	0.00	0.00	0.00
Liability for Compensated Absences	2330	0.00	0.00	0.00	0.00
Estimated Liability for Long-Term Claims	2350	0.00	0.00	0.00	22,345,000.00
Net Other Postemployment Benefits Obligation	2360	0.00	0.00	0.00	0.00
Net Pension Liability	2365	0.00	0.00	0.00	0.00
Other Long-Term Liabilities	2380	0.00	0.00	0.00	0.00
Due Within One Year		0.00	0.00	0.00	22,345,000.00
<i>Portion Due After One Year:</i>					
Obligations Under Capital Leases	2315	0.00	0.00	0.00	0.00
Liability for Compensated Absences	2330	0.00	0.00	0.00	222,289.79
Estimated Liability for Long-Term Claims	2350	0.00	0.00	0.00	35,467,000.00
Net Other Postemployment Benefits Obligation	2360	0.00	0.00	0.00	106,000.00
Net Pension Liability	2365	0.00	0.00	0.00	0.00
Other Long-Term Liabilities	2380	0.00	0.00	0.00	0.00
Due in More Than One Year		0.00	0.00	0.00	35,795,289.79
Total Long-Term Liabilities		0.00	0.00	0.00	58,140,289.79
<b>Total Liabilities</b>		0.00	0.00	0.00	60,386,758.66
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Accumulated Increase in Fair Value of Hedging Derivatives	2610	0.00	0.00	0.00	0.00
Deficit Net Carrying Amount of Debt Refunding	2620	0.00	0.00	0.00	0.00
Deferred Revenues	2630	0.00	0.00	0.00	0.00
Pension	2640	0.00	0.00	0.00	0.00
<b>Total Deferred Inflows of Resources</b>		0.00	0.00	0.00	0.00
<b>NET POSITION</b>					
Net Investment in Capital Assets	2770	0.00	0.00	0.00	0.00
Restricted for	2780	0.00	0.00	0.00	0.00
Unrestricted	2790	0.00	0.00	0.00	61,691,651.52
<b>Total Net Position</b>		0.00	0.00	0.00	61,691,651.52

The notes to financial statements are an integral part of this statement.  
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**DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2016**

	Account Number	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
		Self-Insurance Consortium 911	Other Enterprise Funds	Totals	
<b>OPERATING REVENUES</b>					
Charges for Services	3481	0.00	0.00	0.00	0.00
Charges for Sales	3482	0.00	0.00	0.00	0.00
Premium Revenue	3484	0.00	0.00	0.00	207,575,697.43
Other Operating Revenues	3489	0.00	0.00	0.00	11,881,978.14
<b>Total Operating Revenues</b>		0.00	0.00	0.00	219,457,675.57
<b>OPERATING EXPENSES</b>					
Salaries	100	0.00	0.00	0.00	1,167,784.54
Employee Benefits	200	0.00	0.00	0.00	341,636.58
Purchased Services	300	0.00	0.00	0.00	449,839.92
Energy Services	400	0.00	0.00	0.00	226.80
Materials and Supplies	500	0.00	0.00	0.00	22,230.94
Capital Outlay	600	0.00	0.00	0.00	341.50
Other	700	0.00	0.00	0.00	206,446,961.21
Depreciation and Amortization Expense	780	0.00	0.00	0.00	0.00
<b>Total Operating Expenses</b>		0.00	0.00	0.00	208,429,021.49
<b>Operating Income (Loss)</b>		0.00	0.00	0.00	11,028,654.08
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Investment Income	3430	0.00	0.00	0.00	329,780.88
Gifts, Grants and Bequests	3440	0.00	0.00	0.00	0.00
Other Miscellaneous Local Sources	3495	0.00	0.00	0.00	0.00
Loss Recoveries	3740	0.00	0.00	0.00	0.00
Gain on Disposition of Assets	3780	0.00	0.00	0.00	0.00
Interest	720	0.00	0.00	0.00	0.00
Miscellaneous	790	0.00	0.00	0.00	0.00
Loss on Disposition of Assets	810	0.00	0.00	0.00	0.00
<b>Total Nonoperating Revenues (Expenses)</b>		0.00	0.00	0.00	329,780.88
<b>Income (Loss) Before Operating Transfers</b>		0.00	0.00	0.00	11,358,434.96
Transfers In	3600	0.00	0.00	0.00	0.00
Transfers Out	9700	0.00	0.00	0.00	0.00
<b>SPECIAL ITEMS</b>					
		0.00	0.00	0.00	0.00
<b>EXTRAORDINARY ITEMS</b>					
		0.00	0.00	0.00	0.00
<b>Change In Net Position</b>		0.00	0.00	0.00	11,358,434.96
Net Position, July 1, 2015	2880	0.00	0.00	0.00	50,333,216.56
Adjustments to Net Position	2896	0.00	0.00	0.00	0.00
Net Position, June 30, 2016	2780	0.00	0.00	0.00	61,691,651.52

The notes to financial statements are an integral part of this statement.  
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**DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Fiscal Year Ended June 30, 2016**

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Self-Insurance Consortium 911	Other Enterprise Funds	Totals	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	0.00	0.00	0.00	207,575,697.43
Receipts from interfund services provided	0.00	0.00	0.00	0.00
Payments to suppliers	0.00	0.00	0.00	(205,981,915.99)
Payments to employees	0.00	0.00	0.00	(1,498,941.54)
Payments for interfund services used	0.00	0.00	0.00	0.00
Other receipts (payments)	0.00	0.00	0.00	11,742,603.56
<b>Net cash provided (used) by operating activities</b>	0.00	0.00	0.00	11,837,443.46
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Subsidies from operating grants	0.00	0.00	0.00	0.00
Transfers from other funds	0.00	0.00	0.00	0.00
Transfers to other funds	0.00	0.00	0.00	0.00
<b>Net cash provided (used) by noncapital financing activities</b>	0.00	0.00	0.00	0.00
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from capital debt	0.00	0.00	0.00	0.00
Capital contributions	0.00	0.00	0.00	0.00
Proceeds from disposition of capital assets	0.00	0.00	0.00	0.00
Acquisition and construction of capital assets	0.00	0.00	0.00	0.00
Principal paid on capital debt	0.00	0.00	0.00	0.00
Interest paid on capital debt	0.00	0.00	0.00	0.00
<b>Net cash provided (used) by capital and related financing activities</b>	0.00	0.00	0.00	0.00
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from sales and maturities of investments	0.00	0.00	0.00	0.00
Interest and dividends received	0.00	0.00	0.00	329,780.88
Purchase of investments	0.00	0.00	0.00	0.00
<b>Net cash provided (used) by investing activities</b>	0.00	0.00	0.00	329,780.88
<b>Net increase (decrease) in cash and cash equivalents</b>	0.00	0.00	0.00	12,167,224.34
Cash and cash equivalents - July 1, 2015	0.00	0.00	0.00	107,414,491.07
Cash and cash equivalents - June 30, 2016	0.00	0.00	0.00	119,581,715.41
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss)	0.00	0.00	0.00	11,028,654.08
<i>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:</i>				
Depreciation/Amortization expense	0.00	0.00	0.00	0.00
Commodities used from USDA program	0.00	0.00	0.00	0.00
<i>Change in assets and liabilities:</i>				
(Increase) decrease in accounts receivable	0.00	0.00	0.00	0.00
(Increase) decrease in interest receivable	0.00	0.00	0.00	0.00
(Increase) decrease in due from insurer	0.00	0.00	0.00	0.00
(Increase) decrease in deposits receivable	0.00	0.00	0.00	0.00
(Increase) decrease in due from other funds	0.00	0.00	0.00	0.00
(Increase) decrease in due from other agencies	0.00	0.00	0.00	(139,374.58)
(Increase) decrease in inventory	0.00	0.00	0.00	0.00
(Increase) decrease in prepaid items	0.00	0.00	0.00	0.00
(Increase) decrease in pension	0.00	0.00	0.00	0.00
Increase (decrease) in salaries and benefits payable	0.00	0.00	0.00	7,809.77
Increase (decrease) in payroll tax liabilities	0.00	0.00	0.00	2,669.81
Increase (decrease) in accounts payable	0.00	0.00	0.00	(45,315.62)
Increase (decrease) in pension	0.00	0.00	0.00	0.00
Increase (decrease) in other postemployment benefits	0.00	0.00	0.00	0.00
Increase (decrease) in estimated unpaid claims - Self-Insurance Prog.	0.00	0.00	0.00	983,000.00
Increase (decrease) in estimated liability for claims adjustment	0.00	0.00	0.00	0.00
<b>Total adjustments</b>	0.00	0.00	0.00	808,789.38
<b>Net cash provided (used) by operating activities</b>	0.00	0.00	0.00	11,837,443.46
<b>Noncash investing, capital and financing activities:</b>				
Borrowing under capital lease	0.00	0.00	0.00	0.00
Contributions of capital assets	0.00	0.00	0.00	0.00
Purchase of equipment on account	0.00	0.00	0.00	0.00
Capital asset trade-ins	0.00	0.00	0.00	0.00
Net Increase/(Decrease) in the fair value of investments	0.00	0.00	0.00	0.00
Commodities received through USDA program	0.00	0.00	0.00	0.00

The notes to financial statements are an integral part of this statement.  
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**DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
June 30, 2016**

	Account Number	Total Investment Trust Funds 84X	Total Private-Purpose Trust Funds 85X	Total Pension Trust Funds 87X	Total Agency Funds 89X
<b>ASSETS</b>					
Cash and Cash Equivalents	1110	0.00	267,029.41	0.00	17,963,156.56
Investments	1160	0.00	0.00	0.00	0.00
Accounts Receivable, Net	1131	0.00	0.00	0.00	1,212,754.39
Pension Contributions Receivable	1132			0.00	
Interest Receivable on Investments	1170	0.00	0.00	0.00	0.00
Due From Budgetary Funds	1141	0.00	0.00	0.00	0.00
Due From Other Agencies	1220	0.00	0.00	0.00	0.00
Inventory	1150				0.00
<b>Total Assets</b>		0.00	267,029.41	0.00	19,175,910.95
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Accumulated Decrease in Fair Value of Hedging Derivatives	1910	0.00	0.00	0.00	
Pension	1940			0.00	
Other Postemployment Benefits	1950	0.00	0.00	0.00	
<b>Total Deferred Outflows of Resources</b>		0.00	0.00	0.00	
<b>LIABILITIES</b>					
Cash Overdraft	2125	0.00	0.00	0.00	0.00
Accrued Salaries and Benefits	2110	0.00	0.00	0.00	0.00
Payroll Deductions and Withholdings	2170	0.00	0.00	0.00	0.00
Accounts Payable	2120	0.00	0.00	0.00	394,790.19
Internal Accounts Payable	2290	0.00	0.00	0.00	18,781,120.76
Due to Other Agencies	2230	0.00	0.00	0.00	
Due to Budgetary Funds	2161	0.00	0.00	0.00	0.00
<b>Total Liabilities</b>		0.00	0.00	0.00	19,175,910.95
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Accumulated Increase in Fair Value of Hedging Derivatives	2610	0.00	0.00	0.00	
Pension	2640			0.00	
Other Postemployment Benefits	2650	0.00	0.00	0.00	
<b>Total Deferred Inflows of Resources</b>		0.00	0.00	0.00	
<b>NET POSITION</b>					
Held in Trust for Pension Benefits	2785	0.00	0.00	0.00	
Held in Trust for Other Purposes	2785	0.00	267,029.41	0.00	
<b>Total Net Position</b>		0.00	267,029.41	0.00	

The notes to financial statements are an integral part of this statement.  
ESE 145

**DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
For the Fiscal Year Ended June 30, 2016**

	Account Number	Total Investment Trust Funds 84X	Total Private-Purpose Trust Funds 85X	Total Pension Trust Funds 87X
<b>ADDITIONS</b>				
<i>Contributions:</i>				
Employer		0.00	0.00	0.00
Plan Members		0.00	0.00	0.00
Gifts, Grants and Bequests	3440	0.00	32,319.11	0.00
<i>Investment Income:</i>				
Interest on Investments	3431	0.00	1,115.97	0.00
Gain on Sale of Investments	3432	0.00	0.00	0.00
Net Increase (Decrease) in the Fair Value of Investments	3433	0.00	0.00	0.00
Total Investment Income		0.00	1,115.97	0.00
Less Investment Expense		0.00	0.00	0.00
Net Investment Income		0.00	1,115.97	0.00
<b>Total Additions</b>		0.00	33,435.08	0.00
<b>DEDUCTIONS</b>				
Salaries	100	0.00	0.00	0.00
Employee Benefits	200	0.00	0.00	0.00
Purchased Services	300	0.00	0.00	0.00
Other	700	0.00	124,996.24	0.00
Refunds of Contributions		0.00	0.00	0.00
Administrative Expenses		0.00	0.00	0.00
<b>Total Deductions</b>		0.00	124,996.24	0.00
<b>Change In Net Position</b>		0.00	(91,561.16)	0.00
Net Position Held In Trust, July 1, 2015	2885	0.00	358,590.57	0.00
Adjustments to Net Position	2896	0.00	0.00	0.00
Net Position Held in Trust for Pension Benefits and Other Purposes, June 30, 2016	2785	0.00	267,029.41	0.00

The notes to financial statements are an integral part of this statement.  
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DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY  
COMBINING STATEMENT OF NET POSITION  
MAJOR AND NONMAJOR CHARTER SCHOOLS  
June 30, 2016

