

STATE OF FLORIDA AUDITOR GENERAL

Financial and Federal Single Audit

Report No. 2023-179
March 2023

PALM BEACH COUNTY DISTRICT SCHOOL BOARD

For the Fiscal Year Ended
June 30, 2022



Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2021-22 fiscal year, Michael J. Burke served as Superintendent of the Palm Beach County Schools from July 28, 2021, Dr. Donald E. Fennoy II served as Superintendent before that date, and the following individuals served as School Board Members:

	<u>District No.</u>
Barbara McQuinn	1
Alexandria Ayala	2
Karen Brill, Vice Chair	3
Erica Whitfield	4
Frank A. Barbieri, Jr., Esq., Chair	5
Marcia Andrews	6
Dr. Debra L. Robinson	7

The Auditor General conducts audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

The team leader was Samantha M. Palaigos, CPA, and the audit was supervised by Yvonne McNaughton, CPA.

Please address inquiries regarding this report to Edward A. Waller, CPA, Audit Manager, by e-mail at tedwaller@aud.state.fl.us or by telephone at (850) 412-2887.

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SUMMARY

SUMMARY OF REPORT ON FINANCIAL STATEMENTS

Our audit disclosed that the basic financial statements of the Palm Beach County District School Board (District) were presented fairly, in all material respects, in accordance with prescribed financial reporting standards.

SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

Our audit did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* issued by the Comptroller General of the United States; however, we noted a certain additional matter as summarized below.

Additional Matter

Finding AM 2022-001: The District did not comply with Florida Department of Education directives for reporting charter schools as discretely presented component units on the District financial statements. A similar finding was noted in our report Nos. 2020-189 and 2017-190.

SUMMARY OF REPORT ON FEDERAL AWARDS

We audited the District's compliance with applicable Federal awards requirements. The Emergency Connectivity Fund Program, Adult Education program, Title I program, Teacher and School Leader Incentive Grants program, Student Support and Academic Enrichment Program, Education Stabilization Fund, and Head Start Cluster were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on each of its major Federal programs.

AUDIT OBJECTIVES AND SCOPE

Our audit objectives were to obtain reasonable assurance about whether the financial statements as a whole were free from material misstatements, whether due to fraud or error, and to issue an auditor's report that included our opinions. Our audit objectives were also to obtain reasonable assurance about whether material noncompliance with applicable Federal awards requirements occurred, whether due to fraud or error, and to express an opinion on the District's compliance based on our audit. In doing so, we:

- Exercised professional judgment and maintained professional skepticism throughout the audit.
- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, and designed and performed audit procedures responsive to those risks.
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control.

- Evaluated the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluated the overall presentation of the financial statements and accompanying Schedule of Expenditures of Federal Awards.
- Concluded whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District’s ability to continue as a going concern for a reasonable period of time.
- Examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.
- Determined whether corrective actions were taken for the finding included in our report No. 2020-189.

AUDIT METHODOLOGY

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

Claude Denson Pepper Building, Suite G74
111 West Madison Street
Tallahassee, Florida 32399-1450



Phone: (850) 412-2722
Fax: (850) 488-6975

The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Palm Beach County District School Board, as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Palm Beach County District School Board, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the general and major special revenue funds for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the aggregate discretely presented component units, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units columns. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based solely on the reports of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those

standards are further described in the ***Auditor's Responsibilities for the Audit of the Financial Statements*** section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 2. to the financial statements, certain component units included in the financial statements for the 2021-22 fiscal year were excluded from the financial statements for the 2020-21 fiscal year. This affects the comparability of amounts reported for the 2021-22 fiscal year with amounts reported for the 2020-21 fiscal year. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an

opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS**, the **Schedule of Changes in the District's Total OPEB Liability and Related Ratios**, **Schedule of the District's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan**, **Schedule of District Contributions – Florida Retirement System Pension Plan**, **Schedule of the District's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan**, **Schedule of District Contributions – Health Insurance Subsidy Pension Plan**, and **Notes to Required Supplementary Information**, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our

opinion, the accompanying **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 29, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

