

**PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER \_\_, 2013**

**NEW ISSUE: FULL BOOK-ENTRY**

**Rating: Moody's " \_\_\_\_ "**  
**(See "NOTE RATING" herein)**

*In the opinion of Nabors, Giblin & Nickerson, P.A., Tampa, Florida, Note Counsel, the interest on the Notes is, under existing statutes, regulations, rulings and court decisions, (i) excludable from gross income of the holders of such Notes for federal income tax purposes except as described under the caption "TAX EXEMPTION" herein and (ii) not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. Such interest, however, will be includable in the calculation of a corporation's alternative minimum taxable income and may be subject to other federal income tax consequences. See "TAX EXEMPTION" herein for a discussion of Note Counsel's opinion.*

**\$90,000,000\***

**SCHOOL DISTRICT OF PINELLAS COUNTY, FLORIDA  
TAX ANTICIPATION NOTES, SERIES 2013**

**Dated: Date of Delivery**

**Due: June 30, 2014**

The Tax Anticipation Notes, Series 2013 (the "Notes"), of the School District of Pinellas County, Florida (the "District") will be issued under the authority of Section 1011.13, Florida Statutes, as amended, pursuant to and subject to the terms and conditions of a resolution adopted by the School Board of Pinellas County, Florida on September 10, 2013 (the "Resolution"), authorizing the issuance of the Notes. The Notes will be issued in fully registered form in denominations of \$5,000 or any integral multiple thereof and, when issued, will be initially 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, principal and interest payments will be made by Regions Bank, Orlando, Florida as Registrar and Paying Agent, directly to Cede & Co., as the registered owner. DTC will, in turn, remit such payments to its participants for subsequent disbursement to the Beneficial Owners. Interest on the Notes will be paid on maturity.

The Notes are not subject to redemption prior to maturity.

**PAYMENT FOR THE PRINCIPAL AND INTEREST ON THE NOTES  
WILL BE MADE IN IMMEDIATELY AVAILABLE FUNDS (FEDERAL  
FUNDS).**

**Interest Rate:** \_\_\_\_%      **Yield:** \_\_\_\_%      **Initial CUSIP No.:** \_\_\_\_\_

The principal of and interest on the Notes shall be payable from and secured by a lien upon (a) receipts of ad valorem taxes collected 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 Note Payment Fund for the Notes; and, if necessary, shall be additionally payable from, but not secured by, legally available funds of the District derived from sources other than ad valorem taxation.

ELECTRONIC BIDS ONLY FOR THE NOTES PURSUANT TO THE PROVISIONS OF THE OFFICIAL NOTICE OF SALE WILL BE RECEIVED BY THE SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA, AT [11:00 A.M.], LOCAL TIME ON SEPTEMBER 24, 2013 PURSUANT TO THE BIDCOMP PARITY® COMPETITIVE BIDDING SYSTEM. THIS PRELIMINARY OFFICIAL STATEMENT SHALL BE "DEEMED FINAL" BY THE DISTRICT AS OF ITS DATE FOR PURPOSES OF AND EXCEPT FOR CERTAIN OMISSIONS PERMITTED BY SEC RULE 15c2-12(b)(1).

**This cover page contains certain information for quick reference only. It is not a summary of this issue. Potential 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 in full book-entry form, when, as, and if issued and received by the purchaser of the Notes and subject to the approving legal opinion of Nabors, Giblin & Nickerson, P.A., Tampa, Florida, Note Counsel. Certain legal matters will be passed upon for the District by James A. Robinson, Esq., Largo, Florida, General Counsel to the School Board of Pinellas County. Ford & Associates, Inc., Tampa, Florida is serving as Financial Advisor to the District. It is expected that settlement for the Notes will occur through the facilities of DTC in New York, New York on or about October 3, 2013.*

Dated: September \_\_, 2013.

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\*Preliminary, subject to change.

**SCHOOL DISTRICT OF PINELLAS COUNTY, FLORIDA  
LARGO, FLORIDA**

**BOARD MEMBERS**

Carol J. Cook, Chairperson  
Peggy L. O'Shea, Vice Chairperson  
Janet R. Clark  
Rene Flowers  
Terry Krassner  
Linda S. Lerner  
Robin L. Wikle

**DISTRICT OFFICIALS**

Michael A. Grego, Ed.D., Superintendent of Schools  
William P. Corbett, Ed.D., Deputy Superintendent, Chief of Staff  
Kevin W. Smith, Associate Superintendent, Finance and Business Services  
Andrew Jacobsen, Manager, Cash & Investments

**GENERAL COUNSEL TO THE SCHOOL BOARD**

David Koperski, Esq.  
Largo, Florida

**NOTE COUNSEL**

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

**FINANCIAL ADVISOR**

Ford & Associates, Inc.  
Tampa, Florida

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

The information set forth herein has been furnished by the District, and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the District or anyone acting on its behalf with respect to the information provided by other sources. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Notes made hereunder shall, under any circumstances, except as stated herein, create any implication that there has been no change in the affairs of the District since the date hereof.

The Notes have not been registered under the Securities Act of 1933, as amended (the "Securities Act") in reliance upon exemptions contained in the Securities Act, will not be listed on any stock or securities exchange and neither the Securities and Exchange Commission nor any other Federal, state, municipal or other governmental entity, other than the School Board, has passed upon the accuracy or adequacy of this Official Statement.

THIS OFFICIAL STATEMENT IS BEING PROVIDED TO PROSPECTIVE PURCHASERS EITHER IN BOUND PRINTED FORM ("ORIGINAL BOUND FORMAT") OR IN ELECTRONIC FORMAT ON THE FOLLOWING WEBSITE: [WWW.I-DEALPROSPECTUS.COM](http://WWW.I-DEALPROSPECTUS.COM). 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 WEBSITE.

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## **OFFICIAL STATEMENT**

*Relating to*

**\$90,000,000\***

**SCHOOL DISTRICT OF PINELLAS COUNTY, FLORIDA**

**Tax Anticipation Notes, Series 2013**

### **INTRODUCTION**

This Official Statement, including the cover page and the appendices, is provided by the School Board of Pinellas County, Florida (the "School Board" or "Board"), the governing body of the School District of Pinellas County, Florida (the "District"), a public body corporate and politic established and existing pursuant to Section 4, Article IX of the Florida Constitution and the laws of the State of Florida (the "State"), including, particularly, Chapter 1001, Florida Statutes, as amended, in connection with the issuance and sale of the District's \$90,000,000\* Tax Anticipation Notes, Series 2013 (the "Notes"). The Notes are being issued pursuant to Section 1011.13, Florida Statutes, as amended, and a resolution adopted by the School Board on September 10, 2013 (the "Resolution"), in anticipation of the receipt by the District of certain revenues during the fiscal year which commenced July 1, 2013, and ends June 30, 2014 (the "2013/2014 Fiscal Year"). See "SECURITY FOR THE NOTES" herein. The issuance of the Notes is consistent and in accordance with the District's annual financial planning procedures. The proceeds of the Notes may only be used to pay operating expenditures incurred or accrued during the 2013/2014 Fiscal Year.

The District derives its revenues primarily from State educational funds and from ad valorem taxes levied by the District on taxable property located in Pinellas County, Florida (the "County") for the support of public schools. The Notes are special obligations of the District and are secured as to principal and interest by a pledge of the receipts from the ad valorem property taxes levied for the purpose of operations during the 2013/2014 Fiscal Year. If necessary, the Notes are additionally payable from, but are not secured by, legally available funds of the District derived from sources other than ad valorem taxation. See "SECURITY FOR THE NOTES" herein.

Pursuant to the Resolution, the District covenants to deposit said ad valorem tax receipts in a note payment fund (the "Note Payment Fund") to be maintained and monitored by the District, on particular dates and in specified amounts until the amount so deposited equals the principal of and interest on the Notes due at maturity. See "SECURITY FOR THE NOTES" herein.

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\* Preliminary, subject to change.

The District has covenanted and agreed for the benefit of the holders of the Notes to provide notices of certain material events pursuant to Rule 15c2-12 of the Securities and Exchange Commission. See "CONTINUING DISCLOSURE" herein.

This Official Statement contains information concerning the District, the School Board, their finances, the sources of payment of the Notes and certain provisions contained in the Notes and the Resolution. All references herein to the Resolution, other agreements, documents and laws are qualified in their entirety by reference to the Resolution and each such agreement, document or law, and all references to the Notes are further qualified by reference to the definitive form thereof and information with respect thereto contained in the Resolution. The form of the Resolution is attached hereto as APPENDIX C. All capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Resolution, unless the context clearly indicates a different meaning is intended.

## **DESCRIPTION OF THE NOTES**

The Notes are authorized to be issued pursuant to the provisions of Chapter 1011.13, Florida Statutes, as amended, and the Resolution. The Notes will be dated the date of issuance of the Notes (currently expected to be October 3, 2013 comprised of twelve 30-day months) and will mature on June 30, 2014. Interest on the Notes (calculated on a 360-day year basis) will be payable at maturity; provided, that if the maturity date is not a business day, interest (and principal) will be paid on the next succeeding business day. Notwithstanding the foregoing, interest on the Notes will accrue to the maturity date. Both the principal of and interest on the Notes shall be payable upon presentation and surrender at the principal office of Regions Bank, Orlando, Florida, as Registrar and Paying Agent. The Notes are not subject to redemption prior to maturity.