	Account Number	Major Charter School	Major Charter School	Total Nonmajor Charter Schools	Total Charter Schools
<b>ASSETS</b>					
Cash and Cash Equivalents	1110	0.00	0.00	12,432,255.94	12,432,255.94
Investments	1160	0.00	0.00	1,827,843.62	1,827,843.62
Taxes Receivable, Net	1120	0.00	0.00	0.00	0.00
Accounts Receivable, Net	1131	0.00	0.00	3,768,799.40	3,768,799.40
Interest Receivable on Investments	1170	0.00	0.00	0.00	0.00
Due From Other Agencies	1220	0.00	0.00	1,059,160.33	1,059,160.33
Due From Insurer	1180	0.00	0.00	0.00	0.00
Deposits Receivable	1210	0.00	0.00	870,264.50	870,264.50
Internal Balances		0.00	0.00	0.00	0.00
Cash with Fiscal/Service Agents	1114	0.00	0.00	2,303,101.25	2,303,101.25
Section 1011.13, F.S. Loan Proceeds	1420	0.00	0.00	0.00	0.00
Inventory	1150	0.00	0.00	8,873.68	8,873.68
Prepaid Items	1230	0.00	0.00	0.00	0.00
Long-Term Investments	1460	0.00	0.00	0.00	0.00
Prepaid Insurance Costs	1430	0.00	0.00	1,342,999.29	1,342,999.29
Other Postemployment Benefits Asset	1410	0.00	0.00	0.00	0.00
Pension Asset	1415	0.00	0.00	0.00	0.00
<i>Capital Assets:</i>					
Land	1310	0.00	0.00	3,409,432.00	3,409,432.00
Land Improvements - Nondepreciable	1315	0.00	0.00	124,382.00	124,382.00
Construction in Progress	1360	0.00	0.00	0.00	0.00
Nondepreciable Capital Assets		0.00	0.00	3,533,814.00	3,533,814.00
Improvements Other Than Buildings	1320	0.00	0.00	2,946,728.22	2,946,728.22
Less Accumulated Depreciation	1329	0.00	0.00	(1,423,645.83)	(1,423,645.83)
Buildings and Fixed Equipment	1330	0.00	0.00	57,056,223.86	57,056,223.86
Less Accumulated Depreciation	1339	0.00	0.00	(4,160,643.25)	(4,160,643.25)
Furniture, Fixtures and Equipment	1340	0.00	0.00	11,041,151.42	11,041,151.42
Less Accumulated Depreciation	1349	0.00	0.00	(6,517,117.80)	(6,517,117.80)
Motor Vehicles	1350	0.00	0.00	100,207.00	100,207.00
Less Accumulated Depreciation	1359	0.00	0.00	(65,321.00)	(65,321.00)
Property Under Capital Leases	1370	0.00	0.00	0.00	0.00
Less Accumulated Depreciation	1379	0.00	0.00	0.00	0.00
Audiovisual Materials	1381	0.00	0.00	525,300.58	525,300.58
Less Accumulated Depreciation	1388	0.00	0.00	(244,480.97)	(244,480.97)
Computer Software	1382	0.00	0.00	4,913,655.04	4,913,655.04
Less Accumulated Amortization	1389	0.00	0.00	(2,953,982.28)	(2,953,982.28)
Depreciable Capital Assets, Net		0.00	0.00	61,218,074.99	61,218,074.99
Total Capital Assets		0.00	0.00	64,751,888.99	64,751,888.99
<b>Total Assets</b>				<b>88,365,187.00</b>	<b>88,365,187.00</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Accumulated Decrease in Fair Value of Hedging Derivatives	1910	0.00	0.00	0.00	0.00
Net Carrying Amount of Debt Refunding	1920	0.00	0.00	0.00	0.00
Pension	1940	0.00	0.00	0.00	0.00
Other Postemployment Benefits	1950	0.00	0.00	0.00	0.00
<b>Total Deferred Outflows of Resources</b>				<b>0.00</b>	<b>0.00</b>
<b>LIABILITIES</b>					
Cash Overdraft	2125	0.00	0.00	0.00	0.00
Accrued Salaries and Benefits	2110	0.00	0.00	3,008,496.46	3,008,496.46
Payroll Deductions and Withholdings	2170	0.00	0.00	406,397.16	406,397.16
Accounts Payable	2120	0.00	0.00	6,176,881.29	6,176,881.29
Sales Tax Payable	2260	0.00	0.00	0.00	0.00
Current Notes Payable	2250	0.00	0.00	0.00	0.00
Accrued Interest Payable	2210	0.00	0.00	0.00	0.00
Deposits Payable	2220	0.00	0.00	0.00	0.00
Due to Other Agencies	2230	0.00	0.00	0.00	0.00
Due to Fiscal Agent	2240	0.00	0.00	208,379.00	208,379.00
Pension Liability	2115	0.00	0.00	0.00	0.00
Other Postemployment Benefits Liability	2116	0.00	0.00	0.00	0.00
Judgments Payable	2130	0.00	0.00	0.00	0.00
Construction Contracts Payable	2140	0.00	0.00	0.00	0.00
Construction Contracts Payable - Retained Percentage	2150	0.00	0.00	0.00	0.00
Estimated Unpaid Claims - Self-Insurance Program	2271	0.00	0.00	0.00	0.00
Estimated Liability for Claims Adjustment	2272	0.00	0.00	0.00	0.00
Estimated Liability for Arbitrage Rebate	2280	0.00	0.00	0.00	0.00
Unearned Revenues	2410	0.00	0.00	0.00	0.00
<i>Noncurrent Liabilities</i>					
<i>Portion Due Within One Year:</i>					
Notes Payable	2310	0.00	0.00	0.00	0.00
Obligations Under Capital Leases	2315	0.00	0.00	0.00	0.00
Bonds Payable	2320	0.00	0.00	1,613,216.00	1,613,216.00
Liability for Compensated Absences	2330	0.00	0.00	90,968.58	90,968.58
Lease-Purchase Agreements Payable	2340	0.00	0.00	0.00	0.00
Estimated Liability for Long-Term Claims	2350	0.00	0.00	0.00	0.00
Net Other Postemployment Benefits Obligation	2360	0.00	0.00	0.00	0.00
Net Pension Liability	2365	0.00	0.00	0.00	0.00
Estimated PECO Advance Payable	2370	0.00	0.00	0.00	0.00
Other Long-Term Liabilities	2380	0.00	0.00	0.00	0.00
Derivative Instrument	2390	0.00	0.00	0.00	0.00
Estimated Liability for Arbitrage Rebate	2280	0.00	0.00	0.00	0.00
Due Within One Year		0.00	0.00	1,704,184.58	1,704,184.58
<i>Portion Due After One Year:</i>					
Notes Payable	2310	0.00	0.00	0.00	0.00
Obligations Under Capital Leases	2315	0.00	0.00	0.00	0.00
Bonds Payable	2320	0.00	0.00	67,660,559.34	67,660,559.34
Liability for Compensated Absences	2330	0.00	0.00	0.00	0.00
Lease-Purchase Agreements Payable	2340	0.00	0.00	0.00	0.00
Estimated Liability for Long-Term Claims	2350	0.00	0.00	0.00	0.00
Net Other Postemployment Benefits Obligation	2360	0.00	0.00	189,435.49	189,435.49
Net Pension Liability	2365	0.00	0.00	0.00	0.00
Estimated PECO Advance Payable	2370	0.00	0.00	0.00	0.00
Other Long-Term Liabilities	2380	0.00	0.00	400,000.00	400,000.00
Derivative Instrument	2390	0.00	0.00	0.00	0.00
Estimated Liability for Arbitrage Rebate	2280	0.00	0.00	0.00	0.00
Due in More than One Year		0.00	0.00	68,249,994.83	68,249,994.83
Total Long-Term Liabilities		0.00	0.00	69,954,179.41	69,954,179.41
<b>Total Liabilities</b>				<b>79,754,333.32</b>	<b>79,754,333.32</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Accumulated Increase in Fair Value of Hedging Derivatives	2610	0.00	0.00	0.00	0.00
Deficit Net Carrying Amount of Debt Refunding	2620	0.00	0.00	0.00	0.00
Deferred Revenues	2630	0.00	0.00	2,173,445.90	2,173,445.90
Pension	2640	0.00	0.00	0.00	0.00
Other Postemployment Benefits	2650	0.00	0.00	0.00	0.00
<b>Total Deferred Inflows of Resources</b>				<b>2,173,445.90</b>	<b>2,173,445.90</b>
<b>NET POSITION</b>					
Net Investment in Capital Assets	2770	0.00	0.00	(5,927,065.30)	(5,927,065.30)
<i>Restricted For:</i>					
Categorical Carryover Programs	2780	0.00	0.00	71,867.34	71,867.34
Food Service	2780	0.00	0.00	0.00	0.00
Debt Service	2780	0.00	0.00	1,150,646.31	1,150,646.31
Capital Projects	2780	0.00	0.00	2,160,652.68	2,160,652.68
Other Purposes	2780	0.00	0.00	1,684,070.57	1,684,070.57
Unrestricted	2790	0.00	0.00	7,297,236.18	7,297,236.18
<b>Total Net Position</b>				<b>6,437,407.78</b>	<b>6,437,407.78</b>

The notes to financial statements are an integral part of this statement.  
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**DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY**  
**COMBINING STATEMENT OF ACTIVITIES**  
**MAJOR AND NONMAJOR CHARTER SCHOOLS**  
**Major Charter School**  
**For the Fiscal Year Ended June 30, 2016**

FUNCTIONS	Account Number	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Component Unit
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<i>Component Unit Activities:</i>						
Instruction	5000	0.00	0.00	0.00	0.00	0.00
Student Support Services	6100	0.00	0.00	0.00	0.00	0.00
Instructional Media Services	6200	0.00	0.00	0.00	0.00	0.00
Instruction and Curriculum Development Services	6300	0.00	0.00	0.00	0.00	0.00
Instructional Staff Training Services	6400	0.00	0.00	0.00	0.00	0.00
Instruction-Related Technology	6500	0.00	0.00	0.00	0.00	0.00
Board	7100	0.00	0.00	0.00	0.00	0.00
General Administration	7200	0.00	0.00	0.00	0.00	0.00
School Administration	7300	0.00	0.00	0.00	0.00	0.00
Facilities Acquisition and Construction	7400	0.00	0.00	0.00	0.00	0.00
Fiscal Services	7500	0.00	0.00	0.00	0.00	0.00
Food Services	7600	0.00	0.00	0.00	0.00	0.00
Central Services	7700	0.00	0.00	0.00	0.00	0.00
Student Transportation Services	7800	0.00	0.00	0.00	0.00	0.00
Operation of Plant	7900	0.00	0.00	0.00	0.00	0.00
Maintenance of Plant	8100	0.00	0.00	0.00	0.00	0.00
Administrative Technology Services	8200	0.00	0.00	0.00	0.00	0.00
Community Services	9100	0.00	0.00	0.00	0.00	0.00
Interest on Long-Term Debt	9200	0.00	0.00	0.00	0.00	0.00
Unallocated Depreciation/Amortization Expense		0.00				0.00
<b>Total Component Unit Activities</b>		0.00	0.00	0.00	0.00	0.00

**General Revenues:**

*Taxes:*

Property Taxes, Levied for Operational Purposes	0.00
Property Taxes, Levied for Debt Service	0.00
Property Taxes, Levied for Capital Projects	0.00
Local Sales Taxes	0.00
Grants and Contributions Not Restricted to Specific Programs	0.00
Investment Earnings	0.00
Miscellaneous	0.00
Special Items	0.00
Extraordinary Items	0.00
Transfers	0.00
<b>Total General Revenues, Special Items, Extraordinary Items and Transfers</b>	0.00
<b>Change in Net Position</b>	0.00
Net Position, July 1, 2015	0.00
Adjustments to Net Position	0.00
Net Position, June 30, 2016	0.00

The notes to financial statements are an integral part of this statement.  
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**DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY**  
**COMBINING STATEMENT OF ACTIVITIES (CONTINUED)**  
**MAJOR AND NONMAJOR CHARTER SCHOOLS**  
*Major Charter School*  
**For the Fiscal Year Ended June 30, 2016**

FUNCTIONS	Account Number	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Component Unit
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<i>Component Unit Activities:</i>						
Instruction	5000	0.00	0.00	0.00	0.00	0.00
Student Support Services	6100	0.00	0.00	0.00	0.00	0.00
Instructional Media Services	6200	0.00	0.00	0.00	0.00	0.00
Instruction and Curriculum Development Services	6300	0.00	0.00	0.00	0.00	0.00
Instructional Staff Training Services	6400	0.00	0.00	0.00	0.00	0.00
Instruction-Related Technology	6500	0.00	0.00	0.00	0.00	0.00
Board	7100	0.00	0.00	0.00	0.00	0.00
General Administration	7200	0.00	0.00	0.00	0.00	0.00
School Administration	7300	0.00	0.00	0.00	0.00	0.00
Facilities Acquisition and Construction	7400	0.00	0.00	0.00	0.00	0.00
Fiscal Services	7500	0.00	0.00	0.00	0.00	0.00
Food Services	7600	0.00	0.00	0.00	0.00	0.00
Central Services	7700	0.00	0.00	0.00	0.00	0.00
Student Transportation Services	7800	0.00	0.00	0.00	0.00	0.00
Operation of Plant	7900	0.00	0.00	0.00	0.00	0.00
Maintenance of Plant	8100	0.00	0.00	0.00	0.00	0.00
Administrative Technology Services	8200	0.00	0.00	0.00	0.00	0.00
Community Services	9100	0.00	0.00	0.00	0.00	0.00
Interest on Long-Term Debt	9200	0.00	0.00	0.00	0.00	0.00
Unallocated Depreciation/Amortization Expense		0.00				0.00
<b>Total Charter School Activities</b>		0.00	0.00	0.00	0.00	0.00

**General Revenues:**

*Taxes:*

Property Taxes, Levied for Operational Purposes	0.00
Property Taxes, Levied for Debt Service	0.00
Property Taxes, Levied for Capital Projects	0.00
Local Sales Taxes	0.00
Grants and Contributions Not Restricted to Specific Programs	0.00
Investment Earnings	0.00
Miscellaneous	0.00
Special Items	0.00
Extraordinary Items	0.00
Transfers	0.00
<b>Total General Revenues, Special Items, Extraordinary Items and Transfers</b>	0.00
<b>Change in Net Position</b>	0.00
Net Position, July 1, 2015	0.00
Adjustments to Net Position	0.00
Net Position, June 30, 2016	0.00

The notes to financial statements are an integral part of this statement.  
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**DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY  
COMBINING STATEMENT OF ACTIVITIES (CONTINUED)  
MAJOR AND NONMAJOR Charter Schools  
TOTAL NONMAJOR CHARTER SCHOOLS  
For the Fiscal Year Ended June 30, 2016**

FUNCTIONS	Account Number	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position in Net Position Component Unit
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<i>Component Unit Activities:</i>						
Instruction	5000	48,183,065.31	371,204.18	4,305,424.77	3,465.89	(43,502,970.47)
Student Support Services	6100	2,562,641.27	0.00	238,056.08	2,502.30	(2,322,082.89)
Instructional Media Services	6200	91,868.75	0.00	1,232.00	0.00	(90,636.75)
Instruction and Curriculum Development Services	6300	699,056.73	0.00	133,705.27	1,029.12	(564,322.34)
Instructional Staff Training Services	6400	148,086.60	0.00	55,560.91	0.00	(92,525.69)
Instruction-Related Technology	6500	181,812.60	0.00	0.00	0.00	(181,812.60)
Board	7100	1,180,918.99	0.00	0.00	0.00	(1,180,918.99)
General Administration	7200	1,492,872.27	0.00	0.00	0.00	(1,492,872.27)
School Administration	7300	14,150,195.37	0.00	318,095.44	152,353.04	(13,679,746.89)
Facilities Acquisition and Construction	7400	3,628,021.58	0.00	17,562.00	1,121,349.41	(2,489,110.17)
Fiscal Services	7500	3,154,224.24	0.00	0.00	0.00	(3,154,224.24)
Food Services	7600	2,200,358.88	335,610.07	1,811,154.69	490.77	(53,103.35)
Central Services	7700	1,227,418.54	0.00	340.76	0.00	(1,227,077.78)
Student Transportation Services	7800	1,838,776.89	0.00	0.00	0.00	(1,838,776.89)
Operation of Plant	7900	18,316,844.97	0.00	317,719.47	525,201.38	(17,473,924.12)
Maintenance of Plant	8100	1,855,957.84	0.00	42,774.00	9,636.13	(1,803,547.71)
Administrative Technology Services	8200	147,483.59	0.00	0.00	0.00	(147,483.59)
Community Services	9100	1,554,734.18	1,832,044.52	0.00	0.00	277,310.34
Interest on Long-Term Debt	9200	7,525,515.35	0.00	0.00	1,935,001.10	(5,590,514.25)
Unallocated Depreciation/Amortization Expense		806,682.93				(806,682.93)
<b>Total Charter School Activities</b>		<b>110,946,536.88</b>	<b>2,538,858.77</b>	<b>7,241,625.39</b>	<b>3,751,029.14</b>	<b>(97,415,023.58)</b>