The School District of Palm Beach County, Florida's (District) management discussion and analysis (MD&A) is designed to provide an objective and easy to read analysis of the District's financial activities for the fiscal year ended June 30, 2022, based on currently known facts, decisions, or conditions. It is intended to provide a broad overview using a short-term and long-term analysis of the District's activities based on information presented in the financial report and fiscal policies that have been adopted by the seven elected members of the school board (Board). Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the District's financial activity, identify changes in the District's financial position (its ability to address the next and subsequent year challenges), identify any material deviations from the financial plan (the approved budget) and identify individual fund issues or concerns.

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

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2021-22 fiscal year are as follows:

- The net position of the District increased \$340.2 million, or 19.3 percent, from \$1.767 billion to \$2.107 billion. The District received \$184.3 million of Federal Education Stabilization Funds including Elementary and Secondary School Emergency Relief (ESSER) funds, which is \$95.4 million, or 107.2 percent more than fiscal year 2021. ESSER provides emergency relief funds to address the impact of COVID-19 on elementary and secondary schools across the nation. In addition, local sales tax revenue increased \$37.1 million compared to the prior year. Enrollment at District schools decreased slightly, while charter schools experienced an increase of approximately 700 students which resulted in passing through additional Florida Education Finance Program (FEFP) revenue.
- The District's total long-term debt decreased by \$106.4 million, or 7 percent, primarily due to the repayment of debt and amortization of issuance premiums (discussed in Note 10).
- Total revenues increased by \$220.2 million, or 8 percent, from \$2.752 billion to \$2.973 billion compared to the prior year.
 - General revenues accounted for \$2.163 billion, or 72.8 percent, of all revenues and increased \$70.1 million, or 3.3 percent. Property tax revenues increased \$56.1 million (mainly due to a 5.8 percent increase in property values). Local sales taxes increased by \$37.1 million, or 23.7 percent; this was mainly due to the opening of business and tourism in the Florida area after the COVID pandemic and the population increase in our area. Investment earnings decreased by \$2.5 million, or 89.4 percent, primarily due to a decline in interest rates and market values.
 - Program specific revenues in the form of charges for services, grants, and contributions accounted for \$810 million, or 27.2 percent of all revenues and increased by \$150.1 million, or 22.8 percent. Charges for services increased overall by \$20.7 million, or 110.5 percent, due to an increase of \$16.4 million, or 98 percent, in childcare service programs due to increased enrollment in afterschool programs after the pandemic, and \$2.5 million, or 346.1 percent, in food services sales largely due to student ala carte meals. Operating grants

and contributions increased overall by \$132.2 million, or 21.5 percent, due to the receipt of \$95.4 million additional ESSER funds and \$44.8 million in food service-related grants.