### **Purpose of Issue**

The Note proceeds will be used to pay operating expenses of the District prior to the receipt of budgeted revenues. Imbalances in the District's cash flow result from the timing of the receipt of ad valorem property taxes.

## **BOOK-ENTRY-ONLY SYSTEM**

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY ONLY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE 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 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 (the "Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). DTC has a Standard & 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 Notes ("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 the 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 an account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements made among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as defaults, and proposed amendments to the legal documents. For example, Beneficial Owners of 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 be provided directly to them.

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

Payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District, as Paying Agent, on a 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, the School Board or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Paying Agent. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of the Direct and Indirect Participants.

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

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Notes will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but takes no responsibility for the accuracy thereof.

## **SECURITY FOR THE NOTES**

### **General**

The Notes are special obligations of the District, payable from (a) receipts of ad valorem taxes (the "Tax Receipts") collected by the Pinellas County Tax Collector for the benefit of the District during the 2013/2014 Fiscal Year, but only to the extent such tax receipts are levied or legally available for payment of operating expenses of the District and (b) amounts on deposit in the Note Payment Fund (collectively, the "Pledged Revenues"). Pledged Revenues shall not include ad valorem taxes collected to pay the principal of and interest on obligations 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. If necessary, the Notes are additionally payable from, but are not secured by, the Non-Ad Valorem Funds of the District (defined in the Resolution as all legally available funds of the District or the Board derived from sources other than ad valorem taxation).

NO OWNER OF ANY OF THE NOTES SHALL EVER HAVE THE RIGHT TO REQUIRE OR COMPEL THE EXERCISE OF THE AD VALOREM TAXING POWER OF THE SCHOOL BOARD, THE DISTRICT, THE COUNTY, THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF, OR TAXATION IN ANY FORM ON ANY PROPERTY THEREIN FOR PAYMENT THEREOF, OR BE ENTITLED TO PAYMENT OF SUCH PRINCIPAL AND INTEREST FROM ANY OTHER FUNDS OF THE BOARD OR THE DISTRICT, EXCEPT FOR THE PLEDGED REVENUES AND ANY NON-AD VALOREM FUNDS DEPOSITED IN THE NOTE PAYMENT FUND.

The School Board may issue additional obligations (including additional installments of Notes) payable from and secured by a lien upon the Pledged Revenues on

a parity with the Notes, and may issue obligations having a first lien upon moneys of the District other than the Pledged Revenues and the moneys on deposit in the Note Payment Fund. The School Board covenants in the Resolution that it will not issue any (i) indebtedness of any kind payable from the Pledged Revenues which indebtedness is secured by a lien upon the Pledged Revenues superior to that of the Notes, (ii) obligations (other than additional installments of Notes) payable from or secured by a lien on the moneys on deposit in the Note Payment Fund, and (iii) additional obligations having an equal lien upon the Pledged Revenues if the issuance of such additional indebtedness would violate the provisions of Section 1011.13(1), Florida Statutes, as amended.

### **Note Payment Fund**

In accordance with the terms of the Resolution, the District has established a fund designated the "Note Payment Fund." The District will make or cause to be made deposits of the Pledged Revenues and other revenues in the amounts and by the dates provided in the Resolution, as summarized below, into the Note Payment Fund to ensure the timely payment of the principal of and interest on the Notes.

The Tax Receipts will be received periodically throughout the 2013/2014 Fiscal Year. Pursuant to the Resolution, the District has covenanted to deposit the Tax Receipts into the Note Payment Fund in sufficient amounts so that the balance on deposit therein (as of the dates shown) is as follows: \$\_\_\_\_\_ by March 31, 2014 (approximately one-third of the total principal and interest due on the Notes), \$\_\_\_\_\_ by April 30, 2014 (approximately two-thirds of the total principal and interest due on the Notes), and \$\_\_\_\_\_ by May 31, 2014, so that the balance on deposit therein on May 31, 2014, or the first business day thereafter, will equal the amount of principal and interest on the Notes at maturity.

If, on June 1, 2014, or the first business day thereafter, and continuously thereafter, there is not on deposit in the Note Payment Fund an amount (including Permitted Investments and the income or earnings to be received thereon) equal to all principal of and interest on the Notes at maturity, the Board shall designate the Note Payment Fund as its depository for the receipt of Pledged Revenues and continue such designation until such time as the amount in the Note Payment Fund, together with the earnings to be received thereon, is equal to all principal of and interest on the Notes at maturity.

Moneys on deposit in the Note Payment Fund shall be held solely for the payment of the Notes. Pending disbursement upon the Maturity Date of the Notes, such moneys may be invested, pursuant to the Resolution, at the direction of the District in investments which are, under Florida law, legal for the investment of surplus funds of school districts. Earnings on investments held in the Note Payment Fund shall be retained and reinvested in the Note Payment Fund until the amount on deposit in the Note Payment Fund, together with the earnings to be received thereon, is equal to the entire principal of and

interest on the Notes at their maturity. Thereafter, such earnings may be withdrawn by the District and used in the District's discretion as provided by law except as otherwise provided in the Resolution.

The proceeds of the Notes are not pledged as security for payment of principal of and interest on the Notes and will be expended by the District to pay the costs of issuance of the Notes and to pay operating expenditures created by the District in accordance with its operating budget for the 2013/2014 Fiscal Year. The holders of the Notes will have no responsibility for the 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.

## **THE SCHOOL DISTRICT OF PINELLAS COUNTY, FLORIDA**

The District is organized under Section 4, Article IX, of the Constitution of Florida and Chapter 1001, Florida Statutes. The District is coterminous with Pinellas County, Florida (the "County"). For the 2013/2014 Fiscal Year, the District includes 125 schools, 102,131 F.T.E. students, and 14,207 budgeted full- and part-time positions, of which 7,314 are teachers. Management of the schools of the District is independent of County and municipal governments. The County collects taxes for the School Board, but exercises no control over expenditures by the School Board.

### **The Board**

The Board is a body corporate existing under the laws of the State of Florida. The Board is the governing body of the District, consisting of seven members. Three Board members are elected at-large by the qualified voters of the entire District. Four Board members are elected from single-member districts by the voters who reside in such single-member district. Each of those members is required to reside within the single-member district from which he or she is elected. Under existing law, the Board's duties and powers include, but are not limited to, the development of policies and rules for the efficient operation of the District, 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 the establishment and operation of programs for gifted students and for students in residential care facilities; the appointment, compensation, promotion 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 Department of Education.

The present members of the Board, their respective offices and expiration of their respective terms are as follows:

<u>Name/Office</u>	<u>Term Expires</u>
Carol J. Cook, Chairperson	November 2016
Peggy L. O'Shea, Vice Chairperson	November 2014
Janet R. Clark	November 2016
Rene Flowers	November 2014
Terry Krassner	November 2014
Linda S. Lerner	November 2014
Robin L. Wikle	November 2016

### **Superintendent of Schools**

The Superintendent of Schools is the chief executive officer and Secretary to the District. The Superintendent, who is appointed by the School Board, oversees operations of the school system, makes policy recommendations to the School Board, and performs the duties assigned to her by law and the regulations of the State of Florida Department of Education.

The Superintendent also prepares the annual budget for approval by the School Board, recommends the tax levy based upon needs illustrated by the budget, recommends debt issuance or borrowing plans of the School Board when necessary, provides recommendations for investment of available funds, and keeps records with respect to all funds and financial transactions of the School Board.

### **Administration**

*Dr. Michael A. Grego, Superintendent of Schools.* Dr. Grego began as Superintendent on September 26, 2012.

Before joining the district, Dr. Grego held a job as an associate professor at the University of Central Florida. An educator with more than three decades of experience in public education, Dr. Grego spent five months as Florida's Interim Chancellor of K-12 Education in 2011.

From 2008 to 2011, Dr. Grego served as superintendent of the School District of Osceola County, Florida where he oversaw dramatic academic improvements in the district.

Dr. Grego began his career in Hillsborough County as a teacher in 1980. He climbed the ranks over his 28-year career in the district to become assistant superintendent for technical, career and adult education in 2000 and assistant superintendent of curriculum and instruction in 2002.

A New York native, Dr. Grego earned a Bachelor of Science degree in technology education from the State University of New York in Oswego. He holds two master's degrees in education, one in industrial technology education from Illinois State University and another in educational leadership from the University of South Florida. He also holds a doctorate degree in educational leadership from the University of South Florida, Tampa.

Dr. Grego has received numerous recognitions and awards, including two in recent years for his efforts to promote arts education. In 2010, the Florida Alliance for Arts Education recognized him with an annual Superintendent leadership award for his efforts to promote arts education, and the previous year, the Florida Music Educators Association named him Superintendent of the Year for his ardent support of music education.

***Kevin W. Smith, Associate Superintendent, Finance and Business Services.*** After having spent over 14 years in private industry in accounting and management positions, Mr. Smith joined Pinellas County Schools in 1997. His first assignment was Supervisor of School Lunch and General Accounting. In 2003 he was appointed to the position of Director of Accounting, and in December of 2009, was appointed to the position of Assistant Superintendent of Budget & Resource Allocation where he was responsible for the oversight of the District's nearly \$1.4 billion dollar budget as well as the reporting of FTE enrollment information to the State. In July 2012, he was appointed to the position of Associate Superintendent of Finance and Business Services. In this position, he is responsible for the oversight of all financial operations of the District, including Budget and Resource Allocation, FTE reporting, Accounting, Cash Management, Auditing and Property Records, Payroll and Purchasing.