**General Revenues:**

*Taxes:*

Property Taxes, Levied for Operational Purposes	0.00
Property Taxes, Levied for Debt Service	0.00
Property Taxes, Levied for Capital Projects	0.00
Local Sales Taxes	0.00
Grants and Contributions Not Restricted to Specific Programs	94,965,159.98
Investment Earnings	296,992.83
Miscellaneous	2,720,664.14
Special Items	160,821.00
Extraordinary Items	9,957.14
Transfers	0.00
<b>Total General Revenues, Special Items, Extraordinary Items and Transfers</b>	<b>98,153,595.09</b>
<b>Change in Net Position</b>	<b>738,571.51</b>
Net Position, July 1, 2015	0.00
Adjustments to Net Position	5,698,836.27
Net Position, June 30, 2016	6,437,407.78

The notes to financial statements are an integral part of this statement.  
ESE 145

**DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY**  
**COMBINING STATEMENT OF ACTIVITIES**  
**MAJOR AND NONMAJOR CHARTER SCHOOLS**  
**TOTAL CHARTER SCHOOLS**  
**For the Fiscal Year Ended June 30, 2016**

FUNCTIONS	Account Number	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position in Net Position Component Unit
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<i>Component Unit Activities:</i>						
Instruction	5000	48,183,065.31	371,204.18	4,305,424.77	3,465.89	(43,502,970.47)
Student Support Services	6100	2,562,641.27	0.00	238,056.08	2,502.30	(2,322,082.89)
Instructional Media Services	6200	91,868.75	0.00	1,232.00	0.00	(90,636.75)
Instruction and Curriculum Development Services	6300	699,056.73	0.00	133,705.27	1,029.12	(564,322.34)
Instructional Staff Training Services	6400	148,086.60	0.00	55,560.91	0.00	(92,525.69)
Instruction-Related Technology	6500	181,812.60	0.00	0.00	0.00	(181,812.60)
Board	7100	1,180,918.99	0.00	0.00	0.00	(1,180,918.99)
General Administration	7200	1,492,872.27	0.00	0.00	0.00	(1,492,872.27)
School Administration	7300	14,150,195.37	0.00	318,095.44	152,353.04	(13,679,746.89)
Facilities Acquisition and Construction	7400	3,628,021.58	0.00	17,562.00	1,121,349.41	(2,489,110.17)
Fiscal Services	7500	3,154,224.24	0.00	0.00	0.00	(3,154,224.24)
Food Services	7600	2,200,358.88	335,610.07	1,811,154.69	490.77	(53,103.35)
Central Services	7700	1,227,418.54	0.00	340.76	0.00	(1,227,077.78)
Student Transportation Services	7800	1,838,776.89	0.00	0.00	0.00	(1,838,776.89)
Operation of Plant	7900	18,316,844.97	0.00	317,719.47	525,201.38	(17,473,924.12)
Maintenance of Plant	8100	1,855,957.84	0.00	42,774.00	9,636.13	(1,803,547.71)
Administrative Technology Services	8200	147,483.59	0.00	0.00	0.00	(147,483.59)
Community Services	9100	1,554,734.18	1,832,044.52	0.00	0.00	277,310.34
Interest on Long-Term Debt	9200	7,525,515.35	0.00	0.00	1,935,001.10	(5,590,514.25)
Unallocated Depreciation/Amortization Expense		806,682.93				(806,682.93)
<b>Total Component Unit Activities</b>		<b>110,946,536.88</b>	<b>2,538,858.77</b>	<b>7,241,625.39</b>	<b>3,751,029.14</b>	<b>(97,415,023.58)</b>

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Net Position, June 30, 2016	6,437,407.78

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

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

### **A. Reporting Entity**

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

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

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

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

Based on assessing the criteria for classifying entities as component units under GASB 61, charter schools no longer qualify as part of the District's Reporting Entity and should not be reported as discretely presented component units. The District is not financially accountable for charter schools since charter schools are not fiscally dependent on the District. Charter schools also fail to meet the definition of misleading to exclude since the District does not have the ability to access the economic or organizational resources received or held by a charter school. Even though charter schools no longer qualify as component units under GASB 61, the Florida Department of Education has required District's report financial information of charter schools. As a result, we have included charter school unaudited financial information that was available at the time of publication for State reporting purposes, but they will be excluded from the Comprehensive Annual Financial Report to comply with GAAP.

Complete financial statements of the individual charter schools can be obtained from administrative offices. The thirty five schools included on Exhibit C-10, C-11c J-1 and J-2 are listed below:

Academy for Positive Learning, Inc.  
1200 North Dixie Highway  
Lake Worth, FL 33460

Palm Beach School for Autism, Inc.  
8480 West Lantana Road  
Lantana, FL 33462

Belle Glade Excel Charter School  
555 SW 16th Street  
Belle Glade, FL 33430

Potential Charter School  
1201 Australian Avenue  
Riviera Beach, Florida 33404

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

Quantum High School  
1275 Gateway Blvd  
Boynton Beach, FL 33426

Boca Raton Charter School, Inc.  
269 NE 14<sup>th</sup> Street  
Boca Raton, FL 33432

Renaissance Charter School at Central Palm  
6696 South Military Trail  
Lake Worth, FL 33463

Bright Futures Academy Charter School, Inc.  
10350 Riverside Drive  
Palm Beach Gardens, FL 33410

Renaissance Charter School at Cypress  
8131 Okeechobee Blvd.  
West palm Beach, FL 33411

Ed Venture Charter School, Inc.  
113 East Coast Avenue  
Hypoluxo, FL 33462

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

Everglades Preparatory Academy, Inc.  
360 East Main Street, Building C  
Pahokee, FL 33476

Renaissance Charter School at Summit  
2001 Summit Blvd  
West Palm Beach, FL 33406

Florida Futures Academy - North Campus  
1760 North Congress Avenue  
West Palm Beach, FL 33409

Renaissance Charter School at Wellington  
3220 South state Road 7  
Wellington, FL 33449

Gardens School of Technology Arts, Inc.  
9153 Roan Lane  
Palm Beach Gardens, FL 33403

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

Glades Academy, Inc.  
7368 State Road 15, Building  
Pahokee, FL 33476

Seagull Academy (SAIL)  
6250 N. Military Trail  
West Palm Beach, Florida 33407

Gulfstream Goodwill Transitions  
To Life Academy, Inc.  
3800 South Congress Avenue, Suite 12  
Boynton Beach, FL 33437

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

Lakeside Academy, Inc.  
716 South Main Street  
Belle Glade, FL 33430

Learning Path Academy, Inc.  
1340 Kenwood Road  
West Palm Beach, FL 33401

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

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

Palm Beach Maritime Academy  
600 South East Coast Avenue  
Lantana, FL 33462

Palm Beach Maritime Academy High School  
1518 West Lantana Road  
Lantana, Florida 33462

Somerset Academy Boca East  
333 S.W. 4th Avenue  
Boca Raton, FL 33432

Somerset Academy Boca Middle School  
333 S.W. 4th Avenue  
Boca Raton, FL 33432

Somerset Academy Canyons Middle School  
9385 Boynton Beach Blvd.  
Boynton Beach, FL 33472

Somerset Academy Canyons High School  
9385 Boynton Beach Blvd.  
Boynton Beach, FL 33472

Toussaint L'Ouverture HS for Arts & Social Justice  
301 SW 14th Avenue  
Delray Beach, FL 33444

Worthington High School  
1711 Worthington Road  
West Palm Beach, Florida 33409

University Prep Palm Beach  
d/b/a University Preparatory Academy  
2101 North Australian Avenue  
West Palm Beach, FL 33407

The charter schools listed below are not included in Charter School Exhibit since financial reports were unavailable at the time of publication.

Believers Academy, Inc.  
5840 Corporate Way, Suite 100  
West Palm Beach, FL 33407

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

Eagle Arts Academy, Inc.  
1000 Wellington Trace  
Wellington, FL 33414

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

Franklin Academy B2  
7882 South Military Trail  
Boynton Beach, FL 33436

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

Franklin Academy C  
5651 Hood Road  
Palm Beach Gardens, FL 33418

Renaissance Learning Center  
5800 Cororate Way  
West Palm Beach, FL 33407

Franklin Academy D  
5651 Hood Road  
Palm Beach Gardens, FL 33418

South Tech Charter Academy, Inc.  
1300 SW 30th Avenue  
Boynton Beach, FL 33426

Florida Virtual Academy at PBC (Online only)  
9143 Philips Highway, Suite 590  
Jacksonville, FL 32256

South Tech Preparatory Academy  
1300 S.W. 30th Avenue  
Boynton Beach, FL 33426

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

Western Academy Charter School  
650 Royal Palm Beach Boulevard, Suite 300  
Royal Palm Beach, FL 33411

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

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

### ***Government-wide Financial Statements***

The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for Fiduciary Funds. The District eliminates from the Statement of Net Position and the Statement of Activities most interfund receivables and payables and transfers between funds as well as the transaction associated with its Internal Service Funds.

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

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

### ***Fund Financial Statements***

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

The Governmental Funds are accounted for on the "flow of current financial resources" measurement focus. Governmental fund financial statements are prepared using the current financial resource measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred. The Proprietary Fund is accounted for on an "economic resources" measurement focus. Accordingly, the Statement of Revenues, Expenses and Changes in Fund Net Position for the Proprietary Fund reports increases and decreases in total economic net worth. The private purpose trust fund is reported using the economic resources measurement focus.

## **GOVERNMENTAL FUNDS**

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

### ***General Fund***

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

### ***Other Debt Service Fund***

The Other Debt Service Fund accounts for the repayment of the certificates of participation in addition to the Bus and Equipment Loans.

### ***Nonvoted Capital Improvement Fund***

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

### ***Other Governmental Funds***

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

### **PROPRIETARY FUNDS**

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

#### ***Internal Service Fund***

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

### **FIDUCIARY FUNDS**

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

#### ***Agency Funds***

Agency Funds consist of activity funds, which are established at each school to record 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 recognized in the financial records and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and Fiduciary Funds use the accrual basis of accounting.

#### ***Modified Accrual***

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



Expenditures are recognized in the accounting period in which the liability is incurred. However, exceptions include the amount of unmatured principal and interest on general long-term debt, compensated absences, OPEB, pension, claims and judgments and certain prepaid items which are recognized when due/paid.

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

### ***Accrual***

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

### ***Revenue Recognition***

***State Revenue Sources*** – Revenues from State sources for current operations are primarily from the Florida Education Finance Program (“FEFP”), administered by the Florida Department of Education (“FDOE”), under the provisions of Chapter 1011, Florida Statutes. This revenue is recognized when received. 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 and recognizes revenue from the State to administer certain categorical educational programs. State Board of Education rules require that revenue earmarked for these programs be expended only for the program for which the money is provided and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical educational programs.

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

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

## **C. Budgetary Policies**

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

Annual budgets are legally adopted for all funds except the Fiduciary Funds. The budget amounts for revenues and expenditures reflect all amendments to the original budget dated September 11, 2013 the date of the final amendment approved by the Board. Significant dates in the budgeting timetable follow:

1. The Palm Beach County Property Appraiser certifies to the District the taxable value of all nonexempt District property by July 1 of each year, or the Clerk of the Circuit Court is required to

certify an interim tax roll.

2. Within 24 days of tax roll certification, the Board considers and approves for advertising a tentative budget.
3. Within 29 days after tax roll certification, the District advertises the tentative budget and the millage rates therein.
4. A public hearing to adopt the tentative budget and proposed millage rate is held not less than two nor more than five days after the budget is advertised.
5. Within 35 days of tax roll certification, the District notifies the Palm Beach County Property Appraiser of proposed millage rates.

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

The major functional level is the legal level of budgetary control. Per Board policy, management is authorized to make budget amendments at function level with Board approval. All interim budget amendments between major functional areas within each fund are submitted to the Board for approval. Federal and State grant budget amendments which require State approval prior to processing are also submitted to the Board for approval with monthly amendments.

Unreserved appropriations are cancelled at the end of the fiscal year. However, encumbered appropriations for funds do not lapse at the end of the fiscal year. Restricted, committed and assigned fund balances at June 30, 2016 for funds under budgetary control have been re-appropriated for the fiscal year 2017 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. The District categorizes its investments according to the fair value hierarchy established by GASB Statement No. 72. The hierarchy is based on quoted market prices in active markets for identical assets. 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, using the average cost method. The District's inventories include various items consisting of school supplies, paper, textbooks, fuel, commodities, etc. USDA commodities received from the

Federal government are recorded at the value established by the Federal government using the average cost method. Inventorial items are recorded as expenditures when shipped to schools and department offices (the consumption method). The nonspendable fund balance at the governmental fund level is equal to the amount of inventories at year-end to indicate the portion of the governmental fund balances that are nonspendable.

**G. Prepaid Items**

Expenditures for insurance and similar services extending over more than one accounting period are not allocated between or among accounting periods in the governmental funds and are instead accounted for as expenditures in the period of acquisition (Purchase method). On the Government Wide financial statements these amounts are reported as prepaid.

**H. Capital Assets**

Capital assets represent the cumulative amount of capital assets owned by the District. Purchased assets are recorded as expenditures in the fund financial statements and are capitalized at cost on the government-wide statement of net position. Gifts or contributions are recorded at fair value at the time received. The District’s capitalization levels are \$1,000 on tangible personal property, \$100,000 on building improvements, \$50,000 on improvements other than buildings and \$100,000 on intangible assets. Other costs incurred for repairs and maintenance is expensed as incurred. All reported capital assets except land and construction in progress are depreciated.

Depreciation is computed using the straight-line method over the following estimated useful lives:

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

**I. Deferred outflows/inflows of resources**

In addition to assets, the statement of financial position has a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. One item is accumulated decrease in fair value of hedging derivatives (See Note 11). A second item is the net carrying amount of debt refunding reported in the government-wide statement of net position. A deferred loss on debt refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded debt or new refunding debt. A third item, in accordance with GASB 68, the District restated beginning balances and reports pension related deferred outflows of resources and deferred inflows of resources on its financial statements (see footnote 12 for additional information).

On the Government Wide financial statements Deferred Outflows of Resources activity for fiscal year ended June 30, 2016 is as follows (in thousands):

	Ending Balance			Ending Balance
	June 30, 2015	Increase	Decrease	June 30, 2016
<b>Deferred Outflows of Resources</b>				
Accumulated Decrease in Fair Value of				
Hedging Derivatives	\$ 74,213	\$ 16,863	\$ -	\$ 91,076
Deferred Loss on Debt Refunding	102,998	8,181	10,278	100,901
Pension Related - FRS (see footnote 12)	89,297	81,488	57,082	113,703
Pension Related - HIS (see footnote 12)	27,715	35,117	16,674	46,158
<b>Total Outflows of Resources</b>	<b>\$ 294,223</b>	<b>\$ 141,649</b>	<b>\$ 84,034</b>	<b>\$ 351,838</b>

In addition to liabilities, the statement of net position has a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has \$1.9 million Unavailable Deferred Revenue (\$1.7 million is related to Medicaid administration claims) that qualifies as a deferred inflow of resources and it is shown in the governmental funds Balance Sheet under the modified accrual basis of accounting.