- Total expenses increased by \$113.7 million from \$2.519 billion to \$2.632 billion. This was primarily due to an increase of the District's pass through to charter schools of \$37.1 million, or 20 percent (primarily due to the sales tax referendum); the impact of McKay and Family Empowerment Scholarships of \$57.3 million; and increased costs associated with salary increases, food service, increased enrollment in the aftercare program, and depreciation of assets.
- The District's governmental funds combined ending fund balances increased by \$127.9 million to \$1.251 billion in the fiscal year 2022 from \$1.123 billion in the fiscal year 2021.
 - The General Fund (the primary operating fund), reflected on a current financial resources basis, ended the year with a fund balance of \$347.8 million, an increase of \$34.9 million, or 11.2 percent, over the prior year. Of the fund balance amount, \$70 million is classified as unassigned that is available to cover unanticipated financial needs, and includes the Board-approved contingency; \$158.5 million is classified as assigned; \$91.5 million is classified as restricted; and \$27.8 million is classified as nonspendable. During the current year, General Fund revenues (including other financing sources) exceeded expenditures (including other financing uses) by \$34.9 million, primarily due to cost containment measures taken, staff vacancies, and receipt of Federal Education Stabilization (ESSER) funds which shifted expenditures from General Fund to the Special Revenue ESSER Fund.
 - Special Revenue ESSER Fund received a total of \$184.3 million and expended \$188.3 million for Federal coronavirus relief programs awarded through the ESSER funds.
 - Capital Improvement Fund, a major fund, had a restricted fund balance of \$298.9 million, an increase of \$49.2 million, or 19.7 percent, over the prior year. Ad Valorem Taxes for Capital Projects totaled \$339.3 million exceeded current year spending of \$37.7 million and transfers to the General Fund of \$96.1 million (mainly for capital maintenance and insurance) and to Other Nonmajor Governmental Funds of \$156.4 million (mainly for debt service).
 - Sales Tax Fund, a major fund, had a restricted fund balance of \$333.1 million, which was an increase of \$111.1 million, or 50 percent, due to sales tax collections of \$193.7 million exceeding the current year spending of \$83.9 million. Capital spending is projected over future years.
 - Other Capital Projects, another major fund, ended the year with a fund balance of \$4.7 million which represented restricted fund balance of \$2.4 million and assigned fund balance of \$2.3 million, which was a total decrease of \$0.7 million, or 13.3 percent, when compared with the prior year.
 - Other Nonmajor Governmental Funds ended the year with a fund balance of \$266.3 million, which was a decrease of \$66.6 million, or 20 percent. Of the fund balance, \$4.5 million is classified as nonspendable, \$153.2 million is restricted for debt service, \$45.2 million is restricted for child nutrition, and \$63.3 million is restricted for capital projects. The decrease was primarily due to \$102.3 million Certificates of Participation (COPs) capital spending in the current year for proceeds received in a prior year, partially offset by an increase of \$14.6 million needed for debt service payments in August 2022, and an increase in school food service revenue over expenditures of \$26.2 million.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

Government-Wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

- *Proprietary funds* – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements. There are two types of proprietary funds:
 - *Enterprise funds* account for goods and services provided to those outside the District, generally on a user-charge basis. Currently, the District has no enterprise funds.
 - *Internal service funds* report self-insurance activities charged to the District’s other programs and activities and internal service fund activities charged to schools for school police officers.
- *Fiduciary funds* – The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong.
 - The District excludes these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

Notes to Financial Statements

The notes provide disclosures and additional information that are essential to a full understanding of the financial information presented in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also provides certain required supplementary information.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Government-wide

The District’s net position was \$2.107 billion at June 30, 2022. The largest portion of the District’s net position, \$1.779 billion, reflects its investment in capital assets (i.e., land, buildings, furniture, buses and equipment), less any outstanding related debt used to acquire those assets. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District’s investment in its capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District’s net position (\$942 million) represents resources that are subject to external restrictions on how they may be used.

Table 1

Summary of Net Position Governmental Activities (in thousands)				
	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Current and Other Assets	\$ 1,838,883	\$ 1,619,129	\$ 219,754	13.6%
Capital Assets (Net)	3,113,629	3,135,367	(21,738)	-0.70%
Total Assets	<u>4,952,512</u>	<u>4,754,496</u>	<u>198,016</u>	<u>4.2%</u>
Deferred Loss on Debt Refunding	58,346	73,098	(14,752)	-20.2%
Pension and OPEB Related	480,930	596,203	(115,273)	-19.3%
Total Deferred Outflows of Resources	<u>539,276</u>	<u>669,301</u>	<u>(130,025)</u>	<u>-19.4%</u>
Current and Other Liabilities	240,420	202,696	37,724	18.6%
Long-Term Liabilities	2,363,890	3,359,956	(996,066)	-29.6%
Total Liabilities	<u>2,604,310</u>	<u>3,562,652</u>	<u>(958,342)</u>	<u>-26.9%</u>
Leases	2,310	-	2,310	100.0%
Pension and OPEB Related	777,924	94,132	683,792	726.4%
Total Deferred Inflows of Resources	<u>780,234</u>	<u>94,132</u>	<u>686,102</u>	<u>728.9%</u>
Net Position:				
Net Investment in Capital Assets	1,779,388	1,829,425	(50,037)	-2.7%
Restricted	942,019	690,493	251,526	36.4%
Unrestricted (Deficit)	(614,163)	(752,905)	138,742	18.4%
Total Net Position	<u>\$ 2,107,244</u>	<u>\$ 1,767,013</u>	<u>\$ 340,231</u>	<u>19.3%</u>