Mr. Smith earned his Bachelor of Arts Degree (with a Major in Accounting) from the University of South Florida and completed post-graduate work there to meet the fifth year educational requirement to sit for the Uniform Certified Public Accountant (CPA) examination. He is a licensed CPA in the State of Florida, a member of the American Institute of Certified Public Accountants, and a member of the Florida School Finance Officers' Association.

***Andrew Jacobsen, Manager, Cash & Investments.*** Mr. Jacobsen received his Bachelor's degree from the University of Michigan and his Master's degree from the University of South Florida. He joined the District in 1993 as a Financial Reporting Analyst reporting to the Director of Cash Management. Upon the Director's retirement in 1996, he became the Manager, Cash & Investments, and is responsible for the School Board's banking and investments. Prior to joining the School Board, he spent six years in the Tampa Bay banking community in various treasury functions.

## Statistical Data

The following table presents a summary of general statistical data regarding the District.

### School District of Pinellas County, Florida Summary of Statistical Data Seven-Year History

<u>School Year</u>	<u>Number of Schools</u>	<u>Number of Classroom Instruction Personnel</u>	<u>Average F.T.E.<sup>(1)</sup> Enrollment</u>	<u>Expenditure per F.T.E. Student</u>
2013/14*	125	7,314	102,131	\$7,738
2012/13	126	7,396	102,658	7,557
2011/12	126	7,188	101,425	7,625
2010/11	126	7,404	103,142	8,169
2009/10	126	7,453	103,860	7,831
2008/09	135	7,684	105,453	8,030
2007/08	141	7,748	107,221	8,097

\*Budgeted.

(1) Full-time Equivalent.

Source: School District of Pinellas County, Florida.

## Employee Relations

The Board currently employs approximately 14,207 full- and part-time employees. Seventy-five percent of those are represented by either the Pinellas Classroom Teachers Association-NEA (instructional employees) or the Pinellas Educational Support Professionals Association-FEA (non-instructional employees). The Board believes that the employee relations among all segments of the educational community have always been professional and conducive to resolving problems internally in the best interest of the District. The District is currently in negotiations with both unions for new contracts. Until new contracts are finalized, the prior contracts will remain in place.

## Retirement and Other Post-Employment Benefits

Florida Retirement System. The Board does not administer a separate retirement plan for its officers and employees. However, pursuant to law, all officers and salaried employees are, with minor exceptions, members of defined retirement plans of the State of Florida Division of Retirement. The retirement plans of the State of Florida consist of contributory and non-contributory benefit plans. The plans provide for retirement, death, and disability benefits and require contributions by employees and/or participating



agencies as stated percentages of compensation set by law as determined from time to time by the State Legislature. The Plans' accounting and funding policies, actuarial present value of accumulated plan benefits, net assets available for benefits, and other plan related matters are the responsibility of the Florida Department of Administration, Division of Retirement, and are not computed on an individual agency basis. The District's contributions to the Plan (including employee contributions) for the fiscal years ended June 30, 2011, 2012 and 2013 totaled \$54,070,643, \$54,101,210, \$55,919,556 and \$\_\_\_\_\_ (unaudited) respectively, which were equal to the required contributions for each fiscal year. Additional information regarding the Plan and other retirement programs are included in Note 14 to the audited financial statements for the Fiscal Year ended June 30, 2012 attached as Appendix B hereto and [Note 13] to the unaudited financial statements for the Fiscal Year ended June 30, 2013, attached as Appendix C hereto.

During its 2011 regular session, the State Legislature adopted legislation that made significant changes to the Florida Retirement System with respect to employee contributions and employer contributions, among other items. Effective July 1, 2011, all members of the Florida Retirement System 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 Florida Retirement System. For Fiscal Year 2010-11, contribution rates ranged from 9.85% to 20.92% of annual covered payroll. Under the adopted legislation, employer contribution rates range from 4.91% to 14.10% of annual covered payroll. The savings resulting from such reduced contributions were used to partially offset the reduction in State education funding for Fiscal Year 2012. Additionally, the legislation eliminated the cost of living adjustment for all Florida Retirement System employees for service earned on or after July 1, 2011, although the legislation does contemplate reinstatement of the adjustment in 2016 under certain conditions.

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

Other Post Employment Benefit Program. In addition to its contributions under the State's retirement plan described above, the District provides other postemployment benefits ("OPEB") 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 of similar size providing similar plans, the District implemented Governmental Accounting Standards Board Statement No. 45 - Accounting and Financial Reporting by Employers for Postemployment Benefit Plans other than Pension Plans ("GASB 45") during its Fiscal Year ended June 30, 2008. 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.

The District's actuarial accrued liability (unaudited) 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 \$49.2 million as of June 30, 2013. The District's annual required contribution ("ARC"), which is the portion of the total accrued actuarial liability allocated to the applicable 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) was approximately \$49.2 million (unaudited) as of June 30, 2013. The calculation of the accrued actuarial liability and the ARC is, by definition and necessity, based upon a number of assumptions, including interest rates 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 District's net, end-of-year OPEB obligation was approximately \$11.5 million (unaudited) as of June 30, 2013. The District did not contribute any funds toward its OPEB liability during Fiscal Year 2012-13.

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 related ARC's it will need to budget in future years, it expects its OPEB liability to be significant, but manageable within its normal budgeting process. Information regarding the District's OPEB obligations is included in Note 18 to the audited financial statements for the Fiscal Year ended June 30, 2012 attached as Appendix B hereto and Note [18] to the unaudited financial statements for the Fiscal Year ended June 30, 2013, attached as Appendix C hereto.

## **Indebtedness**

The following table summarizes the District's long-term debt outstanding as of June 30, 2013.

Principal and interest on State Board of Education Bonds are secured by and payable from the State motor vehicle license taxes distributable to the District under State law. The responsibility for principal and interest payments, investment of funds, and reserve requirements for State Board of Education Bonds is administered by the State Board of Education and the State Board of Administration.

Principal and interest payments on General Obligation Bonds, if any, issued by the Board are secured by ad valorem taxes levied by the Board as authorized by the electorate. Payments on the Revenue Bonds, if any, are secured by certain sales tax proceeds distributable to the Board under the provisions of Chapter 212, Florida Statutes.

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**School District of Pinellas, Florida**  
**Long-Term Debt by Issue**  
**As of June 30, 2013**

<u>Issue</u>	<u>Original Principal Amount</u>	<u>Interest Rate (%)</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Principal Outstanding as of 6/30/13</u>
<u>State Board of Education Bonds<sup>(1)</sup></u>					
Series 2010-A	\$ 165,000	4.500-5.000%	10/14/10	2021	\$ 120,000
Series 2005-B	30,045,000	5.000	7/1/05	2020	21,865,000
<u>Direct Revenue Bonds</u>					
None					
<u>District General Obligation Bonds</u>					
None					
Less Sinking Funds as of June 30, 2013					\$0
Net District Debt (General Obligation Bonds less Sinking Funds)					\$0
Net Combined Long-Term Debt (Total Bonded Debt less Sinking Funds)					\$_____

(1) Bonds are issued by the State Board of Education on behalf of the District and are secured by a pledge of the District's portion of the State assessed motor vehicle license tax. The State's full faith and credit is also pledged as security for such Bonds.

Source: School District of Pinellas County.

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## Direct and Overlapping Debt and Debt Ratios

The following table presents a statement of direct and overlapping debt for the School District of Pinellas County.

### **The School District of Pinellas County, Florida Debt Statement As of June 30, 2013**

	<u>General Obligation Debt</u>	<u>Non-Self Supporting Debt</u>	<u>Self Supporting Debt</u>
<b>DIRECT DEBT</b>			
State Board of Education Bonds	\$ -0-	\$ -0-	\$22,985,000
Total Direct Debt	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$22,985,000</u>
<b>OVERLAPPING<sup>(1)</sup></b>			
Sewer Revenue Bonds, Series 2003			9,540,000
Sewer Revenue Refunding Bonds, Series 2006			21,470,000
Sewer Revenue Bonds, Series 2008A			40,670,000
Sewer Revenue Refunding Bonds, Series 2008B-1			32,435,000
Sewer Revenue Refunding Bonds, Series 2011			20,290,000
Sewer Revenue Refunding Bonds, Series 2012			59,510,000
Total Overlapping Debt	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$183,915,000</u>
Total Direct and Overlapping Debt	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$206,900,000</u>

(1) Overlapping Debt figures as of September 30, 2012; Overlapping debt consists of the debt of Pinellas County.

Source: School Board of Pinellas County, Florida; Comprehensive Annual Financial Report of Pinellas County, Florida for the Fiscal Year Ended September 30, 2012.