On the Government Wide financial statements Deferred Inflows of Resources total \$104.1 million as shown below (in thousands):

	Ending Balance			Ending Balance
	June 30, 2015	Increase	Decrease	June 30, 2016
<b>Deferred Inflows of Resources</b>				
Pension Related - FRS (see footnote 12)	\$ 267,633	\$ -	\$ 171,724	\$ 95,909
Pension Related - HIS (see footnote 12)	-	8,243	-	8,243
<b>Total Inflows of Resources</b>	<b>\$ 267,633</b>	<b>\$ 8,243</b>	<b>\$ 171,724</b>	<b>\$ 104,152</b>

#### **J. Long Term Debt**

In the fund-level financial statements, governmental funds report the face amount of debt issued and debt principal payments, as well as any premiums (discounts) as other financing sources (uses). Debt issuance costs are reported as debt service expenditures. In the government-wide financial statements, long-term debt is reported as liabilities in the statement of net position. Bond premiums/discounts and Bond insurance cost are amortized over the life of the bonds.

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

#### **K. Self-Insurance**

The District is self-insured for health (health insurance for employees and eligible dependents) and portions of its general and automobile liability insurance and workers' compensation (insurance for various risks of loss related to torts; theft of; damage to; destruction of assets; errors and omissions; injury to employees and

natural disasters). The estimated liability for self-insured risks represents an estimate of the amount to be paid on insurance claims reported and on insurance claims incurred but not reported (See Note 8).

Consistent with GAAP guidelines, in the Proprietary Fund financial statements, the liability for self-insured risks is recorded under the accrual basis of accounting. As of July 1, 2013, Workers Compensation, General and Auto Claims are reported as an Internal Service Fund. The negative net position will be funded over a fifteen year period.

#### **L. Compensated Absences**

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

The District uses the vesting method to calculate the compensated absences amounts. The entire compensated absence liability is reported on the government-wide financial statements. The portion related to employees in the Internal Service Fund is recorded at the fund level. The current portion is the amount estimated to be used in the following year. An expenditure is recognized in the governmental fund as payments come due each period, for example, as a result of employee resignations and retirements. Compensated absences not recorded at the fund level represent a reconciling item between the fund level and government-wide presentations (See Note 10).

#### **M. Pensions**

In the government-wide statement of net position, liabilities are recognized for the District's proportionate share of each pension plan's net pension liability. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) defined benefit plan and additions to deductions from the FRS's and the HIS's fiduciary net position have been determined on the same basis as they are reported by the FRS and the HIS plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. See footnote 12 for additional information regarding the District's retirement plans and related amounts.

#### **N. 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/deferred outflows of resources and liabilities/deferred inflows of resources and disclosures of contingent assets/deferred outflows of resources and liabilities/deferred inflows of resources 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.

#### **O. Impact of Recently Issued Accounting Principles**

##### *Recently Issued and Adopted Accounting Pronouncements*

In February 2015, The District adopted GASB *Statement No. 72, Fair Value Measurement and Application* will be effective for the District beginning with its year ending June 30, 2016. GASB 72 requires the Funds to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or income approach. GASB 72 establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices included within Level 1 that are observable for the asset

or liability, either directly or indirectly. Level 3 inputs are unobservable inputs, and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. GASB 72 also contains note disclosure requirements regarding the hierarchy of valuation inputs and valuation techniques that was used for the fair value measurements. The adoption of GASB 72 is reflected in Notes 3, 10, and 11.

In June 2015, GASB Statement No. 73, *Accounting and Financial Reporting for Pension and Related Assets That Are Not Within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statement Nos. 67 and 68*, will be effective for the District beginning with its year ending June 30, 2016, except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of GASB Statement No. 68, which are effective for the District beginning with its year ending June 30, 2017. This Statement will establish requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria. The adoption of this statement did not impact the District's financial statements.

In June 2015, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, will be effective for the District beginning with its year ending June 30, 2016. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the AICPA that is cleared by the GASB. The Statement also addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The adoption of this statement did not impact the District's financial statements.

In December 2015, GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, will be effective for the District beginning with its year ending June 30, 2016. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. The adoption of this statement did not impact the District's financial statements.

#### Recently Issued Accounting Pronouncements

In June 2015, GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, will be effective for the District beginning with its year ending June 30, 2017. This Statement will establish rules on reporting by OPEB plans that administer benefits on behalf of governments. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In June 2015, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will be effective for the District beginning with its year ending June 30, 2018. This Statement outlines reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In August 2015, GASB Statement No. 77, *Tax Abatement Disclosures*, will be effective for the District beginning with its year ending June 30, 2017. This Statement requires state and local governments, for the first time, to disclose information about tax abatement agreements. It requires governments to disclose information about their own tax abatements separately from information about tax abatements that are entered into by other governments and reduce the reporting government's tax revenues. Management of the District is still in

the process of determining what effect, if any, GASB 77 will have on the basic financial statements and related disclosures.

In December 2015 GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, will be effective for the District beginning with its year ending June 30, 2017. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In January 2016, GASB Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, will be effective for the District beginning with its year ending June 30, 2017. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In March 2016, GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73* will be effective for the District beginning with its year ending June 30, 2017. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

## **2. AD VALOREM TAXES**

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

Property values are assessed as of January 1 each year. The Board levies the property tax at the final budget hearing each year based on the assessed valuation of all non-exempt property. This levy finances the expenditures of the current fiscal year. Tax bills are mailed by the Palm Beach County Tax Collector on November 1 and are due no later than April 1. After this date, taxes become an enforceable lien on property. Discounts of up to 4% are available for early payment. The majority of ad valorem taxes are collected in

November and December and remitted to the School Board. Section 197.383, Florida Statutes, requires the Palm Beach County Tax Collector to distribute the taxes collected to each taxing authority at least four times during the first two months after the tax roll comes into the Tax Collector's possession, and at least once per month thereafter. Taxes are considered delinquent if not paid prior to April 1. State law provides for enforcement of collection of taxes by the sale of tax certificates on real property and for levy upon, seizure and sale of personal property after the Palm Beach County Tax Collector initiates a sequence of required procedures resulting in a court order to carry out the action.

The State Legislature prescribes the maximum non-voted millage that may be levied by the Board for each fiscal year. The total millage rate levy was 7.512 mills and the total assessed value on which the 2015-16 levy was based was \$176.5 billion. Gross taxes levied were approximately \$1.2 billion. Total revenue, net of discounts, was approximately \$1.2 billion. A portion of the taxes levied for the Local Capital Improvement Capital Project Fund, designated for repairs and maintenance programs are transferred to the General Fund as provided by Chapter 1013, Florida Statutes. For fiscal year 2016, the maintenance transfer amounted to approximately \$79.2 million. Additionally, approximately \$7.1 million was transferred for property insurance; approximately \$3.1 million was transferred for charter school capital outlay bringing the total transfer from capital to approximately \$89.4 million.

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

#### **Cash and Cash Equivalents**

Florida Statutes authorize the deposit of District funds in demand deposits or time deposits of financial institutions approved by the State Treasurer and are defined as public deposits. All District public deposits are held in qualified public depositories pursuant to chapter 280, Florida Statutes, the "Florida Security for Public Deposits Act." Under the Act, all qualified public depositories are required to pledge eligible collateral having a market value equal to or greater than the average daily or monthly balance of all public deposits times the depository's collateral pledging level. The collateral pledging level may range from 50% to 125% depending upon the depository's financial condition and the length of time that the depository has been established. All collateral must be deposited with the State Treasurer. Any losses to public 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, 2016, the carrying amount of the District's cash deposits was approximately \$306.1 million and the bank balance was approximately \$254.9 million. The carrying amount of the Agency Fund - School Internal Funds cash deposits was approximately \$17.4 million.

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

Cash Equivalents consist of amounts invested in Money Markets, Florida Education Investment Trust Fund (FEITF) and Florida Prime.

#### **Investments**

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

The District has implemented GASB *Statement No. 72, Fair Value Measurement and Application* issued in February 2015 by categorizing the investments according to the fair value hierarchy established by this



Statement. The hierarchy is based on the valuation input used to measure the fair value of the asset with Level 1 assets being those where quoted prices in an active market for identical assets can be readily obtained.

As of June 30, 2016, the District had the following unrestricted cash and investments and maturities that were all categorized as Level 1 (amounts in thousands):

<b>PORTFOLIO / INVESTMENTS TYPE LEVEL 1</b>	<b>FAIR VALUE (in thousands)</b>	<b>EFFECTIVE DURATION</b>
<b>Cash Deposits</b>	\$ 306,112	N/A
<b>Money Market Funds</b>	67,327	N/A
<b>Florida Education Investment Trust Fund (FEITF)</b>	123,124	N/A
<b>Florida Prime</b>	33	0.11
<b>Commercial Paper</b>	52,067	0.10
<b>Core Fund Investments</b>		
US Treasury - Notes	30,001	1.98
Federal Agency - Bond/Notes	12,631	1.68
Corporate Notes	6,275	1.37
Municipal Bonds	1,004	1.82
<b>TOTAL</b>	<b>\$ 598,574</b>	

#### **Interest Rate Risk**

To limit exposure to fair value losses resulting from increases in interest rates, the District's Investment Policy limits operating funds to maturities of two years or less. Investments of reserves, project funds, debt proceeds and other non-operating funds ("core funds") shall have a term appropriate to the need for funds and in accordance with debt covenants, but in no event shall exceed five (5) years and the average duration of the funds as a whole may not exceed three (3) years. The District's investment in the Federally Backed Securities (Fannie Mae, Freddie Mac (also known as Federal Home Loan Mortgage Corporation) and Farmer Mac) matures between March, 2017 and June, 2019. As of June 30, 2016, the District held no callable securities.

#### **Concentration of Credit Risk**

The District's Investment Policy specifies the maximum percentage allocation to any single investment type as well as the maximum percentage holding per issuer. Up to 100% of the portfolio may be invested in U.S. Government securities, 80% may be invested in Federal Instrumentalities (US government sponsored agencies) with no more than 50% with a single issuer and 50% may be invested in US government agencies with no more than 25% with a single issuer. Corporate Notes are limited to 15% of the portfolio with no more than 5% with a single issuer.

<b>PORTFOLIO / INVESTMENTS TYPE LEVEL 1</b>	<b>FAIR VALUE (in thousands)</b>	<b>PERCENTAGE OF INVESTMENT BALANCE</b>	<b>RATING S&amp;P / MOODY'S</b>
<b>Cash Deposits</b>	\$ 306,112	51.14%	
<b>Money Market Funds</b>			
Dreyfus Treasury and Agency	40,849	6.82%	AAAm/Aaa-mf
Federated Government Obligation	18,544	3.10%	AAAm/Aaa-mf
Fidelity Institutional Government Fund	7,934	1.33%	AAAm/Aaa-mf
<b>Florida Education Investment Trust Fund (FEITF)</b>	123,124	20.57%	AAAm
<b>Florida State Board of Administration (SBA)</b>	33	0.01%	AAAm
<b>Commercial Paper</b>			
Bank of Tokyo	24,994	4.18%	A-1
Fortis	2,090	0.35%	A-1
Rabobank	24,983	4.17%	A-1
<b>Investments in Fixed Income Securities</b>			
US Treasury - Notes/Bill	30,001	5.01%	AA+/Aaa
Toyota Motor Corporation	1,217	0.20%	AA-/Aa3
Berkshire Hathaway	1,428	0.24%	AA/Aa2
IBM Corp	1,213	0.20%	AA-/Aa3
Apple	1,205	0.20%	AA+/Aa1
Chevron	1,212	0.20%	AA-/Aa2
Federally Backed Securities (Fannie Mae, Farmer Mac & Freddie Mac) - Long Term	12,631	2.11%	AA+/Aaa
Municipal Bonds	1,004	0.17%	AA/Aa3
<b>TOTAL</b>	<b>\$ 598,574</b>	<b>100.00%</b>	

As of June 30, 2016, 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.

### **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, 2016, the District held \$6.3 million of corporate notes of which had an S&P rating between AA- and AA+. All investments in the Federally Backed Securities (Fannie Mae, Freddie Mac (also known as Federal Home Loan Mortgage Corporation) and Farmer Mac) had a rating between AA+ and Aaa for securities held for more than one year. All other rated investments were rated between A-1 and AAAm by S&P. As of June 30, 2016, the Local Government Investment Pools were rated AAAm by S&P.

**Custodial Risk**

The District’s investment policy requires that all securities, with the exception of certificates of deposit, be held with a third party custodian; and all securities purchased by, and all collateral obtained by the District should be properly designated as an asset of the District. The securities must be held in an account separate and apart from the assets of the financial institution. A third party custodian is defined as any bank depository chartered by the Federal government, the state of Florida, or any other state or territory of the United States which has a branch or principal place of business in the state of Florida as defined in § 658.12, F.S., or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in the state of Florida. Certificates of deposit will be placed in the provider’s safekeeping department for the term of the deposit. Security transactions between a broker/dealer and the custodian involving the purchase or sale of securities by transfer of money or securities are made on a "delivery vs. payment" basis, if applicable, to ensure that the custodian will have the security or money, as appropriate, in hand at the conclusion of the transaction. As of June 30, 2016, the District’s investment portfolio was held with a third-party custodian.

**4. INVESTMENT DERIVATIVE INSTRUMENTS**

The District received an upfront premium payment of \$3.0 million for allowing the swap counterparty the right to terminate the 2003B Interest Rate Swap if the 180 day average of the BMA Index exceeds 7.0% in the future. The barrier feature was effective June 2003 and is exercisable anytime until August 2018. Once the barrier option expires the District will be left with a fixed-payer swap that matures August 2029. Therefore, for accounting and financial reporting purposes, the barrier option derivative instrument is considered an investment derivative instrument. At June 30, 2016, the fair value of the barrier option is approximately \$25,000 in asset position (See Note 11).

**5. DUE FROM OTHER GOVERNMENTS OR AGENCIES**

At June 30, 2016, the District had a total of approximately \$30.6 million in Due From Other Governments or Agencies which consisted of the following balances (amount in thousands):

	Other			Total
	General Fund	Governmental Funds	Internal Service Fund	
<b>Federal and State Sources</b>				
Medicaid*	\$ 2,906	\$ -	\$ -	\$ 2,906
Grant and Entitlements	-	13,739	-	13,739
FEMA	358	6	-	364
Fuel Tax*	177	-	-	177
<b>Local Sources</b>				
Erate*	897	-	-	897
Family Central	906	-	-	906
Impact Fees*	-	7,725	-	7,725
Pharmacy Rebates	-	-	2,404	2,404
Other	958	403	93	1,454
<b>Total Due From Other Governments or Agencies</b>	<b>\$ 6,202</b>	<b>\$ 21,873</b>	<b>\$ 2,497</b>	<b>\$ 30,572</b>

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

**6. INTERFUND ACTIVITIES**

Due to/from other funds consisted of the following balances at June 30, 2016 (amounts in thousands):

	Interfund Receivables	Interfund Payables
General Fund	\$ 2,000	\$ -
Other Governmental Funds	-	2,000
Total Interfund	<u>\$ 2,000</u>	<u>\$ 2,000</u>

The amount payable by the Other Governmental Fund to the General Fund is to cover temporary cash shortages related to timing of receipts.