Cash and other assets increased \$219.8 million, or 13.6 percent, primarily as a result of receipt of ESSER and grant funds. Pension and OPEB deferred outflow of resources decreased by \$115.3 million, or 19.3 percent, primarily as a result of changes in actuarial assumptions and experience. Current liabilities increased by \$37.7 million, or 18.6 percent, primarily due to additional accrued payroll and payroll deductions of \$15.8 million and accounts and contracts payable due to building projects of \$7.1 million. Long-term liabilities decreased \$996.1 million, or 29.6 percent, primarily due to a decrease of \$880.7 million in net pension liability and \$3.7 million in OPEB liability which were both actuarially determined, as well as debt repayments of \$84.8 million and amortization of premiums of \$24 million. Pension and OPEB related deferred inflows of resources increased \$683.8 million, or 726.4 percent, as a result of changes in actuarial values. See Notes 10, 11, and 12 for additional information regarding long-term liabilities.

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

Table 2

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

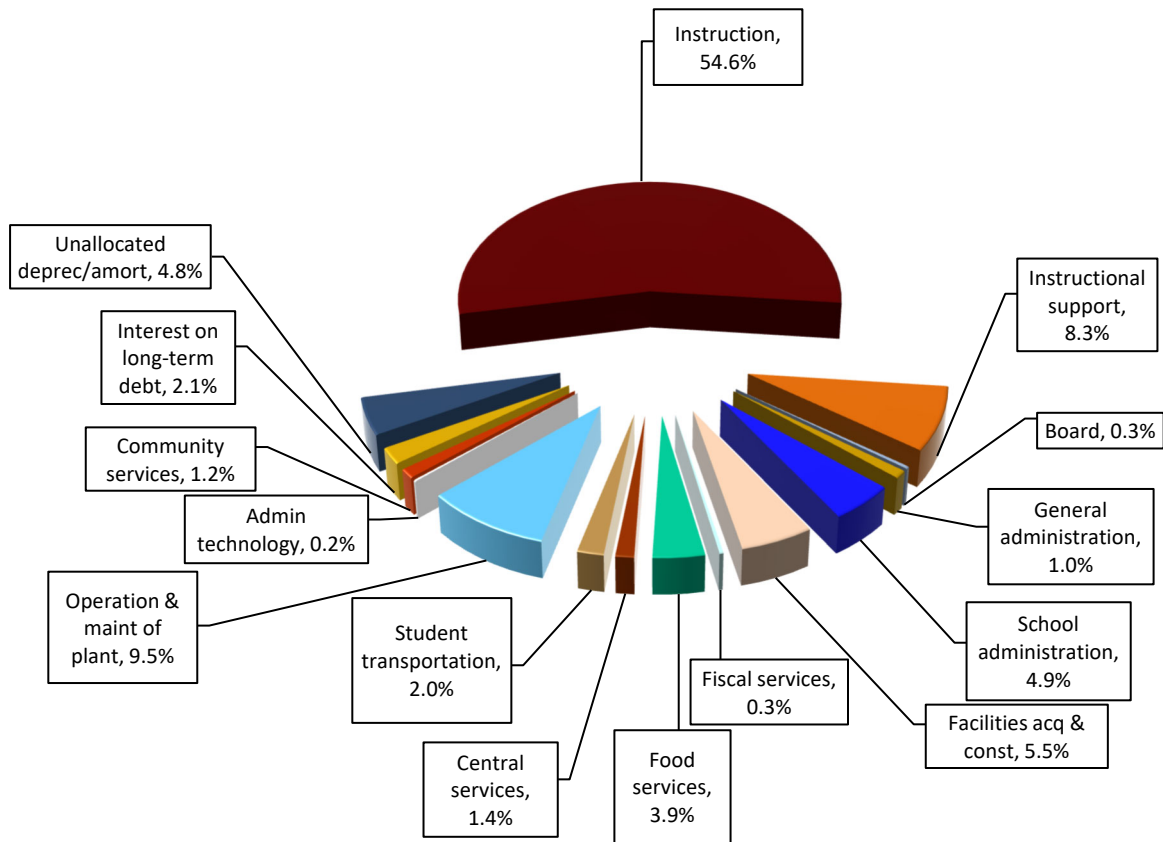
	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Program Revenues:				
Charges for Services	\$ 39,351	\$ 18,695	\$ 20,656	110.5%
Operating Grants and Contributions	748,127	615,896	132,231	21.5%
Capital Grants and Contributions	22,116	24,869	(2,753)	-11.1%
General Revenues:				
Property Taxes	1,554,504	1,498,372	56,132	3.7%
Local Sales Taxes	193,710	156,621	37,089	23.7%
Grants and Contributions Not Restricted to Specific Programs	343,473	357,744	(14,271)	-4.0%
Investment Earnings	293	2,776	(2,483)	-89.4%
Other General Revenue	70,983	77,356	(6,373)	-8.2%
Total Revenues	<u>2,972,557</u>	<u>2,752,329</u>	<u>220,228</u>	<u>8.0%</u>
Functions/Program Expenses:				
Instruction	1,436,600	1,332,218	104,382	7.8%