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**The School District of Pinellas County, Florida**  
**Summary of Direct and Overlapping Debt**  
**As of June 30, 2013**

	<u>Total Outstanding Debt</u>	<u>Percentage of Total Taxable Assessed Valuation<sup>(1)</sup></u>	<u>Per Capita<sup>(2)</sup></u>
<b>General Obligation</b>			
Direct	\$ -0-	0.0000%	\$ 0.00
Overlapping <sup>(3)</sup>	<u>-0-</u>	<u>0.0000</u>	<u>0.00</u>
TOTAL	\$ -0-	0.0000%	\$ 0.00
<b>Non Self-Supporting Debt</b>			
Direct	\$ -0-	0.0000%	\$ 0.00
Overlapping <sup>(3)</sup>	<u>-0-</u>	<u>0.0000</u>	<u>0.00</u>
TOTAL	\$ -0-	0.0000%	\$ 0.00
<b>Self-Supporting Debt</b>			
Direct	\$ 22,985,000	0.0377%	\$ 24.95
Overlapping <sup>(3)</sup>	<u>183,915,000</u>	<u>0.3019</u>	<u>199.62</u>
TOTAL	\$206,900,000	0.3396%	\$ 224.57
<b>TOTAL DIRECT DEBT</b>	\$ 22,985,000	0.0377%	\$ 24.95
<b>TOTAL OVERLAPPING DEBT</b>	\$183,915,000	0.3019%	\$199.62
<b>Total Assessed Valuation Per Capita<sup>(1)(2)</sup></b>			\$66,117.42

(1) Based upon preliminary 2013 Taxable Assessed Valuation of \$60,915,234,693.

(2) Based upon 2012 population estimate of 921,319.

(3) Calculations based upon figures as of September 30, 2012.

Note: The School District debt does include State Board of Education Bonds which are secured by State Motor Vehicle License taxes.

Source: School Board of Pinellas County, Florida; Pinellas County, Florida Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2012.

## Accounting and Funds

Pursuant to Section 11.45, Florida Statutes, the financial operations of the District are subject to annual audit. The School District is required to use independent auditors at least two out of every three fiscal years with the Auditor General of the State of Florida auditing the District's financial operations once every three years. Excerpted pages from the District's Audited Financial Statements for the Fiscal Year ended June 30, 2012 are included herein as Appendix B. Such statements were audited by Carr, Riggs & Ingram, L.L.C. See "APPENDIX B - Excerpted Pages from the Audited Financial Statements of the School District of Pinellas County, Florida for the Fiscal Year ended June 30, 2012," for an example of the scope and objectives of the auditor's reports included therein.

The accounting practices of the School Board are designed to conform to generally accepted accounting principles applicable to governmental units. The District implemented the provisions of GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, and related GASB pronouncements, during the 2001-2002 fiscal year. GASB Statement No. 34 created new basic financial statements for reporting the District's financial activities. In addition to fund financial statements, the financial statements now include government-wide financial statements prepared on the accrual basis of accounting that split the District's programs between government and business-type activities. For fiscal year 2011-2012, the organization of such financial statements was generally as follows:

### *Basis of Presentation.*

Government-wide Financial Statements – Government-wide financial statements, including the statement of net assets and statement of activities, present information about the District as a whole. These statements include the nonfiduciary financial activity of the primary government and its component units.

Government-wide financial statements are prepared using the economic resources measurement focus. The 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 thereby clearly identifiable to a particular function. Depreciation expenses, which can be associated with a specific program or activity, are allocated to the related function, while remaining depreciation expense is reported as unallocated.

Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues, with certain exceptions. The comparison of direct expenses with program revenues

identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

The effects of the interfund activity have been eliminated from the government-wide financial statements.

Fund Financial Statements – Fund financial statements report detailed information about the District in the governmental, proprietary and fiduciary funds. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Nonmajor funds are aggregated and reported in a single column. Because the focus of governmental fund financial statements differs from the focus of government-wide financial statements, a reconciliation is presented with each of the governmental fund financial statements.

The District reports the following major governmental funds:

*General Fund* – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.

*ARRA Economic Stimulus Fund* – to account for funds received under the American Recovery and Reinvestment Act that are used for specific purposes.

*Other Federal Programs Fund* – to account for funds received from the Federal Government directly or indirectly through the state. The Federal awards are for the enhancement of various programs.

*Capital Projects – Local Capital Improvement Tax Fund (internally described as Capital Improvement Section 1011.71(2) Fund)* – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction, renovation and remodeling projects.

Additionally, the District reports the following proprietary and fiduciary fund types:

*Internal Service Fund* – to account for the District's individual self-insurance programs.

*Fiduciary Fund* – to account for resources of the school internal funds which are used to administer moneys collected at several schools in



connection with school, student, athletic, class and club activities. Also, to account for resources held by the District as a custodian for others.

### *Basis of Accounting*

Basis of accounting refers to when revenues and expenditures, or expenses, are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are prepared using the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 21 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred. The principal exceptions to this general rule are: (1) prepaid items are generally not accrued; (2) interest on long-term debt is recognized as expenditures when due; and (3) expenditures related to liabilities reported as long-term debt are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Proprietary funds are accounted for as proprietary activities under standards issued by the Financial Accounting Standards Board through November 1989 and applicable standards issued by the Governmental Accounting Standards Board. The proprietary fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services. The principal operating revenues of the District's internal service fund are charges for workers' compensation, general liability and auto liability self-insurance and claims. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary Funds are used to account for assets held in trustee or agency capacity for others and therefore cannot be used to support the District's basic programs. The District utilizes agency funds to account for individual schools' internal funds, which are used to administer moneys collected at the schools in connection with school, student athletic, class, and club activities.

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

The charter schools are accounted for as governmental organizations and follow the same accounting model as District governmental activities.

### **Budget Process**

State law requires the School Board to advertise its intent to adopt a tentative budget, including a capital outlay budget, within 29 days following the County Appraiser's official certification of taxable property, which usually occurs on or about July 1. The School Board holds a public hearing on the tentative budget and the proposed tax rates within five days of its advertisement, and officially adopts the tentative budget and tax rates at the hearing. Thereafter, the County Appraiser prepares tax millage notices for property owners within the School District. The final budget and tax rate are fixed in September of each year, following a final public hearing and in accordance with statutory timelines. The School Board adopted the final budget for the 2013/2014 Fiscal Year on September 10, 2013.

The Superintendent of Schools is responsible for preparing the tentative budget for recommendation to the School Board. Florida law requires the School Board to adopt and maintain a balanced budget, in which anticipated revenues less certain required deductions combined with beginning fund balances equal appropriations. Generally, the final budget is substantially the same as the tentative budget since the School Board's hiring plans and materials purchases have been determined before the final budget is adopted.

### **Auditing System**

In addition to local internal audits, two other budget reviews are conducted. The Department of Education conducts regular financial compliance reviews of each school district to ensure that local school districts comply with State regulations. In conjunction with this review, the Financial Management Section of the Department of Education reviews the cost reporting system of each school district to ensure that the Financial and Program Costs Accounting and Reporting for Florida Schools is being properly implemented by the school board of such school district.

## **General Fund and Capital Projects Fund Operations**

The District's general fund revenues are derived from Federal and State appropriations and local sources. The District's two major sources of funds from the State are basic and categorical funding from the Florida Education Finance Program (FEFP). FEFP categorical funds are restricted to the specific purposes for which they are authorized. There is also a statutory property tax millage levy restriction of 10 mills for operation purposes. To participate in FEFP funding, each school district must levy a minimum millage for operation purposes which is set by the Florida State Board of Education. The total operating millage for the general fund, including such required minimum millage for operating purposes of [5.312] mills, for the District for the 2013/2014 Fiscal Year is budgeted at [6.560] mills.

The state legislature appropriates funds for FEFP. The level of funding received by each school district is then determined in accordance with state law, particularly Chapter 1011, Florida Statutes, as amended.

The following table summarizes results of operations for the general fund for the three fiscal years ended June 30, 2011 through 2013 and the general fund operating budget for the 2013/2014 Fiscal Year.

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**School District of Pinellas County, Florida**  
**Summary of General Fund Operations**  
**Year Ended June 30, 2013**