Interfund transfers for the year ended June 30, 2016 were as follows (amounts in thousands):

Transfer from:	Transfer to:			Total
	General Fund	Other Debt Service	Other Governmental Funds	
Nonvoted Capital Improvement	\$ 81,299	\$ 134,428	\$ -	\$ 215,727
General Fund	-	-	14,551	14,551
Other Governmental Funds	8,135	20,063	5	28,203
Total	<u>\$ 89,434</u>	<u>\$ 154,491</u>	<u>\$ 14,556</u>	<u>\$ 258,481</u>

Transfers to the General Fund relate primarily to funding for the maintenance, renovation and/or repair of school facilities, pursuant to Section 1011.71 of the Florida Statutes, and charter school capital outlay. Transfers to other Debt Service and Other Governmental funds relate to amounts transferred to make debt service payments and to fund an adult education capital project.

## 7. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016 is as follows (amounts in thousands):

	Ending Balance June 30, 2015	Additions and Transfer In	Retirements and Transfers Out	Ending Balance June 30, 2016
<b><i>Non-Depreciable Assets:</i></b>				
Land	\$ 338,593	\$ 87	\$ -	\$ 338,680
Construction in Progress	36,433	2,789	38,072	1,150
<b>Total Non-Depreciable Assets</b>	<b>375,026</b>	<b>2,876</b>	<b>38,072</b>	<b>339,830</b>
<b><i>Depreciable Assets:</i></b>				
Improvements Other Than Buildings	57,898	608	-	58,506
Buildings and Improvements	4,135,273	38,563	514	4,173,322
Furniture, Fixtures & Equipment	126,019	7,401	6,237	127,183
Motor Vehicles	108,143	15,091	7,203	116,031
Audio/Video Materials & Software	47,791	21	6,685	41,127
<b>Total Depreciable Assets</b>	<b>4,475,124</b>	<b>61,684</b>	<b>20,639</b>	<b>4,516,169</b>
<b><i>Less Depreciation For:</i></b>				
Improvements Other Than Buildings	(27,790)	(3,975)		(31,765)
Buildings and Improvements	(1,143,583)	(87,246)	(514)	(1,230,315)
Furniture, Fixtures & Equipment	(98,954)	(8,828)	(5,977)	(101,805)
Motor Vehicles	(82,117)	(6,784)	(7,001)	(81,900)
Audio/Video Materials & Software	(44,120)	(2,146)	(6,674)	(39,592)
<b>Total Accumulated Depreciation</b>	<b>(1,396,564)</b>	<b>(108,979)</b>	<b>(20,166)</b>	<b>(1,485,377)</b>
<b>Capital Assets, Net</b>	<b>\$ 3,453,586</b>	<b>\$ (44,419)</b>	<b>\$ 38,545</b>	<b>\$ 3,370,622</b>

Depreciation expense for the year ended June 30, 2016 of approximately \$109.0 million was not allocated to specific functions. The District's capital assets essentially serve all functions and as such the depreciation expense is included as a separate line item in the statement of activities.

## 8. RISK MANAGEMENT

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

The employee health insurance claims liability is based on an analysis performed by management, which is based on historical trends. The remaining claims liability is based on an actuarial evaluation performed by an independent actuary as of June 30, 2016 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, 2016, the liability for claims consisted of approximately \$13.0 million, \$12.8 million and \$32.0 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, 2015	Fiscal Year Ended June 30, 2016
Beginning Balance	\$ 51,836	\$ 56,829
Additions:		
Current year and changes in estimates	185,046	194,374
Reductions:		
Claim payments	(180,053)	(193,391)
Ending Balance	<u>\$ 56,829</u>	<u>\$ 57,812</u>

## 9. SHORT-TERM DEBT

### Tax Anticipation Notes

On September 25, 2015 the District issued Tax Anticipation Notes ("TANS"), Series 2015 for \$115.0 million. Note proceeds were used to pay fiscal year 2016 District operating expenditures prior to the receipt of ad valorem taxes. The notes were repaid in January 2016.

Short-term debt activity for the year ended June 30, 2016 was as follows (amounts in thousands):

	Beginning Balance July 1, 2015		Issued	Redeemed	Ending Balance June 30, 2016	
Tax anticipation notes	\$ -	\$ 115,000	\$ (115,000)	\$ -	\$ -	\$ -
Total short-term debt	<u>\$ -</u>	<u>\$ 115,000</u>	<u>\$ (115,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

## 10. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2016, is as follows (amounts in thousands):

	Beginning Balance June 30, 2015	Additions	Reductions	Ending Balance June 30, 2016	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Bonds, Notes and Leases Payable:					
Notes/Loans Payable	\$ 9,785	\$ 28,337	\$ (6,276)	\$ 31,846	\$ 8,361
Capital Outlay Bond Issue	17,430	-	(3,717)	13,713	2,317
Certificates of Participation	1,600,393	62,970	(121,400)	1,541,963	75,205
Borrowing-Swap Upfront Payment	2,876	-	(218)	2,658	227
Derivative Instruments-Hedging	74,213	16,863	-	91,076	-
	<u>1,704,697</u>	<u>108,170</u>	<u>(131,611)</u>	<u>1,681,256</u>	<u>86,110</u>
Plus Issuance Premium	105,257	8,541	(18,796)	95,002	-
<b>Total Bonds, Notes and Leases Payable</b>	<u>1,809,954</u>	<u>116,711</u>	<u>(150,407)</u>	<u>1,776,258</u>	<u>86,110</u>
Other Liabilities:					
Compensated Absences	182,362	16,837	(16,120)	183,079	15,983
Self-Insurance					
Claims and Judgments	56,829	194,374	(193,391)	57,812	23,714
Post Employment Benefits	102,032	12,277	(6,823)	107,486	-
Net Pension Liability	463,708	176,787	-	640,495	-
<b>Total Other Liabilities</b>	<u>804,931</u>	<u>400,275</u>	<u>(216,334)</u>	<u>988,872</u>	<u>39,697</u>
<b>Total Governmental Activities</b>					
<b>Long-Term Liabilities</b>	<u>\$ 2,614,885</u>	<u>\$ 516,986</u>	<u>\$ (366,741)</u>	<u>\$ 2,765,130</u>	<u>\$ 125,807</u>

### Bus and Equipment Loan

On July 2, 2015, the District entered into a loan agreement 2015 with Banc of America Public Capital Corp for financing the acquisition of 125 buses and other equipment of \$14.2 million issue a coupon rate of 1.242%. Under the terms of the loan agreement the debt is payable over five years.

On October 1, 2015, the District entered into a loan agreement 2015A with Banc of America Public Capital Corp for financing the acquisition of 18 HVAC systems and other equipment of \$7.2 million issue a coupon rate of 1.274%. Under the terms of the loan agreement the debt is payable over five years.

On March 1, 2016, the District entered into a loan agreement 2016 with Banc of America Public Capital Corp for financing the acquisition of 60 buses and other equipment of \$6.9 million issue a coupon rate of 1.255%. Under the terms of the loan agreement the debt is payable over five years.

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

Bus & Equipment Leases	Date of Issue	Amount Issued	Remaining Interest Rates (Percent)	Final Maturity Date	Debt Outstanding June 30, 2015	Debt Issued	Debt Redeemed FY 15-16	Debt Outstanding June 30, 2016
2014	02/20/14	\$ 14,002	1.235%	08/01/18	\$ 9,785	\$ -	\$ 2,720	\$ 7,065
2015	07/02/15	14,235	1.242%	02/01/20	-	14,235	2,836	11,399
2015 A	10/01/15	7,152	1.274%	08/01/20	-	7,152	720	6,432
2016	03/18/16	6,950	1.254%	02/01/21	-	6,950	-	6,950
		<u>\$ 42,339</u>			<u>\$ 9,785</u>	<u>\$ 28,337</u>	<u>\$ 6,276</u>	<u>\$ 31,846</u>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total Principal and Interest</u>
FY17	\$ 8,361	\$ 361	\$ 8,722
FY18	8,454	267	8,721
FY19	7,115	162	7,277
FY20	5,760	81	5,841
FY21	2,156	18	2,174
	<u>\$ 31,846</u>	<u>\$ 889</u>	<u>\$ 32,735</u>

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



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

Capital Outlay Bond Issues	Date of Issue	Amount Issued	Remaining Interest Rates (Percent)	Final Maturity Date	Debt Outstanding June 30, 2015	Debt Matured FY 15-16	Debt Outstanding June 30, 2016
COBI 2009-A	9/10/2009	1,655	5.0%	1/1/2019	\$ 755	\$ 170	\$ 585
COBI 2010-A	10/14/2010	9,700	3.5% to 5.0%	1/1/2030	7,575	435	7,140
COBI 2010-A	10/14/2010	1,790	4.0% to 5.0%	1/1/2022	1,410	160	1,250
COBI 2011-A	12/7/2011	5,820	3.0% to 5.0%	1/1/2023	3,415	295	3,120
COBI 2014-B	12/2/2014	4,275	2.0% to 5.0%	1/1/2020	4,275	2,657	1,618
		<u>\$ 23,240</u>			<u>\$ 17,430</u>	<u>\$ 3,717</u>	<u>\$ 13,713</u>

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

Year Ended June 30	Principal Capital Outlay Bonds	Interest	Total Principal and Interest
2017	\$ 2,317	\$ 610	\$ 2,927
2018	1,543	494	2,037
2019	1,311	417	1,728
2020	1,177	358	1,535
2021	1,200	300	1,500
2022-2027	3,390	706	4,096
2028-2032	2,775	332	3,107
Total	<u>\$ 13,713</u>	<u>\$ 3,217</u>	<u>\$ 16,930</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, 2016, the statutory limit for the District was approximately \$17.6 billion, providing additional debt capacity of approximately \$17.6 billion.

### Certificates of Participation

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

The District also sold Certificates of Participation Qualified Zone Academy Bonds ("QZAB"). The QZAB program is a financial instrument that provides a different form of subsidy from traditional tax-exempt bonds. Interest on QZABs is paid by the Federal government in the form of an annual tax credit to an eligible financial

institution that holds the QZAB. The QZAB issuer is responsible for repayment upon maturity. The tax credits and bonding authority are made available by the Federal government to support innovative school partnerships; enhance reform initiatives, including augmenting Federal education programs, technology and vocational equipment; and development of curriculum or better teacher training to promote market driven technology. To be eligible, a school must:

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

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

As part of the American Reinvestment and Recovery Act, the District was authorized to issue up to \$67.7 million of Qualified School Construction Bonds (QSCB) for the purpose of new construction. The District chose to modernize two schools (Galaxy Elementary and Gove Elementary) and replace two roofs (Belle Glade Elementary and Pioneer Park Elementary). The District issued the bonds as Taxable Certificates of Participation through the Build America Bond program, also created by the ARRA legislation. The District issued taxable bonds and receives a federal subsidy from the Treasury department equal to the difference between the taxable and tax-exempt rates. The Certificates were sold to Bank of America during a competitive sale held on November 3, 2010 and closed on November 15, 2010. The par amount was \$67.7 million and the interest rate was 5.40%. The District will pay interest only until 2019 when deposits to the sinking fund begin. The final maturity of the bonds is August 1, 2025. The total interest that will be paid over the life of the bonds is \$53.8 million. A total subsidy of \$48.6 million will be recorded as revenue in the year earned. Therefore, the amount the District will pay net of the federal subsidy is \$5.1 million. In the current year, the District recorded \$3.3 million subsidy as revenue and \$3.7 million as interest expense resulting in a net impact of \$0.4 million.

Subsequent to the sale of the QSCB 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 \$3.0 million to be used to repay the principal in 2025.

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

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

Certificate Series	Date of Issue	Amount Issued	Remaining Interest Rates (Percent)	Final Maturity Date	Debt Outstanding June 30, 2015	Debt Issued FY 15-16	Debt Matured FY 15-16	Debt Refunded/Defeased June 30, 2016	Debt Outstanding June 30, 2016	Ground Lease Term
2002 QZAB	06/11/2002	\$ 950	-	06/11/2016	\$ 950	\$ -	\$ 950	\$ -	\$ -	06/11/2016
2002E (1)	09/01/2002	93,350	4.00%	08/01/2016	14,760	-	12,295	-	2,465	06/30/2016
2003A (2)	06/26/2003	60,865	-	08/01/2015	3,680	-	3,680	-	-	08/01/2021
2003B (3)	06/26/2003	124,295	1.06%	** 08/01/2029	124,295	-	-	-	124,295	08/01/2029
2004A (13)	05/04/2004	103,575	-	08/01/2015	3,495	-	3,495	-	-	08/01/2029
2004 QZAB	04/30/2004	2,923	-	04/30/2020	2,923	-	-	-	2,923	04/29/2020
2005 QZAB	12/15/2005	2,150	-	12/15/2020	2,150	-	-	-	2,150	12/15/2020
2006A	05/25/2006	222,015	4.25%	08/01/2016	14,035	-	6,850	-	7,185	08/01/2031
2007A	02/28/2007	268,545	4.00% to 5.00%	08/01/2017	40,270	-	12,825	-	27,445	08/01/2031
2007C (4)	03/22/2007	192,310	4.00% to 5.00%	08/01/2027	179,260	-	920	-	178,340	07/31/2027
2007D (5)	05/03/2007	30,485	-	08/01/2015	5,000	-	5,000	-	-	06/30/2015
2007E	10/31/2007	147,390	4.00% to 4.25%	08/01/2017	15,025	-	4,795	-	10,230	08/01/2032
2010A QSCB	11/15/2010	67,665	5.40%	*** 08/01/2025	67,665	-	-	-	67,665	08/01/2032
2011B (6)	06/29/2011	166,270	-	08/01/2015	845	-	845	-	-	08/01/2025
2011A (7)	07/13/2011	112,425	4.00% to 5.00%	08/01/2032	112,425	-	-	67,905	44,520	08/01/2032
2011C (8)	11/15/2011	15,355	1.74%	08/01/2018	6,540	-	370	-	6,170	08/01/2018
2011D (9)	11/15/2011	25,065	2.64%	08/01/2021	24,195	-	340	-	23,855	08/01/2021
2012A (10)	05/15/2012	20,085	5.00%	08/01/2028	20,085	-	-	-	20,085	08/01/2028
2012B (11)	06/29/2012	116,555	0.90%	**** 08/01/2028	107,310	-	85	-	107,225	08/01/2028
2012C (12)	08/09/2012	67,145	4.00% to 5.00%	08/01/2029	67,145	-	-	-	67,145	08/01/2029
2014A (13)	01/31/2014	115,560	0.87%	* 08/01/2027	115,560	-	105	-	115,455	08/01/2027
2014B (14)	06/27/2014	166,010	3.00% to 5.00%	08/01/2025	166,010	-	940	-	165,070	08/01/2025
2014C (15)	07/29/2014	33,280	5.00%	08/01/2031	33,280	-	-	-	33,280	08/01/2031
2015A (16)	05/05/2015	106,315	2.52%	08/01/2022	106,315	-	-	-	106,315	08/01/2022
2015B (17)	01/14/2015	145,535	5.00%	08/01/2031	145,535	-	-	-	145,535	08/01/2031
2015D (18)	04/30/2015	221,640	5.00%	08/01/2032	221,640	-	-	-	221,640	08/01/2032
2015C (19)	09/22/2015	106,315	5.00%	08/01/2032	-	62,970	-	-	62,970	08/01/2032
		<u>\$ 2,734,073</u>			<u>\$ 1,600,393</u>	<u>\$ 62,970</u>	<u>\$ 53,495</u>	<u>\$ 67,905</u>	<u>\$ 1,541,963</u>	

\* 2014A - Variable rate paid to certificate holders SIFMA +46 BPS. Resets weekly, 0.87% at 6/30/2016