Instructional Support Services	218,602	226,620	(8,018)	-3.5%
Board	8,328	8,402	(74)	-0.9%
General Administration	25,750	17,664	8,086	45.8%
School Administration	128,463	119,520	8,943	7.5%
Facilities Acquisition and Construction	144,721	184,339	(39,618)	-21.5%
Fiscal Services	6,720	7,908	(1,188)	-15.0%
Food Services	102,695	83,603	19,092	22.8%
Central Services	37,836	31,732	6,104	19.2%
Student Transportation Services	52,510	49,051	3,459	7.1%
Operation and Maintenance of Plant	250,378	250,370	8	0.0%
Administrative Technology Services	5,375	6,465	(1,090)	-16.9%
Community Services	31,457	24,288	7,169	29.5%
Interest on Long-Term Debt	54,913	53,268	1,645	3.1%
Unallocated Depreciation/Amortization Expense	127,978	123,161	4,817	3.9%
Total Expenses	<u>2,632,326</u>	<u>2,518,609</u>	<u>113,717</u>	<u>4.5%</u>
Change in Net Position	340,231	233,720	106,511	45.6%
Net Position - Beginning	<u>1,767,013</u>	<u>1,533,293</u>	<u>233,720</u>	<u>15.2%</u>
Net Position - Ending	<u>\$ 2,107,244</u>	<u>\$ 1,767,013</u>	<u>\$ 340,231</u>	<u>19.3%</u>

The results of this year's operations for the District as a whole are reported in the statement of activities. Table 2 takes the information from that statement and rearranges them slightly so the reader can see the total revenues and expenses for the current year compared to the fiscal year 2021.

As reported in the statement of activities, the cost of all of the governmental activities this year was \$2.632 billion. Some costs were paid by those who benefited from the programs (\$39.4 million), or by other governments and organizations who subsidized certain programs with grants and contributions (\$770.2 million). The District paid for the remaining "public benefit" portion of the governmental activities with \$1.555 billion in property taxes, \$193.7 million in local sales taxes, \$343.5 million in grants and contributions not restricted to specific programs, and \$71.3 million in other general revenue.