	Audited		Unaudited	Budget
	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>	<u>2013/2014</u>
<b>REVENUES</b>				
Federal direct	\$ 367,522	\$ 321,428	348,449	\$ 322,000
Federal through state	3,732,838	4,285,903	2,988,941	2,500,000
State sources	321,747,630	289,860,547	317,461,616	361,706,220
Local sources	438,312,761	420,507,137	407,102,198	399,371,780
Other	-	-	-	300,000
Total revenues	<u>\$764,160,751</u>	<u>\$714,975,015</u>	<u>727,901,204</u>	<u>\$764,200,000</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	\$486,796,226	\$507,945,274	\$513,820,917	\$529,122,978
Pupil personnel services	33,503,648	29,088,382	30,318,140	28,987,596
Instructional media services	11,289,569	9,682,163	9,521,790	9,300,184
Instruction and curriculum development services	10,296,764	9,433,498	9,598,232	8,823,510
Instructional staff training services	4,770,231	3,673,065	4,518,166	3,967,468
Instruction related technology	2,409,004	2,235,876	2,365,276	2,255,306
Board of Education	2,268,971	2,096,009	1,282,707	2,090,810
General administration	3,181,803	2,742,183	2,379,331	2,222,010
School administration	54,625,131	50,693,825	50,402,349	50,026,779
Facilities acquisition and construction	570,256	441,181	678,572	1,945,718
Fiscal services	4,495,618	3,625,292	3,907,272	3,689,933
Food services	155,109	207,866	149,733	-
Central services	12,889,770	11,713,353	11,656,697	15,592,973
Pupil transportation services	33,183,479	32,543,652	31,900,978	30,677,303
Operation of plant	81,643,832	74,855,422	76,794,520	73,356,900
Maintenance of plant	23,199,139	21,307,894	21,208,836	19,927,625
Administrative technology services	5,425,515	6,016,393	4,727,331	4,680,085
Community services	985,875	648,848	661,246	632,822
Capital outlay:				
Facilities acquisition and construction	242,703	160,234	-	-
Other capital outlay	3,127,148	3,046,813	-	-
Debt service:				
Principal	181,343	3,508	-	-
Interest and fees	242,781	76,870	-	100,000
Total expenditures	<u>\$775,483,915</u>	<u>\$772,237,601</u>	<u>775,792,093</u>	<u>\$787,400,000</u>
Revenues in excess of (under) expenditures	<u>(11,323,164)</u>	<u>(57,262,586)</u>	<u>(47,890,889)</u>	<u>(23,200,000)</u>
Other financing sources (uses)				
Loss recoveries	\$ 176,685	\$ 567,979	315,450	-
Obligations under capital leases	-	-	-	-
Proceeds from Sale of Capital Assets	365,000	-	-	-
Transfers in	20,444,571	25,454,277	44,090,000	\$ 30,000,000
Transfers out	-	(977,356)	-	-
Total other financing sources (uses)	<u>\$20,986,256</u>	<u>\$25,044,900</u>	<u>44,404,450</u>	<u>\$ 30,000,000</u>
Net change in fund balances	<u>\$9,663,092</u>	<u>(32,217,686)</u>	<u>(3,486,439)</u>	<u>6,800,000</u>
Prior fund balance	<u>83,082,086</u>	<u>92,745,178</u>	<u>60,527,490</u>	<u>57,041,490</u>
Ending fund balance	<u>\$92,745,178</u>	<u>\$60,527,492</u>	<u>\$57,041,051</u>	<u>\$ 63,841,490</u>

Totals may not add due to rounding.

Source: Pinellas County School District, Department of Finance.

Section 1011.051, Florida Statutes, entitled "Guidelines for general funds" requires that if a school district's General Fund balance not classified as restricted, committed or nonspendable in the approved operating budget is projected to fall below three percent (3%) of projected General Fund revenues, the Superintendent shall provide written notification to the district school board and the Commissioner of Education. The section further requires that if the General Fund balance not classified as restricted, committed or nonspendable is projected to fall below two percent (2%) of projected General Fund revenues, the Superintendent shall provide written notification to the district school board and the Commissioner of Education. Within 14 days after receiving such notification of a balance below two percent (2%), if the Commissioner determines that the district does not have a plan that is reasonably anticipated to avoid a financial emergency as determined pursuant to Florida Statutes pertaining thereto, the Commissioner shall appoint a financial emergency board that may take certain delineated steps to assist a district school board in complying with the General Fund requirements. In Fiscal Year 2012/13, the District's General Fund balance not classified as restricted, committed or nonspendable (unaudited) was 3.7% of General Fund revenues. For Fiscal Year 2013/14, the District projects the General Fund not classified as restricted, committed or nonspendable balance will be 4.3% of General Fund revenues.

### **Cash and Investments**

As of June 30, 2013, the District held cash and investments totaling approximately \$8,667,256 and \$68,568,655, respectively, in its General Fund.

### **Cash Management**

The 2012/2013 Fiscal Year cash flow presented in the following table was prepared from financial records of the District.

The second table following presents a projected General Fund cash flow for the 2013/2014 Fiscal Year. The cash flow is based on the 2013/2014 Fiscal Year preliminary budget and historical experience adjusted to reflect current economic conditions. The 2013/2014 Fiscal Year cash flow projection is based on the disbursement requirements for the entire Fiscal Year, including certain disbursements which could take place in the 2013/2014 Fiscal Year, but which are not in 2013/2014 Fiscal Year preliminary budget expenditures, such as certain advances to other funds and provisions for contingencies. Revenue projections reflect the anticipated dates of receipt of funds provided under the Florida Education Finance Program (FEFP) and other state programs, and the expected timing of receipt of tax revenues collected by the County for the District. Ad valorem taxes shown in these tables reflect the general operating levy.

**SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA**  
**Cash Flow Analysis - General Fund**  
**For the Fiscal Period July 1, 2012 to June 30, 2013**

[To Come]

**SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA**  
**Projected Cash Flow Analysis - General Fund**  
**For the Fiscal Period July 1, 2013 to June 30, 2014**

[To come]

## **REVENUES OF THE DISTRICT**

The District derives its operating income from a variety of Federal, State and local sources. The major categories of these income sources for the general fund are briefly described below.

### **Federal Sources**

In the 2012/2013 Fiscal Year, the District received \$348,450 (unaudited) in Federal subsidies. The budget for the 2013/2014 Fiscal Year projects approximately \$322,000 in Federal subsidies. These subsidies are primarily for the Junior Officers Training Candidate Program and Federal Impact AID.

### **Federal Through State**

In the 2012/2013 Fiscal Year, the District received \$2,988,941(unaudited) in Federal through State subsidies. The budget for the 2013/2014 Fiscal Year projects \$2,500,000 in Federal through State subsidies. These subsidies are primarily through Medicaid for reimbursement of costs incurred by the District for providing medical care to indigent students.

### **State Sources**

State revenues accounted for approximately 43.6% of general fund revenues in the 2012/2013 Fiscal Year and are budgeted to produce approximately 47.4% of revenues in the 2013/2014 Fiscal Year. Total state revenues were \$317,461,616 (unaudited) in the 2012/2013 Fiscal Year and are projected at \$361,706,220 for the 2013/2014 Fiscal Year. The two primary sources of State educational funding of the District's operations, (1) the Florida Education Finance Program, and (2) State Categorical Programs, are briefly described below.

### **Florida Educational 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. The District's two major sources of funds from the State are basic and categorical funding from the Florida Education Finance Program ("FEFP"). FEFP categorical funds are restricted to the specific purposes for which they are authorized. To participate in FEFP funding, each school district must levy a minimum millage for operating purposes which is set by the Florida State Board of Education. For Fiscal Year 2012/2013, the minimum millage for operating purposes was 5.554 mills. The minimum millage for operating purposes for the 2013/2014 Fiscal Year is budgeted at 5.312 mills. The 2013/2014 Fiscal Year millage levy for the District will be adjusted to reflect the actual preliminary tax roll



versus projections. General Fund FEFP receipts for the 2012/2013 Fiscal Year were estimated at \$77,771,769 (unaudited) and are budgeted at \$103,501,818 for the 2013/2014 Fiscal Year.

The state legislature appropriates funds for FEFP. The level of funding received by each school district is then determined in accordance with state law, particularly Chapter 1011, Florida Statutes, as amended. Basic FEFP funds are provided on a weighted full-time equivalent student (FTE) basis and through a formula that takes into account (1) varying program costs, (2) cost differentials between districts, (3) differences in per student costs due to sparsity and student population dispersion, and (4) required level of local support. The amount of FEFP funds disbursed by the State is adjusted four times during each year to reflect changes in FTE and in variables comprising the formula.

### **State Categorical Programs**

State Categorical programs are educational program lump sum appropriations intended to supplement local school district revenues to enhance educational and support services. Among the categorical programs for which the largest appropriations are made are the Class Size Reduction and District Discretionary Lottery. Allocations for these categorical appropriations are based on funding formulae and discretionary State Department of Education grants. The majority of funds available therefrom require actual appropriation by the Board of the purposes for which they are provided. Total State categorical aid is expected to decrease from \$118,717,093 (unaudited) in the 2012/2013 Fiscal Year to a projected \$118,026,954 for the 2013/2014 Fiscal Year.

### **Public Education Capital Outlay and Debt Service Trust Fund Program (PECO)**

The primary source of state educational funding contributions to the District's capital outlay requirements is the Florida Public Education Capital Outlay and Debt Service Trust Fund Program (PECO). The method of allocation of funds to the district school boards is provided by state law based upon a statutory formula, a component of which is the number of students in various districts and the proposed uses of the funds by the various districts. The Commissioner of Education administers the PECO program and allocates or reallocates funds as authorized by law. The District did not receive any PECO funds in the 2012/2013 Fiscal Year and does not expect to receive any PECO funds for the 2013/2014 Fiscal Year.

### **Public School Capital Outlay Program Act**

On November 24, 1997, the Governor of the State of Florida signed into law a bill creating the "Public School Capital Outlay Program Act" (the "Act"). Among the several programs established by the Act is the "Classrooms First Program," which provides for the issuance by the State of revenue bonds, the proceeds of which will be distributed to the various school districts based upon a formula similar to the formula used in allocating

PECO funds. The proceeds of such revenue bonds must be applied by a school district for new construction, remodeling, renovation or major repairs, with a priority on construction of new, permanent classroom facilities. If a school district certifies that it has no unmet need for permanent classroom facilities or if its unmet needs are less than its proposed allocation of the revenue bond proceeds, it may choose to receive an annual distribution of State lottery revenues in lieu of all or a portion of its allocation of State bond proceeds. Such annual distribution must be used to construct, renovate, remodel, repair or maintain educational facilities. In addition, in order to receive any of such State funds, a school district must fully bond all of its CO&DS funds allocation. In order to continue participation in the Classrooms First Program, the District may be required to utilize additional State bonds payable from CO&DS funds in the future.