\*\* 2003B - Variable rate paid to certificate holders SIFMA + 65 basis points. Resets weekly, 1.06% at 6/30/2016

\*\*\* 2010A QSCB - Average coupon rate before IRS subsidy is 5.4%. Net interest rate with IRS subsidy is 0.5629%

\*\*\*\* 2012B - Variable rate paid to certificate holders SIFMA +49 BPS. Resets weekly, 0.90% at 6/30/2016

- (1) Issued to advance refund and defease a portion of the Series 1995A and Series 1996A Certificates of Participation.
- (2) Refunded and partially defeased by Series 2011D Certificates of Participation.
- (3) On March 20, 2008, the District converted and remarketed the Series 2003B (with no change to principal).
- (4) Issued to advance refund and defease a portion the Series 2001A, Series 2002A, Series 2002C and Series 2002D Certificates of Participation. \*\*
- (5) Issued to advance refund and defease a portion of Series 1997A Certificates of Participation (which previously refunded Series 1994A Certificates of Participation). \*\*
- (6) Issued to advance refund and defease a portion of Series 2001B Certificates of Participation (which previously refunded Series 2000A Certificates of Participation). \*\*
- (7) Issued to advance refund and defease Series 2007B Certificates of Participation, refunded and partially defeases by 2015C Certificates of Participation. \*\*
- (8) Issued to advance refund and defease a portion of Series 2002A Certificates of Participation. \*\*
- (9) Issued to advance refund and defease a portion of Series 2003A Certificates of Participation. \*\*
- (10) Issued to advance refund and defease a portion of Series 2002D Certificates of Participation. \*\*
- (11) Issued to advance refund and defease remaining Series 2002D Certificates of Participation. \*\*
- (12) Issued to advance refund and defease a portion of Series 2004A Certificates of Participation. \*\*
- (13) Issued to advance refund and defease remaining Series 2002B Certificates of Participation. \*\*
- (14) Issued to advance refund and defease a portion of Series 2011B Certificates of Participation (which previously refunded Series 2000A Certificates of Participation). \*\*
- (15) Issued to advance refund and defease Series 2007A Certificates of Participation. \*\*
- (16) Issued to advance refund and defease a portion of Series 2005A Certificates of Participation (which previously refunded Series 2001A, 2002A, 2002C, and 2002D Certificates of Participation). \*\*
- (17) Issued to advance refund and defease a portion of Series 2006A Certificates of Participation. \*\*
- (18) Issued to advance refund and defease a portion of Series 2007A and 2007E Cert. of Participation. \*\*
- (19) Issued to advance refund and defease a portion of Series 2011A Cert. of Participation. \*\*

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

The Certificates are not separate legal obligations of the Board but represent undivided proportionate interests in lease payments to be made from appropriated funds budgeted annually by the School Board for such purpose from current or other funds authorized by law and regulations of the Department of Education, including the local optional millage levy. However, neither the Board, the District, the State of Florida, nor any political subdivision thereof are obligated to pay, except from Board appropriated funds, any sums due under the Master Lease from any source of taxation. The full faith and credit of the Board and the District are not pledged for payment of such sums due under the Master Lease, and such sums do not constitute an indebtedness of the Board or the District within the meaning of any constitutional or statutory provision or limitation. A trust fund was established with a Trustee to facilitate payments in accordance with the Master Lease and the Trust Agreement. Various accounts are maintained by the Trustee in accordance with the trust indenture. Interest earned on invested funds is applied toward the basic lease payments. Basic lease payments are deposited with the Trustee semi-annually on June 30 and December 30 or January 5 (for variable rate issue), 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. During the year ended June 30, 2016, approximately \$1.8 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, 2016, the arbitrage liability was zero.

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

Year ended June 30	Series 2002E	Series 2003B	Series 2006A	Series 2007A	Series 2007C	Series 2007E	Series 2011A	Series 2011C	Series 2011D
2017	\$ 2,465	\$ -	\$ 7,185	\$ 13,455	\$ 1,075	\$ 5,015	\$ -	\$ 4,585	\$ 4,205
2018	-	-	-	13,990	605	5,215	-	230	4,325
2019	-	-	-	-	800	-	-	1,355	4,435
2020	-	-	-	-	1,905	-	5,630	-	4,555
2021	-	-	-	-	15,730	-	5,895	-	4,670
2022-2026	-	24,945	-	-	71,605	-	32,995	-	1,665
2027-2031	-	99,350	-	-	86,620	-	-	-	-
2032-2036	-	-	-	-	-	-	-	-	-
Total	\$ 2,465	\$ 124,295	\$ 7,185	\$ 27,445	\$ 178,340	\$ 10,230	\$ 44,520	\$ 6,170	\$ 23,855

Year ended June 30	Series 2012A	Series 2012B	Series 2012C	Series 2014A	Series 2014B	Series 2014C	Series 2015A	Series 2015B	Series 2015C
2017	\$ -	\$ 105	\$ 3,500	\$ 105	\$ 11,345	\$ -	\$ 22,165	\$ -	\$ -
2018	-	5,130	3,680	-	14,335	-	22,595	6,745	-
2019	-	5,380	3,825	3,045	14,945	-	18,820	7,080	-
2020	-	70	4,015	10,420	15,615	-	18,345	7,435	-
2021	-	-	4,180	10,810	16,190	-	5,475	7,805	-
2022-2026	1,795	30,350	24,050	62,135	92,640	-	18,915	45,300	-
2027-2031	18,290	66,190	23,895	28,940	-	24,875	-	57,815	25,470
2032-2036	-	-	-	-	-	8,405	-	13,355	37,500
Total	\$ 20,085	\$ 107,225	\$ 67,145	\$ 115,455	\$ 165,070	\$ 33,280	\$ 106,315	\$ 145,535	\$ 62,970

Year ended June 30	Series 2015D	Series 2004 QZAB	Series 2005 QZAB	Series 2010A QSCB	Total Lease Payment	Total Interest	Total Lease Payment & Interest
2017	\$ -	\$ -	\$ -	\$ -	\$ 75,205	\$ 69,783	\$ 144,988
2018	-	-	-	-	76,850	67,039	143,889
2019	18,915	-	-	-	78,600	63,905	142,505
2020	5,275	2,923	-	-	76,188	60,781	136,969
2021	5,535	-	2,150	-	78,440	57,571	136,011
2022-2026	32,845	-	-	67,665	506,905	228,667	735,572
2027-2031	123,305	-	-	-	554,750	87,849	642,599
2032-2036	35,765	-	-	-	95,025	4,361	99,386
Total	\$ 221,640	\$ 2,923	\$ 2,150	\$ 67,665	\$ 1,541,963	\$ 639,956	\$ 2,181,919

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

**Defeased Debt**

On October 28, 2015, the District issued certificates of participation (Series 2015C) in the amount of \$63.0 million (plus a premium of \$8.5 million) with net interest cost of 4.16% to refund certificates of participation Series 2011A with interest rate of 5.00%. The District made a principal payment of \$67.9 million, and a call premium of \$3.2 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 \$9.7M which results in an economic savings of \$6.7 million, or 9.92% 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, 2016, the total amount of defeased debt outstanding but removed from the District's financial statements amounted to \$463.0 million.

**Certificates of Participation:**

Series	Maturities	Thousands		Call Date	Defeased by COPS Series
		Outstanding			
2011A	8/2032	\$	67,905	8/1/2016	2015C
2006A	8/2017 - 8/2031		160,405	8/1/2016	2015B
2007A	8/2018 - 8/2031		119,605	8/1/2017	2015D
2007E	8/2018 - 8/2032		115,065	8/1/2017	2015D
<b>Total Defeased COPS</b>		\$	<u>462,980</u>		

**Hedging Derivative Instrument Payments and Hedged Debt**

As of June 30, 2016, 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):

<b>Fiscal Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Hedging Derivative Instruments, Net</b>	<b>Total</b>
2017	\$ 210	\$ 2,106	\$ 13,809	\$ 16,125
2018	5,130	2,077	13,577	20,784
2019	8,415	2,039	13,276	23,730
2020	10,500	2,003	13,015	25,518
2021	10,810	1,947	12,609	25,366
2022-2026	117,430	7,907	50,992	176,329
2027-2031	194,480	3,006	17,464	214,950
	<u>\$ 346,975</u>	<u>\$ 21,085</u>	<u>\$ 134,742</u>	<u>\$ 502,802</u>

#### **Borrowings of Hybrid Derivative Instruments**

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

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

Debt service requirements for the 2012B/2002D borrowing at June 30, 2016, are as follows (amounts in thousands):

<b>Fiscal Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Principal and Interest</b>
2017	\$ 228	\$ 108	\$ 336
2018	229	98	327
2019	223	89	312
2020	224	79	303
2021	233	69	302
2022-2026	1,092	198	1,290
2027-2031	429	19	448
	<u>\$ 2,658</u>	<u>\$ 660</u>	<u>\$ 3,318</u>

## 11. DERIVATIVE INSTRUMENTS

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2016, classified by type, and the changes in fair value of such derivative instruments are as follows (amounts in thousands):

		Changes in Fair Value		Fair Value at June 30, 2016		
		Classification	Amount	Classification	Amount	Notional
<u>Governmental Activities Hedging Derivatives:</u>						
2002B/2014A Pay-fixed Interest Rate Swap	Deferred outflow of resources		\$ (2,645)	Liability	\$ (26,801)	\$ 115,245
2003B Pay-fixed Interest Rate Swap	Deferred outflow of resources		(9,043)	Liability	(34,561)	124,295
2002D/2012B Pay-fixed Interest Rate Swap	Deferred outflow of resources		(5,175)	Liability	(29,714)	107,225
Total Hedging Derivative Instruments			<u>\$ (16,863)</u>		<u>\$ (91,076)</u>	
<u>Investment Derivatives:</u>						
2003B-Barrier Option at 7%	Investment earnings		\$ (42)	Asset	\$ 25	100,000
Total Investment Derivative Instruments			<u>\$ (42)</u>		<u>\$ 25</u>	

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

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

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



### Objective and Terms of Derivative Instruments

The table below displays the objective and terms of the District's derivative instruments outstanding at June 30, 2016, 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/2014A - Interest Rate Swap	Hedge changes in cash flows on the 2014A Certificates \$ 115,245	3/20/2002	8/1/2027	N/A	Pay 4.22%; receive 67% of USD LIBOR or SIFMA bps Swap Index	Citigroup Financials Products Inc.	Baa2,A-,A
2003B -Interest Rate Swap	Hedge changes in cash flows on the 2003B Certificates 124,295	6/26/2003	8/1/2029	N/A	Pay 3.91%; receive SIFMA bps Swap Index	UBS AG, Stamford Branch	A2,A,A
2002D/2012B - Interest Rate Swap	Hedge changes in cash flows on the 2012B Certificates 107,225	8/1/2012	8/1/2028	\$ 4,240	Pay 4.71%; receive SIFMA Swap Index	Citibank N.A. New York	A2,A,A

#### Investment Derivatives:

2003B -Barrier option at 7%	Hedge against future increase in interest rates 100,000	6/26/2003	8/1/2018	3,010	See Note 1	UBS AG, Stamford Branch	A2,A,A
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Note 1 Counterparty has right to terminate the 2003B Interest Rate Swap if the 180 day average of the BMA index exceeds 7.0% in the future

### Risks

#### **Credit Risk**

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

It is the District's policy to enter into netting arrangements whenever it has entered into more than one derivative instrument transaction with a counterparty. Under the terms of these arrangements, should one party become insolvent or otherwise default on its obligations, close-out netting provisions permit the

nondefaulting party to accelerate and terminate all outstanding transactions and net the transactions' fair values so that a single sum will be owed by, or owed to, the nondefaulting party.

The District has investment derivative instruments in asset position of \$25 thousand and no hedging derivative instruments in asset positions at June 30, 2016.

**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.

**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**

**Florida Retirement System (FRS) – Defined Benefit Pension Plans**

**General Information about the FRS**

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any state-administered retirement system in paying the costs of health insurance.

Essentially all regular employees of the District are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost-sharing, multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' Website ([www.dms.myflorida.com](http://www.dms.myflorida.com)).

The District's pension expense in the governmental funds totaled \$78.7 million for the fiscal year ended June 30, 2016.

**FRS Pension Plan**

*Plan Description.* The FRS Pension Plan (Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees. The general classes of membership are as follows:

- *Regular Class* – Members of the FRS who do not qualify for membership in the other classes.
- *Elected County Officers Class* – Members who hold specified elective offices in local government.
- *Senior Management Service Class (SMSC)* – Members in senior management level positions.
- *Special Risk Class* – Members who are employed as law enforcement officers and meet the criteria to qualify for this class

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, “except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service”). All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service “except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service”). Members of the Plan may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

*Benefits Provided.* Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years’ earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years’ earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors’ benefits.

The following chart shows the percentage value for each year of service credit earned:

<b>Class, Initial Enrollment, and Retirement Age/Years of Service</b>	<b>% Value</b>
<b>Regular Class members initially enrolled before July 1, 2011</b>	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
<b>Regular Class members initially enrolled on or after July 1, 2011</b>	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
<b>Elected County Officers</b>	3.00
<b>Senior Management Service Class</b>	2.00
<b>Special Risk Regular</b>	
Service from December 1, 1970 through September 30, 1974	2.00
Service on and after October 1, 1974	3.00

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2015-16 fiscal year were as follows:

<b>Class</b>	<b>Percent of Gross Salary</b>	
	<b>Employee</b>	<b>Employer (1)</b>
FRS, Regular	3.00	7.26
FRS, Elected County Officers	3.00	42.27
FRS, Senior Management Service	3.00	21.43
FRS, Special Risk Regular	3.00	22.04
DROP - Applicable to Members from All of the Above Classes	0.00	12.88
FRS, Reemployed Retiree	(2)	(2)
TRS, Plan E	6.25	11.90

Notes: (1) Employer rates include 1.66 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.04 percent for administrative costs of the Investment Plan.

(2) Contribution rates are dependent upon retirement class in which reemployed.

The District's contributions to the Plan totaled \$87.8 million (which includes \$27.0 million of employee contributions) for the fiscal year ended June 30, 2016. This excludes the HIS defined benefit pension plan contributions.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2016, the District reported a liability of \$314.3 million for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The District's proportionate share of the net pension liability was based on the District's 2014-15 fiscal year contributions relative to the 2014-15 fiscal year contributions of all participating members. At June 30, 2015, the District's proportionate share was 2.433 percent, which was an increase of 0.102 from its proportionate share measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the District recognized pension credit of \$20.5 million related to the Plan. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 33,179	\$ (7,454)
Change of assumptions	20,860	
Net difference between projected and actual earnings on FRS pension plan investments	-	(75,046)
Changes in proportion and differences between District FRS contributions and proportionate share of contributions	2,582	(13,410)
District FRS contributions subsequent to the measurement date	57,082	-
<b>Total</b>	<b>\$ 113,703</b>	<b>\$ (95,910)</b>

The deferred outflows of resources related to pensions, totaling \$57.1 million, resulting from District contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2016	\$ (37,125)
2017	(37,125)
2018	(37,125)
2019	27,390
2020	(4,929)
Thereafter	(1,825)

Actuarial Assumptions. The total pension liability in the July 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Investment rate of return	7.65 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the July 1, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation (1)</b>	<b>Arithmetic Return</b>	<b>(Geometric) Return</b>	<b>Standard Deviation</b>
Cash	1.0%	3.2%	3.1%	1.7%
Fixed Income	18.0%	4.2%	4.7%	5.2%
Global Equity	53.0%	8.5%	7.2%	17.7%
Real Estate (Property)	10.0%	6.8%	6.2%	12.0%
Private Equity	6.0%	11.9%	8.2%	30.0%
Strategic Investment	12.0%	6.9%	6.1%	11.4%
<b>Total</b>	<b>100.00%</b>			
Assumed inflation - Mean		2.60%		1.90%

Note: (1) As outlined in the Plan's investment policy

Discount Rate. The discount rate used to measure the total pension liability was 7.65 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the District's Proportionate Share of the Net Position Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.65 percent) or 1-percentage-point higher (8.65 percent) than the current rate (amounts in thousands):

	<b>1% Decrease (6.65%)</b>	<b>Current Discount Rate (7.65%)</b>	<b>1% Increase (8.65%)</b>
District's proportionate share of the net pension liability	\$ 814,382	\$ 314,284	\$ (101,879)

Pension Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan. At June 30, 2016, the District reported a payable of \$17.4 million for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2016.