Property taxes increased \$56.1 million, or 3.7 percent, which was primarily attributed to a 5.8 percent increase in property value. As a property-rich county, Palm Beach County property taxpayers funded 62 percent of the District's education costs in fiscal year 2022 compared to an average of 45 percent statewide not including voter approved referendums. Sales tax revenue increased \$37.1 million, or 23.7 percent, which represents the impact of business returning to normal operations after the pandemic.

The pie chart below represents total expenses classified by function.



FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

As of June 30, 2022, the District's governmental funds reported a combined fund balance of \$1.251 billion, which was an increase of \$127.9 million, or 11.4 percent, over the prior year.

The General Fund, which is the chief operating fund of the District and a major fund, had a fund balance of \$347.8 million, which was an increase of \$34.9 million, or 11.2 percent, over the prior year. The increase is primarily due to cost containment measures taken, staff vacancies, and receipt of ESSER funds which shifted expenditures from General Fund to Special Revenue Funds.

Special Revenue ESSER Fund, another major fund, received a total of \$184.3 million and expended \$188.3 million for Federal coronavirus relief programs awarded through the ESSER funds. Because grant revenues are not recognized until expenditures are incurred, this fund generally does not accumulate a fund balance.

Capital Improvement Fund, another major fund, reported an ending fund balance of \$298.9 million, which was an increase of \$49.2 million, or 19.7 percent, over the prior year. The increase was due to the timing of revenue and capital outlay spending and transfers to General Fund for capital maintenance and Other Nonmajor Governmental Funds for debt service payments.

The Sales Tax Fund, another major fund, ended the year with a restricted fund balance of \$333.1 million, which was an increase of \$111.1 million, or 50 percent, over prior year. The increase is a result of receiving local sales tax revenue of \$193.7 million in excess of current year spending of \$83.9 million. Capital project spending is planned out for future years (Your Penny at Work).

Other Capital Projects, another major fund, reported an ending fund balance of \$4.7 million, which was a decrease of \$0.7 million when compared with the prior year.

Other Nonmajor Governmental Funds, which represent a summarization of all the other nonmajor governmental funds, ended the year with total fund balance of \$266.3 million, which was a decrease of \$66.6 million, or 20 percent, over prior year. The decrease was primarily due to \$102.3 million COPs capital spending in the current year for proceeds received in a prior year, partially offset by an increase of \$14.6 million needed for debt service payments in August 2022, and an increase in school food service revenue over expenditures of \$26.2 million.

Proprietary Funds

The District's internal service funds reported a combined net position of \$213.6 million. The Health Insurance Internal Service Fund ended the year with a net position of \$123 million, which was essentially no change from prior year. The Workers' Compensation and Claims Fund ended the year with a net position of \$83.3 million, which was an increase of \$10.6 million due to premiums exceeding claims and other expenses. The School Police Internal Service Fund ended the year with a net position of \$7.2 million, which was an increase of \$10.9 million over prior year. Proprietary funds use accrual basis accounting, thus this fund records actuarially determined long-term liabilities.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, budgeted General Fund revenue increased \$21.1 million to \$1.918 billion. The increase in revenue was attributed to an increase of \$13.6 million in State and Federal funding, and \$3.2 million more property tax revenue.

The General Fund actual expenditures were less than the budgeted appropriations. This is primarily due to staff vacancies, cost containment measures, as well as transfer of eligible costs to ESSER funds.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As shown in Table 3, at June 30, 2022, the District had \$3.114 billion invested in a broad range of capital assets, including land; construction in progress; improvements other than buildings; buildings and improvements; furniture, fixtures and equipment; motor vehicles; lease assets; audio/video materials and software. This amount represents a net decrease (including additions, deletions, amortization, and depreciation) of \$21.7 million from last year. Capital spending in the current year included the acquisition

of 54 new buses for \$6.3 million, 20 new white fleet vehicles for \$873 thousand, computer technology of \$5.5 million, capital construction of \$85.8 million, and equipment and classroom spending of \$5.1 million. See Note 7 of the notes to the financial statements for more information on capital assets.