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

### **State Budget**

As a result of declining State revenues, operating revenues from the State to the District were reduced by over \$61.7 million over the three fiscal years ended June 30, 2013. For 2013-14, the adopted State budget includes an increase of approximately \$1.05 billion in State funding for education including a \$480 million increase in salaries for school personnel, retirement rate increases and growth. Pursuant to the adopted budget, funding in the State is expected to increase by approximately \$400 per student or 6.5% over fiscal year 2012-13. As a result, the District expects a net increase of approximately \$38.3 million or 12.06% in State revenues for Fiscal Year 2013-14 as compared to Fiscal Year 2012-13.

### **Local Sources**

Local revenue for school district support is derived almost entirely from real and tangible personal property taxes. There are no local non-property taxes levied specifically for schools. In addition, the District earns interest on cash invested and collects other miscellaneous revenues.

### **Operating and Capital Outlay Millage and Other Ad Valorem Property Taxes**

The Florida Constitution limits the millage rate that school boards may levy to 10 mills. Chapter 1011, Florida Statutes, further limits the millage levy for operational purposes to an amount set each year by the State Appropriations Bill. Within this operational limit, each school district desiring to participate in the State aid appropriation of the FEFP funds for current operations must levy the millage for "required local effort," which is set each year by the State Commissioner of Education, based upon the aggregate

local effort for all school districts, and the most recent estimates of the non-exempt assessed valuation for school purposes prepared by the Department of Revenue. The required local effort millage for the District for the 2013/2014 Fiscal Year is budgeted to be 5.312 mills. In addition the State Legislature annually authorizes a discretionary millage rate for school districts. The maximum discretionary millage for the 2012/2013 Fiscal Year was 0.748 mills, and the District has budgeted a discretionary millage of 0.748 mills for this fiscal year. In addition to operating millage levies, school boards may levy up to 1.50 mills for capital improvements, including new construction and remodeling, renovation and repair of existing school plants, the school bus purchases (referred to herein as the "Local Option Millage Levy"). For Fiscal Year 2013/2014 the Board has budgeted the levy of 1.50 mills for capital outlay purposes. On November 2, 2004, the voters in Pinellas County approved the levy of an additional one-half (0.5) mill ad valorem tax for necessary operating expenses, including recruiting and retaining qualified teachers; preservation of reading programs, music and art; and providing up-to-date textbooks and technology. Such additional ad valorem tax is authorized to be levied for a period of four years, commenced with the Fiscal Year 2005/2006 and was approved for four additional years, commencing with Fiscal Year 2009/10.

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. Historically, the local taxes have been received at less than one hundred percent (100%) of assessed valuation due to the discounts for early payment. The County usually collects approximately ninety-six percent (96%) of the levied taxes.

### **Truth in Millage Bill**

The 1980 Florida Legislature enacted the Truth in Millage Bill (the "Trim Bill") requiring that only legislative bodies, including school districts, fix the millage rate, and requiring that all property be assessed at 100% of just value. The Trim Bill prohibits the millage for taxing authorities from being set by referendum.

Ad valorem tax receipts for operating purposes are expected to decrease from \$386,470,805 (unaudited) in the 2012/2013 Fiscal Year to an estimated \$383,268,911 in the 2013/2014 Fiscal Year. Historical millage rates (tax per \$1,000 of assessed value) and the millage rates for the 2013/2014 Fiscal Year are as follows:

	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>	Budget <u>2013/14</u>
Required Local Effort	5.172	5.348	5.342	5.637	5.554	5.312
Discretionary Local Effort	0.498	0.748	0.748	0.748	0.748	0.748
Supplemental Discretionary	0.141	N/A <sup>(1)</sup>	N/A <sup>(1)</sup>	N/A <sup>(1)</sup>	N/A <sup>(1)</sup>	N/A <sup>(1)</sup>
Critical Operating Needs Levy <sup>(2)</sup>	N/A	0.250	0.250	N/A	N/A	N/A
Local Referendum <sup>(3)</sup>	<u>0.500</u>	<u>0.500</u>	<u>0.500</u>	<u>0.500</u>	<u>0.500</u>	<u>0.500</u>
Operating Millage	6.311	6.846	6.840	6.885	6.802	6.560
Debt Service	0	0	0	0	0	0
Capital Outlay	1.750	1.500	1.500	1.500	1.500	1.500
<b>TOTAL</b>	<b>8.061</b>	<b>8.346</b>	<b>8.340</b>	<b>8.385</b>	<b>8.302</b>	<b>8.060</b>

- (1) Due to a change in applicable law, the District was and is not permitted to levy any supplemental discretionary millage for the 2009/10 through 2012/13 Fiscal Years. However, an additional 0.25 mills was and is included as part of the basic discretionary millage for such Fiscal Years.
- (2) Authorized pursuant to recent legislative amendments to Section 1011.71, Florida Statutes. The authorization to levy such millage expired on June 30, 2011. See "AD VALOREM TAX PROCEDURES - Recent Legislative Initiatives and Constitutional Amendments Concerning Ad Valorem Taxes – *Further Reduction in Local Option Millage Levy*" herein.
- (3) See "REVENUES OF THE DISTRICT – Operating and Capital Outlay Millage and Other Ad Valorem Property Taxes" herein.

Source: School Board of Pinellas County, Florida.

## **AD VALOREM TAX PROCEDURES**

### **Property Assessment**

No ad valorem taxes may be levied by the State upon real estate or tangible personal property. Such taxes may be levied only by counties, school districts, municipalities and certain special districts. For all purposes, real and personal property valuation is determined as of January 1, each year, by the County appraiser. Except as noted below, all taxable real and tangible personal property must be assessed at 100% of fair market value.

The following uses of real property are generally exempt from ad valorem taxation: religious, educational, charitable, scientific, literary and governmental. In addition, there are special exemptions for widows, hospitals, homesteads, working waterfronts and homes for the aged and disabled veterans. In particular, pursuant to Article VII, Section 6 of the Constitution and Section 196.031, Florida Statutes, the first \$25,000 of the assessed valuation of a homestead is exempt from taxation for any person who has title to a residence in such homestead on a permanent basis. Further, agricultural land, non-commercial recreational land, inventory and livestock are assessed at less than 100% of fair market value.

In the November 7, 2006 general election, the voters of Florida approved Amendments 6 and 7 to the State Constitution, which provide for an increase in the homestead (ad valorem tax) exemption to \$50,000 from \$25,000 for certain low-income seniors effective January 1, 2007 and provide a discount from the amount of ad valorem taxes for certain permanently disabled veterans effective December 7, 2006, respectively. The extent to which these amendments may affect the ad valorem tax collections of the District in future years is not currently known.

Additionally, in the January 29, 2008 special election, the voters of the State also approved an additional homestead exemption for the assessed value of homestead property between \$50,000 and \$75,000, thus doubling the existing homestead for property with an assessed value equal or greater than \$75,000. However, this exemption does not apply to school district taxes.

By voter referendum held on November 2, 1992, Article VII, Section 4 of the Florida Constitution was amended by adding thereto a subsection which, in effect, limits the increases in assessed just value of homestead property to the lesser of (1) three percent of the assessment for the prior year or (2) the percentage change in the Consumer Price Index for all urban consumers, U.S. City Average, all items 1967=100, or successor reports for the preceding calendar year as initially reported by the United States Department of Labor, Bureau of Labor Statistics. Further, the amendment provides that (1) no assessment shall exceed just value, (2) after any change of ownership of homestead property or upon termination of homestead status such property shall be reassessed at just value as of January 1 of the year following the year of sale or change of status, (3) new homestead property shall be assessed at just value as of January 1 of the year following the establishment of the homestead, and (4) changes, additions, reductions or improvements to homestead shall initially be assessed as provided for by general law, and thereafter as provided in the amendment. This amendment is known as the "Save Our Homes" amendment. The effective date of the amendment was January 1, 1995. Studies have been conducted analyzing the effect of this amendment on property values and tax collections in Florida since its effective date. Such studies conclude that while the assessed values of homestead property within the State have been lower due to the amendment, the impact on total property tax revenues for local governments within the State has been small due to growth in the total property tax base and the property tax revenues received with respect to non-homestead property. There is no assurance that such revenues will not be materially adversely affected in the future. See "Recent Legislative Initiatives and Constitutional Amendments Concerning Ad Valorem Taxes" herein for information concerning recently passed legislation that affects the Save Our Homes amendment.

Procedure for Tax Collection. All real and tangible personal property taxes are due and payable on November 1 of each year or as soon thereafter as the assessment roll is certified and delivered to the County Tax Collector. The Tax Collector mails to each

property owner on the assessment roll a notice of taxes levied by the County, the School Board, and other taxing authorities. Taxes may be paid upon receipt of such notice with discounts at the rate of four percent (4%) if paid in the month of November, three percent (3%) if paid in the month of December, two percent (2%) if paid in the month of January, and one percent (1%) if paid in the month of February. Taxes paid during the month of March are without discount. All unpaid taxes on real and tangible personal property become delinquent on April 1 of the year following the year in which taxes were levied. All taxes collected are remitted by the County to the governmental unit levying the taxes. (See "Disposition of Tax Collections".)