### **HIS Pension Plan**

Plan Description. The HIS Pension Plan (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Division of Retirement within the Florida Department of Management Services.

Benefits Provided. For the fiscal year ended June 30, 2016, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2016, the contribution rate was 1.66 percent of payroll pursuant to section 112.363, Florida Statutes. The District contributed 100 percent of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The District's contributions to the HIS Plan totaled \$16.4 million for the fiscal year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2016, the District reported a net pension liability of \$326.2 million for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The District's proportionate share of the net pension liability was based on the District's 2014-15 fiscal year contributions relative to the total 2014-15 fiscal year contributions of all participating members. At June 30, 2016, the District's proportionate share was 3.199 percent, which was a decrease of 0.106 from its proportionate share measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the District recognized pension expense of \$7.0 million related to the HIS Plan. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change of assumptions	\$ 25,664	\$ -
Net difference between projected and actual earnings on HIS pension plan investments	177	-
Changes in proportion and differences between District HIS contributions and proportionate share of HIS contributions	3,643	(8,242.00)
District contributions subsequent to the measurement date	16,674	-
<b>Total</b>	<b>\$ 46,158</b>	<b>\$ (8,242)</b>

The deferred outflows of resources related to pensions, totaling \$16.7million, resulting from District contributions to the HIS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2016	\$ 3,850
2017	3,850
2018	3,850
2019	3,183
2020	4,151
Thereafter	1,727

Actuarial Assumptions. The total pension liability in the July 1, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Municipal Bond Rate	3.80 percent

Mortality rates were based on the Generational RP-2000 with Projected Scale BB. The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2014.

Discount Rate. The discount rate used to measure the total pension liability was 3.80 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index



Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 3.80 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.80 percent) or 1-percentage-point higher (4.80 percent) than the current rate (amounts in thousands):

	<b>1% Decrease (2.80%)</b>	<b>Current Discount Rate (3.80%)</b>	<b>1% Increase (4.80%)</b>
District's proportionate share of the net pension liability	\$ 371,702	\$ 326,211	\$ 288,278

Pension Plan Fiduciary Net Position. Detailed information about the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan. At June 30, 2016, the District reported a payable of \$3.5 million for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2016.

**FRS – Defined Contribution Pension Plan**

The District contributes to the FRS Investment Plan (Investment Plan), a defined contribution pension plan, for its eligible employees electing to participate in the Investment Plan. The Investment Plan is administered by the SBA, and is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report. Service retirement benefits are based upon the value of the member's account upon retirement.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. District employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices.

Allocations to the investment member's accounts during the 2015-16 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Compensation</u>
FRS, Regular	6.30
FRS, Elected County Officers	11.34
FRS, Senior Management Service	7.67
FRS, Special Risk Regular	14.00

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the

member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five year period, the employee will regain control over their account. If the employee does not return within the five year period, the employee will forfeit the accumulated account balance. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of Investment Plan members. For the fiscal year ended June 30, 2016, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the District.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The District's Investment Plan pension expense totaled \$10.5 million for the fiscal year ended June 30, 2016.

*Payables to the Investment Plan.* At June 30, 2016, the District reported a payable of \$1.1 million for the outstanding amount of contributions to the Investment Plan required for the fiscal year ended June 30, 2016.

### **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, 2016.

#### ***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 2016, 1,174 retirees received health care benefits. The District provided required contributions of approximately \$6.8 million toward the annual OPEB cost. Retiree contributions totaled approximately \$5.4 million.

#### ***Annual OPEB Cost and Net OPEB Obligation***

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

Annual Required Contribution	\$ 11,840
Interest on Net OPEB Obligation	4,081
Adjustment to Annual Required Contribution	<u>(3,644)</u>
Annual OPEB Cost (Expense)	12,277
Contribution Towards OPEB Cost	<u>(6,823)</u>
Increase in Net OPEB Obligation	5,454
Net OPEB Obligation - Beginning of Year	<u>102,032</u>
Net OPEB Obligation - End of Year	<u><u>\$ 107,486</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2016, was as follows (amounts in thousands):

Fiscal Year Ended	Annual OPEB Cost	Percentage of	
		Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2016	\$ 12,277	56%	\$ 107,486
June 30, 2015	12,006	47%	102,032
June 30, 2014	13,311	37%	95,639

#### ***Funded Status and Funding Progress***

As of June 30, 2016, the actuarial accrued liability for benefits was \$141.6 million, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$989.7 million, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 14.0%.

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

#### ***Methods and Assumptions***

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

The Projected Unit Cost method (PUC) with benefits attributed from date of hire to expected retirement age was used in the actuarial valuation as of July 1, 2015. 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, 2016 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, 2014.

*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 \$11,484 and at age 70 is \$6,030.

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

*Mortality* – Life expectancies were based on mortality tables from the National Center for Health Statistics. The RP-2014 Table projected to 2030 using Scale MP-14 and applied on a gender specific basis.

*Healthcare Cost Trend Rate*— The expected rate of increase in healthcare insurance premiums was based on District historical experience, our market-place knowledge and macro-economic theory. A rate of 8.0% for under age 65 and 7.0% over age 65 initially, reduced 0.5% each year until reaching the ultimate trend rate of 4.5%.

*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, 2014. The annual termination probability is dependent on an employee's age, gender, and years of service.

*Plan Participation Percentage* – It is assumed that 30% of all future retirees and their dependents who are eligible for benefits participate in the post-employment benefit plan in fiscal year 2015.

*Census Data* – The census data was provided as of May 2015.

*Salary Increase Assumption* – 3.5% per annum.

*Discount Rate* – 4% per annum

*Inflation Rate* – 3%

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

### **Fund Balance**

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

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

- Restricted fund balance is constrained by external parties, and constitutional provisions or enabling legislation. 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% 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 \$50.0 million or 3.2% of general fund total expenditures.

<b>Major Funds</b>
--------------------

	<b>General Fund</b>	<b>Other Debt Service</b>	<b>Nonvoted Capital Improvement</b>	<b>Other Governmental</b>	<b>Total Governmental</b>
<b>FUND BALANCES:</b>					
<b><u>Nonspendable:</u></b>					
<b>Inventory:</b>					
Textbooks	\$ 4,726	\$ -	\$ -	\$ -	\$ 4,726
Child Nutrition	-	-	-	4,168	4,168
Transportation	313	-	-	-	313
Warehouse	979	-	-	-	979
Other	22	-	-	-	22
Total Nonspendable	6,040	-	-	4,168	10,208
<b><u>Restricted for:</u></b>					
Categorical carryover programs	3,267	-	-	-	3,267
IB, AP, AICE & Industry cert prog	11,648	-	-	-	11,648
School Improvement	1,347	-	-	-	1,347
Workforce development	1,993	-	-	-	1,993
Child nutrition	-	-	-	23,784	23,784
Debt service	-	122,550	-	1,744	124,294
Capital projects	-	-	40,133	41,813	81,946
Total Restricted	18,255	122,550	40,133	67,341	248,279
<b><u>Committed to:</u></b>					
The Education Network program	-	-	-	37	37
Total Committed	-	-	-	37	37
<b><u>Assigned to:</u></b>					
<b>School Operations</b>					
Instruction	60	-	-	-	60
Instructional support services	417	-	-	-	417
Operation of plant	221	-	-	-	221
<b>Community services:</b>					
After care/summer camp	8,625	-	-	-	8,625
Pre-K/VPK Fee Based Activities	389	-	-	-	389
Community Schools	698	-	-	-	698
Other	261	-	-	-	261
Capital projects	220	-	-	29,226	29,446
Misc local grants/donations	1,858	-	-	-	1,858
Next year budget appropriations	40,206	-	-	-	40,206
Total Assigned	52,955	-	-	29,226	82,181
<b>Unassigned</b>	50,000	-	-	-	50,000
<b>Total fund balance</b>	\$ 127,250	\$ 122,550	\$ 40,133	\$ 100,772	\$ 390,705

**15. COMMITMENTS AND CONTINGENCIES**

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

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

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

As part of its capital outlay program, the District has entered into various construction contracts. The District's construction commitments of \$12.0 million and other encumbrances of \$1.4 million as of June 30, 2016 are shown below (amounts in thousands):

	Construction		
	<u>Encumbrances</u>	<u>Commitments</u>	<u>Total</u>
General Fund	\$ 959	\$ -	\$ 959
Nonvoted Capital Improvement	-	2,731	2,731
Other Governmental	395	9,296	9,691
Total Commitments	<u>\$ 1,354</u>	<u>\$ 12,027</u>	<u>\$ 13,381</u>

**SCHEDULE FUNDING PROGRESS  
OTHER POSTEMPLOYMENT BENEFITS PLAN**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (in thousands)</b>	<b>Unfunded AAL (UAAL) (in thousands) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (in thousands) (c)</b>	<b>UAAL as a percentage of Covered Payroll ((b-a)/c)</b>
July 1, 2015	\$ -	\$ 141,585	\$ 141,585	0.0%	\$ 989,739	14.3%
July 1, 2014	-	135,559	135,559	0.0%	966,098	14.0%
July 1, 2013	-	138,454	138,454	0.0%	971,608	14.2%
July 1, 2012	-	130,194	130,194	0.0%	933,906	13.9%
July 1, 2011	-	168,939	168,939	0.0%	900,764	18.8%
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%

**Schedule of the District's Proportionate Share  
of the Net Pension Liability –  
Florida Retirement System Pension Plan (1)**

	<b>2015</b>	<b>2014</b>
District's proportion of the FRS net pension liability (asset)	2.4332%	2.5354%
District's proportionate share of the FRS net pension liability (asset)	\$ 314,284	\$ 154,697
District's covered-employee payroll	\$ 966,098	\$ 971,624
District's proportionate share of the FRS net pension liability (asset) as a percentage of its covered-employee payroll	32.53%	15.92%
FRS Plan fiduciary net position as a percentage of the total pension liability	92.00%	96.09%

Note: (1) The amounts presented for each fiscal year were determined as of June 30 (in thousands).



**Schedule of District Contributions –  
Florida Retirement System Pension Plan (1)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required FRS contribution	\$ 57,082	\$ 59,324	\$ 55,536
FRS contributions in relation to the contractually required contribution	<u>(57,082)</u>	<u>(59,324)</u>	<u>(55,536)</u>
FRS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 969,739	\$ 966,098	\$ 971,624
FRS contributions as a percentage of covered-employee payroll	5.89%	6.14%	5.72%

Note: (1) The amounts presented for each fiscal year were determined as of June 30 (in thousands).

**Schedule of the District's Proportionate Share  
of the Net Pension Liability –  
Health Insurance Subsidy Pension Plan (1)**

	<u>2015</u>	<u>2014</u>
District's proportion of the HIS net pension liability (asset)	3.2%	3.3%
District's proportionate share of the HIS net pension liability (asset)	\$ 326,211	\$ 309,012
District's covered-employee payroll	\$ 966,098	\$ 971,624
District's proportionate share of the HIS net pension liability (asset) as a percentage of its covered-employee payroll	33.8%	31.8%
HIS Plan fiduciary net position as a percentage of the total pension liability	0.50%	0.99%

Note: (1) The amounts presented for each fiscal year were determined as of June 30 (in thousands).

**Schedule of District Contributions –  
Health Insurance Subsidy Pension Plan (1)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required HIS contribution	\$ 16,674	\$ 12,227	\$ 11,321
HIS contributions in relation to the contractually required HIS contribution	<u>(16,674)</u>	<u>(12,227)</u>	<u>(11,321)</u>
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 989,739	\$ 966,098	\$ 971,624
HIS contributions as a percentage of covered-employee payroll	1.68%	1.27%	1.17%

Note: (1) The amounts presented for each fiscal year were determined as of June 30 (in thousands).

**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, 2016.

**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 2016, 1,174 retirees received health care benefits. The District provided required contributions of approximately \$6.8 million toward the annual OPEB cost. Retiree contributions totaled approximately \$5.4 million.

**Annual OPEB Cost and Net OPEB Obligation**

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

Annual Required Contribution	\$ 11,840
Interest on Net OPEB Obligation	4,081
Adjustment to Annual Required Contribution	<u>(3,644)</u>
Annual OPEB Cost (Expense)	12,277
Contribution Towards OPEB Cost	<u>(6,823)</u>
Increase in Net OPEB Obligation	5,454
Net OPEB Obligation - Beginning of Year	<u>102,032</u>
Net OPEB Obligation - End of Year	<u><u>\$ 107,486</u></u>

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2016, was as follows (amounts in thousands):

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2016	\$ 12,277	56%	\$ 107,486
June 30, 2015	12,006	47%	102,032
June 30, 2014	13,311	37%	95,639

**Funded Status and Funding Progress**

As of June 30, 2016, the actuarial accrued liability for benefits was \$141.6 million, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$989.7 million, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 14.0%.

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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, 2015. 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, 2016 is thirty years (open method).

The following assumptions were made:

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

*Mortality* – Life expectancies were based on mortality tables from the National Center for Health Statistics. The RP-2014 Table projected to 2030 using Scale MP-14 and applied on a gender specific basis.

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*Plan Participation Percentage* – It is assumed that 30% of all future retirees and their dependents who are eligible for benefits participate in the post-employment benefit plan in fiscal year 2015.

*Census Data* – The census data was provided as of May 2015.

*Salary Increase Assumption* – 3.5% per annum.