Delinquent real property taxes bear interest at the rate of eighteen percent (18%) per year from April 1 until a tax certificate is sold at auction, from which time the interest rate shall be as bid by the buyer of the tax certificate. Delinquent tangible personal property taxes also bear interest at the rate of eighteen percent (18%) per year from April 1 until paid. Delinquent personal property taxes must be advertised within forty-five (45) days after delinquency, and after May 1, the property is subject to warrant, levy, seizure and sale.

Florida law provides that real property tax liens are superior to all other liens and that personal property 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 weeks and sells tax certificates on or before June 1 of each year on all real property with taxes due. Delinquent Tax Certificates not sold at auction revert to the County.

### **Disposition of Tax Collections**

Section 200.001, Florida Statutes, provides, in effect, that county tax millages shall consist of four components: (a) general millage, (b) debt service millage, (c) voted millage, and (d) dependent special district millage. Section 197.0124, Florida Statutes, requires the Tax Collector to distribute taxes collected to each taxing authority four times per month during the first two months after the tax roll comes into its possession and once per month thereafter.

The School District is budgeted to levy a total millage of [8.060] mills for Fiscal Year 2013/2014. The levy includes [6.560] mills for general operations, 0.00 mills for debt service and 1.500 mills for capital projects. The following table shows the tax levies and collections of the District for the last ten years.

**School District of Pinellas County, Florida**  
**Tax Levies and Taxes Collected**  
**Tax Years 2003-2012**

<u>Tax Year</u>	<u>Total School Taxes Levied</u>	<u>General School</u>	<u>Capital Improvement</u>	<u>Debt Service</u>	<u>Total Tax Receipts</u>	<u>% of Current Tax Taxes Collected</u>
2012	\$488,341,780	\$400,108,502	\$88,233,275	\$0	\$471,697,326	96.59%
2011	505,857,789	415,364,445	90,493,343	0	490,011,203	96.87
2010	527,919,120	433,037,898	94,881,222	0	510,663,117	96.73
2009	582,937,252	478,167,796	104,769,456	0	562,665,753	96.52
2008	630,942,685	493,968,402	136,974,283	0	611,419,304	96.91
2007	619,264,570	471,076,826	148,187,744	0	597,463,232	96.48
2006	619,940,843	468,919,932	151,020,911	0	599,802,543	96.75
2005	527,649,171	401,869,287	125,780,684	0	510,291,439	96.71
2004	446,007,792	336,180,707	109,827,085	0	431,254,296	96.69
2003	409,163,799	309,888,341	99,275,458	0	396,128,630	96.81

Source: Pinellas County School District, Department of Finance.

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## Assessed Valuation

The following table shows the assessed value and taxable value for operating millages in each of the past ten years. No single taxpayer in the County pays as much as ten percent (10%) of the total ad valorem taxes levied.

**School District of Pinellas County, Florida**  
**Assessed Value of Taxable Property**  
**For the Tax Years 2004 through 2013**  
**(in thousands)**

<u>Tax Year</u>	<u>Total Taxable Value</u>	<u>Total Assessed Value</u>	<u>% Total Assessed Value To Total Taxable Value</u>
2013 <sup>(1)</sup>	\$ 60,915,235	\$ 79,351,167	76.77
2012	58,822,185	75,803,036	77.60
2011	60,125,520	74,937,439	80.23
2010	63,062,620	78,456,434	80.38
2009	69,596,858	94,737,262	73.46
2008	78,271,019	119,777,404	65.35
2007	80,101,484	115,701,931	69.23
2006	75,510,456	92,795,840	81.37
2005	62,890,342	79,791,711	78.82
2004	54,869,886	71,337,897	76.92

(1) Preliminary Figures as of July 1, 2013. Such figures are subject to adjustment by the Property Value Adjustment Board.

Source: Pinellas County Property Appraiser.

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

Amendment 9 to the State Constitution requires that the State Legislature provide funding for sufficient classrooms so that class sizes can be reduced to certain constitutional class size maximums by the beginning of the 2010-11 school year. Amendment 9 and Section 1003.03, Florida Statutes, which implements Amendment 9, collectively, are referred to herein as the "Class Size Legislation."

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



in compliance with such requirements, the legislation provides that the State would reduce categorical funds due to such school district for operational purposes.

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

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

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

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

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

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

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

1. Provides for an additional exemption for the assessed value of homestead property between \$50,000 and \$75,000, thus doubling the existing homestead exemption for property with an assessed value equal to or greater than \$75,000. See "AD VALOREM TAX PROCEDURES – Property Assessment" for a description of the homestead exemption. This exemption does not apply to school district taxes.

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

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

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

The amendments were effective for the 2008 tax year (2008-2009 Fiscal Year for local governments). While certain members of the Florida Legislature publicly indicated that they would seek to replace the ad valorem revenues lost by school districts with other revenue sources, the Florida Legislature approved significant budget cuts for education

during recent years. However, the 2013-14 State budget does not include an increase in funding for education. See "REVENUES OF THE DISTRICT – State Budget" herein.

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 amended in the 2009, 2010 and 2011 legislative sessions to provide for the following: (i) a reduction of the maximum Local Option Millage Levy from 1.75 mills to 1.50 mills; (ii) a waiver of the three-fourths limit on use of proceeds from the Local Option Millage Levy for lease-purchase agreements entered into before June 30, 2009, for the 2009-10 Fiscal Year (however, see "Legislation Waiving 75% Limitation on Use of Local Option Millage Levy" below for information regarding an amendment to this provision); (iii) if the revenue from 1.50 mills is insufficient to make the payments due under a lease-purchase agreement entered into

prior to June 30, 2009, or to meet other critical fixed capital outlay needs, authorization for school districts to levy up to 0.25 mills for capital improvement needs in lieu of an equivalent amount of the discretionary mills for operations as provided in the State General Appropriation Act; and (iv) authorization for school boards, by a super majority vote, to levy an optional 0.25 mills for critical capital outlay needs or for critical operating needs. The authorization to levy the millage described in clause (iv) hereof expired on June 30, 2011.

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

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

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

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

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

### **Other Proposals Affecting Ad Valorem Taxation and District Finances**

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

## **LITIGATION**

[To be reviewed by General Counsel to the School Board]

Concurrently with the delivery of the Notes, General Counsel to the School Board will deliver an opinion substantially to the effect that there is no litigation or other proceedings pending or, to the best of their knowledge, threatened against the School Board that seeks to restrain or enjoin the issuance or delivery of the Notes or this Official Statement or questioning or affecting the validity of the Notes, the Official Statement or the proceedings of the School Board with respect to the authorization, sale, execution or issuance of the Notes or the transactions contemplated by this Official Statement or any other agreement or instrument to which the School Board is a party in connection therewith and which is used or contemplated for use in the transactions contemplated by this Official Statement and neither the creation, organization nor existence of the School Board is being contested.

The District is involved in certain litigation and disputes incidental to its operations. Upon the basis of information presently available, General Counsel for the School Board believes that there are substantial defenses to such litigation and the 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.

## **NOTEHOLDER'S RISK**

The Notes are limited obligations of the District payable from the Pledged Revenues as described herein, and are not secured by the full faith, 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 2013/2014 Fiscal Year) or the institution of foreclosure proceedings against any property of the District to provide for payment of the Notes and the interest thereon. Certain factors may affect the adequacy of the Pledged Revenues to provide for payment of the Notes, and there can be no assurance that the Pledged Revenues will be adequate to provide for payment of the Notes and the interest thereon.

In particular, the adequacy of the Pledged Revenues to provide for repayment of the Notes depends upon (1) the ability of taxpayers in the County to pay the ad valorem taxes levied in 2013, (2) the percentage of collection of ad valorem taxes for the 2013/2014 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 year, and (4) the absence of the need for extraordinary, unforeseen expenditures during the 2013/2014 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.

## **FINANCIAL STATEMENTS**

The General Purpose Financial Statements of Pinellas County Public Schools, Florida, as of June 30, 2012 and for the year ended, appended hereto as Appendix B as part of this Official Statement have been audited by Carr, Riggs & Ingram, L.L.C. as set in its report dated March 20, 2013, which report is also appended hereto. The auditor has not performed any services relating to, and is therefore not associated with, the issuance of the Notes.

Also attached as Appendix C are excerpted pages from the Superintendent's unaudited annual financial report for the Fiscal Year ended June 30, 2013. The figures in such report are subject to change during the auditing process.

## **UNDERWRITING**

The Notes are being purchased by \_\_\_\_\_ at an aggregate purchase price of \$\_\_\_\_\_ (which consists of the par amount of the Notes, plus/less a note premium/discount of \$\_\_\_\_\_ and less underwriter's discount of \$\_\_\_\_\_). The offer of the Underwriter to purchase the Notes provides for purchase of all of the Notes if any are purchased.

The Underwriter may offer to sell the Notes to certain dealers (including dealers depositing the Notes into investment trusts) and others at prices lower than the public offering prices stated on the cover page hereof. The initial public offering prices may be changed from time to time by the Underwriter.

## **FINANCIAL ADVISOR**

The District has retained Ford & Associates, Inc., Tampa, Florida, as financial advisor (the "Financial Advisor") with respect to the issuance and sale of the Notes. The Financial Advisor assisted in the preparation of the Official Statement, and in other matters relating to the planning, structuring, and issuance of the Notes, and has provided additional advice. The Financial Advisor is not obligated to undertake nor has undertaken to make an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

## **NOTE RATING**

Moody's Investors Service ("Moody's") has assigned its municipal bond rating of "\_\_\_\_\_" to the Notes. An explanation of the significance of the ratings may be obtained only from Moody's at the following address: Moody's Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, 23rd Floor, New York, New York 10007, (212) 553-0501. There is no assurance that the rating will be in effect for any given period of time or that it will not be revised downward, suspended or withdrawn entirely by Moody's if in its judgment, circumstances so warrant. Any such downward revision, suspension or withdrawal of the rating given the Notes may have an adverse effect on the liquidity or market of the Notes.

## **TAX EXEMPTION**

### **Opinion of Note Counsel**

In the opinion of Note Counsel, the form of which is included as APPENDIX E hereto, under existing statutes, regulations, rulings and court decisions, the interest on the Notes is (a) excludable from gross income of the owners thereof and (b) is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, interest on the Notes is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on corporations pursuant to the Internal Revenue Code of 1986, as amended (the "Code"). Failure by the School Board to comply subsequent to the issuance of the Notes with certain requirements of the Code regarding the use, expenditure and investment of bond proceeds and the timely payment of certain

investment earnings to the Treasury of the United States may cause interest on the Notes to become includable in gross income for federal income tax purposes retroactive to their date of issue. The School Board has covenanted in the Resolution to comply with all provisions of the Code necessary to, among other things, maintain the exclusion from gross income of interest on the Notes for purposes of federal income taxation. In rendering this opinion, Note Counsel has assumed continuing compliance with such covenants.

### **Internal Revenue Code of 1986**

The Code contains a number of provisions that apply to the Notes, including among other things, restrictions relating to the use of investment of the proceeds of the Notes and the payment of certain arbitrage earnings in excess of the "yield" on the Notes to the Treasury of the United States. Noncompliance with such provisions may result in interest on the Notes being included in gross income for federal income tax purposes retroactive to their date of issue.

### **Financial Institutions**

Banks and thrift institutions are generally unable to deduct any portion of the interest expense allocable to purchasing or carrying tax-exempt obligations (except "qualified tax-exempt obligations") if such interest costs are incurred in taxable years ending after December 31, 1986, with respect to bonds after August 7, 1986. An exception is provided for "qualified tax exempt obligations" specifically designated as such by the issuer. The School Board has not designated the Notes as qualified tax-exempt obligations under Section 265(b)(3) of the Code.

### **Collateral Tax Consequences**

Except as described above, Note Counsel will express no opinion regarding the federal income tax consequences resulting from the ownership of, receipt or accrual of interest on, 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. For example, ownership of the Notes may result in collateral tax consequences to various types of corporations relating to (1) the branch profits tax, (2) the environmental tax, and (3) the inclusion of interest on the Notes in passive income for certain Subchapter S corporations. In addition, the interest on the Notes may be included in gross income by recipients of certain Social Security and Railroad Retirement benefits.

PURCHASE, OWNERSHIP, SALE OR DISPOSITION OF THE NOTES AND THE RECEIPT OR ACCRUAL OF THE INTEREST THEREON MAY HAVE ADVERSE FEDERAL TAX CONSEQUENCES FOR CERTAIN INDIVIDUAL AND CORPORATE NOTEHOLDERS, INCLUDING, BUT NOT LIMITED TO, THE CONSEQUENCES DESCRIBED ABOVE. PROSPECTIVE NOTEHOLDERS



SHOULD CONSULT WITH THEIR TAX SPECIALISTS FOR INFORMATION IN THAT REGARD.

### **Other Tax Matters**

Interest on the Notes may be subject to state or local income taxation under applicable state or local laws in other jurisdictions. Purchasers of the Notes should consult their own tax advisors as to the income tax status of interest on the Notes in their particular state and local jurisdictions.

During recent years legislative proposals have been introduced in Congress, and in some cases enacted, that altered certain federal tax consequences resulting from the ownership of obligations that are similar to the Notes. In some cases these proposals have contained provisions that altered these consequences on a retroactive basis. Such alterations of federal tax consequences may have affected the market value of obligations similar to the Notes. From time to time, legislative proposals are pending which could have an effect on both the federal tax consequences resulting from ownership of the Notes and their market value. No assurance can be given that additional legislative proposals will not be introduced or enacted that would or might apply to, or have an adverse effect upon, the Notes.

### **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 "note premium." For federal income tax purposes, a portion of the note 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 note premium attributable to each taxable year is determined on an actuarial basis at a constant interest rate compounded on each interest payment date. 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 note premium, the treatment of such note 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.

## **LEGAL MATTERS**

Certain legal matters in connection with the issuance of the Notes are subject to an approving legal opinion of Nabors, Giblin & Nickerson, P.A., Tampa, Florida, Note Counsel, whose approving opinion (a form of which is attached hereto as APPENDIX E)

will be available at the time of delivery of the Notes. The actual legal opinion to be delivered by Note Counsel may vary from that text if necessary to reflect facts and law on the date of delivery. The opinion will speak only as of its date, and subsequent distribution of it by recirculation of this Official Statement or otherwise shall create no implication that Note Counsel has reviewed or expresses any opinion concerning any of the matters referenced in the opinion subsequent to its date. Certain legal matters will be passed on for the School Board by its General Counsel, David Koperski, Esq., Largo, Florida.

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

Section 517.051, Florida Statutes, and the regulations promulgated thereunder require that the District make a full and fair disclosure of any bonds or other debt obligations of such entity that have been in default as to principal or interest at any time after December 31, 1975, as provided by rule of the Florida Department of Banking and Finance (the "Department"). Pursuant to Rule 69W-400.003, Florida Administrative Code, the Department has required the disclosure of the amounts and types of defaults, any legal proceedings resulting from such defaults, whether a trustee or receiver has been appointed over the assets of the District, and certain additional financial information, unless the District believes in good faith that such information would not be considered material by a reasonable investor. The District is not and has not been in default on any bond issued since December 31, 1975 which would be considered material by a reasonable investor.

## **CONTINGENT FEES**

The School Board has retained Note Counsel and the Financial Advisor, with respect to the authorization, sale, execution and delivery of the Notes. Payment of each fee of such professionals is each contingent upon the issuance of the Notes.

## **CONTINUING DISCLOSURE**

The District has covenanted for the benefit of the Noteholders to provide notices of the occurrence of certain enumerated material events. Such covenant shall only apply so long as the Notes remain outstanding under the Resolution. The covenant shall also cease upon the termination of the continuing disclosure requirements of S.E.C. Rule 15c2-12(b)(5) (the "Rule") by legislative, judicial or administration action. The notices of material events will be filed by the District with the Municipal Securities Rulemaking Board (the "MSRB") via its Electronic Municipal Market Access System described in the Form of the Continuing Disclosure Certificate attached hereto as APPENDIX F. The specific nature of the notices of material events are described in APPENDIX F - Form of Continuing Disclosure Certificate, which shall be executed by the District at the time of

issuance of the Notes. These covenants have been made in order to assist the Underwriter in complying with the Rule. Because the Notes mature in less than 18 months, the District is not required to provide any other information other than notices of material events pursuant to the Rule. In the past five years, the District has not failed to comply with any prior undertakings pursuant to the Rule.

### **MISCELLANEOUS**

The information contained above is subject to change without notice and no implication is to be derived therefrom or from the sale of the Notes that there has been no change in the affairs of the District from the date hereof.

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

Further information regarding the District is available upon request from Pinellas County Public Schools, Office of the Chief Business Officer, 301 Fourth Street S.W., Largo, Florida 33779-2942.

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## **CERTIFICATE CONCERNING THIS OFFICIAL STATEMENT**

Concurrently with the delivery of the Notes, the Chairperson of the Board and the Superintendent will furnish a certificate to the effect that, to the best of their knowledge, this Official Statement (except for the information under the caption "BOOK-ENTRY SYSTEM ONLY" as to which no opinion will be expressed), as of the date of delivery of the Notes, does not contain any untrue statement of a material fact and does not omit to state a material fact which should be included therein for the purpose for which the Official Statement is to be used, or which is necessary in order to make the statements contained therein, in the light of the circumstances for which they were made, not misleading.

### **SCHOOL DISTRICT OF PINELLAS COUNTY, FLORIDA**

By: \_\_\_\_\_  
Chairperson

By: \_\_\_\_\_  
Superintendent of Schools

## **APPENDIX A**

### **GENERAL INFORMATION REGARDING PINELLAS COUNTY, FLORIDA**

**APPENDIX B**

**EXCERPTED PAGES FROM THE AUDITED FINANCIAL STATEMENTS  
OF THE SCHOOL DISTRICT OF PINELLAS COUNTY, FLORIDA  
FOR THE FISCAL ENDED JUNE 30, 2012**

**APPENDIX C**

**EXCERPTED PAGES FROM THE ANNUAL FINANCIAL REPORT  
(UNAUDITED) OF THE SCHOOL DISTRICT OF PINELLAS COUNTY,  
FLORIDA FOR THE FISCAL ENDED JUNE 30, 2013**

## **APPENDIX D**

### **FORM OF RESOLUTION**



**APPENDIX E**

**FORM OF LEGAL OPINION**

**APPENDIX F**

**FORM OF CONTINUING DISCLOSURE CERTIFICATE**