*Discount Rate* – 4% per annum

*Inflation Rate* – 3%

**DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2016**

	Account Number	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
		Original	Final		
<b>REVENUES</b>					
Federal Direct	3100	807,000.00	907,441.56	907,441.56	0.00
Federal Through State and Local	3200	5,360,000.00	2,297,724.13	2,297,724.13	0.00
State Sources	3300	481,167,111.00	476,078,202.09	476,078,540.84	338.75
<i>Local Sources:</i>					
Property Taxes Levied, Tax Redemptions and Excess Fees for Operational Purposes	3411, 3421, 3423	953,906,533.00	960,467,850.72	960,467,850.72	0.00
Property Taxes Levied, Tax Redemptions and Excess Fees for Debt Service	3412, 3421, 3423			0.00	0.00
Property Taxes Levied, Tax Redemptions and Excess Fees for Capital Projects	3413, 3421, 3423			0.00	0.00
Local Sales Taxes	3418, 3419			0.00	0.00
Charges for Service - Food Service	345X			0.00	0.00
Impact Fees	3496			0.00	0.00
Other Local Revenue		58,751,508.00	71,614,312.87	71,613,977.12	(335.75)
Total Local Sources	3400	1,012,658,041.00	1,032,082,163.59	1,032,081,827.84	(335.75)
<b>Total Revenues</b>		1,499,992,152.00	1,511,365,531.37	1,511,365,534.37	3.00
<b>EXPENDITURES</b>					
<i>Current:</i>					
Instruction	5000	1,104,673,721.21	1,081,920,275.40	1,028,301,889.66	53,618,385.74
Student Support Services	6100	46,761,389.39	46,908,882.06	44,551,116.02	2,357,766.04
Instructional Media Services	6200	19,347,612.70	20,280,403.33	18,365,772.54	1,914,630.79
Instruction and Curriculum Development Services	6300	34,776,257.13	35,096,489.07	33,991,526.51	1,104,962.56
Instructional Staff Training Services	6400	9,268,176.72	10,284,827.34	9,461,711.04	823,116.30
Instruction-Related Technology	6500	8,957,523.46	9,024,265.53	8,827,025.97	197,239.56
Board	7100	7,881,260.00	7,714,797.66	6,747,835.37	966,962.29
General Administration	7200	7,176,940.97	7,480,959.49	7,428,145.68	52,813.81
School Administration	7300	97,821,403.75	99,873,346.99	99,740,254.73	133,092.26
Facilities Acquisition and Construction	7410	519,265.00	756,341.00	486,688.22	269,652.78
Fiscal Services	7500	6,229,780.77	6,986,857.43	6,591,230.74	395,626.69
Food Services	7600	21,744.00	105,521.18	104,011.74	1,509.44
Central Services	7700	14,575,450.74	15,520,118.98	14,991,276.94	528,842.04
Student Transportation Services	7800	49,055,237.44	49,793,976.54	49,101,315.10	692,661.44
Operation of Plant	7900	126,938,831.24	127,312,812.13	126,259,071.33	1,053,740.80
Maintenance of Plant	8100	75,702,757.00	75,554,493.22	70,415,628.89	5,138,864.33
Administrative Technology Services	8200	8,718,182.13	8,677,562.87	7,949,593.72	727,969.15
Community Services	9100	41,447,248.52	50,071,938.30	40,502,170.57	9,569,767.73
<i>Debt Service: (Function 9200)</i>					
Redemption of Principal	710	0.00	0.00	0.00	0.00
Interest	720	150,000.00	137,700.00	29,005.53	108,694.47
<i>Capital Outlay:</i>					
Facilities Acquisition and Construction	7420			117,573.14	(117,573.14)
Other Capital Outlay	9300			2,288,449.06	(2,288,449.06)
<b>Total Expenditures</b>		1,660,022,782.17	1,653,501,568.52	1,576,251,292.50	77,250,276.02
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>		(60,030,630.17)	(142,136,037.15)	(64,885,758.13)	77,250,279.02
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of Bonds	3710	0.00	0.00	0.00	0.00
Loss Recoveries	3740	0.00	119,886.38	119,886.38	0.00
Transfers In	3600	92,932,324.00	89,434,470.00	89,434,470.00	0.00
Transfers Out	9700	(34,003.83)	(14,550,629.23)	(14,550,629.23)	0.00
<b>Total Other Financing Sources (Uses)</b>		92,898,320.17	75,003,727.15	75,003,727.15	0.00
<b>SPECIAL ITEMS</b>					
		0.00	0.00	0.00	0.00
<b>EXTRAORDINARY ITEMS</b>					
		0.00	0.00	0.00	0.00
<b>Net Change in Fund Balances</b>		(67,132,310.00)	(67,132,310.00)	10,117,969.02	77,250,279.02
Fund Balances, July 1, 2015	2800	117,132,310.00	117,132,310.00	117,132,310.24	0.24
Adjustments to Fund Balances	2891			0.00	0.00
Fund Balances, June 30, 2016	2700	50,000,000.00	50,000,000.00	127,250,279.26	77,250,279.26

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**APPENDIX D**

**FORM OF NOTE COUNSEL OPINION**

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## FORM OF LEGAL OPINION

*On the date of issuance of the Tax Anticipation Notes, Series 2016, Greenberg Traurig, P.A., Note Counsel, proposes to issue its approving opinion in substantially the following form:*

\_\_\_\_\_, 2016

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 2016

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 2016 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 17, 2016 (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, 2017 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, 2016 and ending June 30, 2017, 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 TRAUIG, P.A.

**APPENDIX E**  
**AUTHORIZING RESOLUTION**

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THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA

A RESOLUTION OF THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA AUTHORIZING AND PROVIDING FOR THE ISSUANCE, SALE AND APPLICATION OF THE PROCEEDS OF NOT EXCEEDING \$115,000,000 AGGREGATE PRINCIPAL AMOUNT OF SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA TAX ANTICIPATION NOTES, SERIES 2016 (THE "NOTES") TO PROVIDE INTERIM FUNDS FOR THE PAYMENT OF OPERATING EXPENSES OF THE DISTRICT; PROVIDING FOR A BOOK-ENTRY SYSTEM WITH RESPECT TO THE NOTES; AUTHORIZING A PUBLIC SALE OF THE NOTES; APPROVING THE FORM OF AND AUTHORIZING THE DISTRIBUTION OF A PRELIMINARY OFFICIAL STATEMENT AND AUTHORIZING THE EXECUTION AND DELIVERY OF A FINAL OFFICIAL STATEMENT; AUTHORIZING THE EXECUTION AND DELIVERY OF A MATERIAL EVENTS NOTICE CERTIFICATE; APPOINTING A PAYING AGENT AND REGISTRAR FOR THE NOTES; MAKING CERTAIN FINDINGS, COVENANTS AND AGREEMENTS IN CONNECTION THEREWITH; PROVIDING FOR INCIDENTAL ACTION; AND PROVIDING FOR SEVERABILITY AND AN EFFECTIVE DATE.

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

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

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

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

(B) The School Board of Palm Beach County, Florida (the "Board"), a body corporate under the laws of the State of Florida and the governing body of the School District of Palm Beach County, Florida (the "District"), hereby determines that it is necessary for the benefit of the schools of the District for a current loan to be negotiated to pay obligations which are set forth in the tentative budget of the District for the fiscal year of the District commencing July 1, 2016 and ending June 30, 2017 (the "Current Fiscal Year"), such loan to be retired from (i) the District's gross, real, and tangible personal property ad valorem tax receipts but only to the extent such tax receipts are legally available to be used for operating purposes, and (ii) amounts on deposit in the hereinafter described Sinking Fund (collectively, the "Pledged Revenues"), which

are anticipated to be received in accordance with the official budget for said Current Fiscal Year. "Pledged Revenues" shall not include ad valorem taxes collected to pay the principal of and interest on bonds of the District issued pursuant to Sections 1010.40 – 1010.55, Florida Statutes, or to pay the principal of and interest on any obligations issued by the Board pursuant to Section 1011.14, Florida Statutes, or otherwise levied pursuant to Section 1011.71(2), Florida Statutes.

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

(D) The Board hereby further determines that said loan shall be evidenced by the issuance of not exceeding \$115,000,000 of tax anticipation notes of the District to be known as "School District of Palm Beach County, Florida Tax Anticipation Notes, Series 2016" (the "Notes"), the principal of and the interest on which will be payable by their terms not more than twelve (12) months after the issuance of said Notes, and the principal amount of which is less than 80% of the amount estimated by the Board to be included in the operating budget of the District for the Current Fiscal Year to be available from the District tax revenues.

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

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

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

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

**Section 3. Authorization of Borrowing; Book Entry System.** Pursuant to the Constitution and laws of the State of Florida, particularly the Act, the Board hereby authorizes the borrowing of money for the purpose of financing the cost of obligations to be incurred in the ordinary operations of the District in the Current Fiscal Year, and hereby authorizes the issuance and sale of not exceeding \$115,000,000 aggregate principal amount of the Notes. The Notes shall be numbered R-1 and upward in registered book-entry-only form as herein provided, shall be dated as of such date, shall mature no later than twelve (12) months from their date of issuance, and shall bear interest at a rate not exceeding the maximum rate permitted by law, all as shall be set forth in the bid of the successful bidder for the Notes. Interest shall be computed on the basis of a 360-day year comprised of twelve 30-day months.

The Notes shall not be subject to redemption prior to maturity. The Notes shall be issued in substantially the form set forth in **Exhibit A** attached hereto and made a part hereof, with such deletions, changes, revisions or modifications as may be approved by the Chairman, Vice Chairman or Superintendent, execution and delivery of the Notes by the Chairman or Vice Chairman and the Superintendent, as ex officio Secretary of the Board, being conclusive evidence of such approval and that the Notes are issued in accordance with this Resolution.

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

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

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

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

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

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

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

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

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

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

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

**Section 6. Public Sale; Award of Notes.** It is hereby found, ascertained, determined and declared by the Board that a public sale of the Notes of the District in the aggregate principal amount of not exceeding \$115,000,000 is in the best interest of the District and is hereby authorized. The Chief Financial Officer or the Treasurer of the District is hereby authorized to prepare and publish a summary notice of sale for the Notes, to prepare and distribute an official invitation to bid for the Notes and related documents, and to prepare a Preliminary Official Statement for distribution in connection with such



official invitation to bid. The forms of the official notice of sale and summary notice of sale shall be substantially in the forms set forth in **Exhibit C**, attached hereto. The Notes shall be offered at public sale on or about September 20, 2016, 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 (the "Certificate of Award") to the successful purchaser thereof. 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 the interest rate limitation contained in Section 215.84, Florida Statutes.
3. Prior to award of the Notes to the successful bidder, the District shall receive from the successful bidder a truth-in-bonding statement as required by Sections 218.385(2) and (3), Florida Statutes; and
4. The successful bidder (the "Purchaser") shall comply with such other conditions as requested by Note Counsel to the District.

**Section 7. Approval of Preliminary Official Statement; Execution of Final Official Statement.** The form of the Preliminary Official Statement attached to this Resolution as **Exhibit D** is hereby approved, and the Board hereby authorizes the distribution and use of the Preliminary Official

Statement in connection with the sale of the Notes. If between the date hereof and the mailing of the Preliminary Official Statement it is necessary to make insertions, modifications and changes to the Preliminary Official Statement, each of the Chairman, the Vice Chairman, the Superintendent, the Chief 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 of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule"), in the form as mailed, and in furtherance thereof to execute a certificate evidencing the same substantially in the form attached hereto as **Exhibit E**.

The Superintendent is hereby authorized to have prepared and each of the Chairman or Vice Chairman and the Superintendent are hereby authorized to execute a final Official Statement and, upon such execution, to deliver the same to the Purchaser for use by it in connection with the sale of the Notes. The Official Statement shall be substantially in the form of the Preliminary Official Statement, with such changes as shall be approved by the Superintendent, the Chief 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 a final operating budget for the Current Fiscal Year as soon as feasible, and in accordance with Florida law will levy District ad valorem taxes as required by law and in compliance with such operating budget.

(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 Non-Ad Valorem Funds unless and until such funds are deposited into the Sinking Fund. The District covenants that it shall deposit sufficient moneys or investments legal for District moneys pursuant to the provisions of Sections 1010.53(2) and 218.415, Florida Statutes, as amended from time to time pursuant to Board policy ("Permitted Investments") into the Sinking Fund no later than twenty-one (21) days prior to the maturity date of the Notes, or the first business day thereafter, so that the balance on deposit therein, together with the earnings to be received thereon, if any, will equal the amount of principal and interest becoming due on the Notes at maturity. Funds in the Sinking Fund may be invested only in Permitted Investments which mature on or prior to the maturity date of the Notes. Earnings on investments held in the Sinking Fund shall be retained and reinvested in the Sinking Fund until the amount on deposit in the Sinking Fund, together with the earnings to be received thereon, is equal to the entire principal of and interest on the Notes due at their maturity. Thereafter, such earnings may be withdrawn by the District and used in the District's discretion as provided by law. Realized losses, if any, on investments held in the Sinking Fund shall be restored by the District by deposit of additional moneys into the Sinking Fund on or prior to the maturity date of the Notes.

The District will transfer to Cede & Co. in care of DTC, the amounts so maintained in the Sinking Fund on or prior to the maturity date of the Notes. DTC will use such moneys to retire the Notes as they mature in accordance with the provisions of Section 3 hereof. Any balance in the Sinking Fund shall be released from the restriction described herein upon payment in full of the Notes.

**Section 14. Taxing Power Not Pledged.** No holder of the Notes issued hereunder shall ever have the right to compel the exercise of the ad valorem taxing power of the District, Palm Beach County, Florida or the State of Florida, or taxation in any form of any real or personal property therein to pay such Notes or the interest thereon except for the Pledged Revenues for the Current Fiscal Year commencing July 1, 2016.

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

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

**Section 17. Noteholder Not Affected by Use of Note Proceeds.** The proceeds, including investment proceeds and accrued interest, if any, from the issuance of the Notes (the "Note Proceeds") are not pledged as security for payment of the principal of and interest on the Notes except as provided in Section 12 hereof and shall be expended by the District to pay the obligations of the District created by the District in accordance with the budget of the District for the Current Fiscal Year. The holders of the Notes issued hereunder shall have no responsibility for the use of the proceeds of said Notes, and the use of such Note Proceeds by the District shall in no way affect the rights of such Noteholders.

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

**Section 19. Further Assurances.** The Board covenants that the provisions of this Resolution do not conflict with or violate any existing resolution of the Board, and that no contract or other agreement will be entered into and no action will be taken by which the rights of the holders of the Notes herein authorized might be impaired or diminished. The Board further covenants that it will comply with all of the terms, provisions and conditions required under Florida law and particularly Chapter 1011, Florida Statutes, for the adoption of and compliance with the budget for the Current Fiscal Year and for the assessment of millages and the levying of ad valorem taxes against the appropriate taxable property in

the District. The members of the Board and the officers and employees of the District are hereby authorized and directed to do all acts and things required of them by the provisions of this Resolution, and the Notes herein authorized for the full, punctual and complete performance of all terms, covenants, provisions and agreements contained in such Notes and this Resolution.

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

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

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

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

**Section 24. Additional Acts.** The Chairman, Vice Chairman, the Superintendent, the Chief 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 17<sup>th</sup> day of August, 2017.

[SEAL]

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

Attest:

/s/ Robert M. Avossa  
Robert M. Avossa, Ed.D.  
Secretary, The School Board of Palm Beach  
County, Florida

Approved as to form:

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

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**APPENDIX F**

**FORM OF MATERIAL EVENTS NOTICE CERTIFICATE**

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## **MATERIAL EVENTS NOTICE CERTIFICATE**

This Material Events Notice Certificate is executed and delivered by the School District of Palm Beach County, Florida (the “District”) in connection with the issuance by the District of its \$115,000,000 Tax Anticipation Notes, Series 2016 (the “Notes”). The Notes are being issued pursuant to a Resolution adopted on August 17, 2016 (the “Note Resolution”), by The School Board of Palm Beach County, Florida (the “Board”) acting as the governing body of the District. The District covenants and agrees as follows:

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

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

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

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

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

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

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

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

“State” shall mean the State of Florida.

### **SECTION 3. Reporting of Significant Events.**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Date: October 11, 2016

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

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

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