Table 3

Capital Assets at Year End Governmental Activities (in thousands)			
	<u>June 30, 2022</u>	<u>June 30, 2021</u>	Increase (Decrease)
Land	\$ 351,214	\$ 351,214	\$ -
Construction in Progress	91,483	68,704	22,779
Improvements Other Than Buildings	68,196	67,649	547
Buildings and Improvements	4,270,606	4,212,458	58,148
Furniture, Fixtures, and Equipment	185,661	187,896	(2,235)
Motor Vehicles	128,686	130,575	(1,889)
Lease Assets	1,816	-	1,816
Audio/Video Materials and Software	48,709	50,149	(1,440)
Less: Accumulated Depreciation/Amortization	<u>(2,032,742)</u>	<u>(1,933,278)</u>	<u>(99,464)</u>
Total Capital Assets, Net	\$ 3,113,629	\$ 3,135,367	\$ (21,738)

In November 2016, the taxpayers of Palm Beach County approved a one-penny sales surtax of which 50 percent was allocated to the District. This surtax provides the District the ability to continue to provide state-of-the-art facilities, which include modernizations, facility renewal projects, remodeling projects, new school construction, buses and support vehicles, security systems and technology infrastructure for all of its students.

Long-Term Debt

As shown in Table 4, at June 30, 2022, the District had \$1.406 billion in debt outstanding, which was \$106.4 million, or 7 percent, lower than last year. The decrease is primarily related to debt repayments of \$84.8 million, and amortization of issuance premiums of \$24 million. See Note 10 of the notes to the financial statements for more information on long-term liabilities.

Table 4

Long-term Debt Outstanding at Year End Governmental Activities (in thousands)			
	<u>June 30, 2022</u>	<u>June 30, 2021</u>	Increase (Decrease)
Notes/Loans Payable	\$ 12,534	\$ 18,678	\$ (6,144)
Leases Payable	1,539	-	1,539
Capital Outlay Bond Issues	4,273	5,379	(1,106)
Certificates of Participation	1,265,425	1,342,130	(76,705)
Plus: Issuance Premium	<u>122,075</u>	<u>146,077</u>	<u>(24,002)</u>
Total Capital Assets, Net	\$ 1,405,846	\$ 1,512,264	\$ (106,418)

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

The limit for Lease Purchase Agreement debt is tied to District capital millage. Annual debt service payments for Lease Purchase Agreements may not exceed 75 percent of current year capital millage proceeds. Historically, the District has always been well within its 75 percent capacity, however, legislators reduced district debt service capacity by 25 percent from 2.0 mills to 1.75 mills in fiscal year 2009 and again from 1.75 to 1.50 mills in fiscal year 2010, and property values declined between fiscal years 2009 and 2013. These two factors have tightened up the District's margin of compliance. For fiscal year 2023, debt service payments are below both the State requirement of 75 percent and District policy of 50 percent of capital millage at 34.8 percent. The District's legal Lease Purchase Agreement debt capacity is \$166.2 million, while Board Policy debt issuance capacity is \$62.8 million. Other long-term obligations (not included above) include liabilities for compensated absences, estimated long-term claims, other postemployment benefits, and net pensions.

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

Enrollment is expected to increase 3,632 students district-wide compared with fiscal year 2022. Enrollment in district operated schools is expected to increase by approximately 200 students and charter schools and McKay and Family Empowerment Scholarships (FES) are expected to increase by approximately 3,400 students combined. The pass-through to charter schools is expected to be approximately \$198 million and \$82.8 million to McKay, FES and Gardiner Scholarship students. Legislative expansion of the annual growth and eligibility requirements for private school scholarship programs has a significant impact on the District budget. The amount paid to McKay and FES has increased over 400 percent since the inception of the FES program in fiscal year 2020. Growth in these scholarships will likely surpass the pass-through to charter schools in the future.

The base student allocation for the District increased \$230 with the caveat that the increase would fund both raising the minimum wage to \$15 per hour as well as a legislative one percent increase in the Florida Retirement System rate. The FEFP also includes a \$16.6 million allocation for teacher pay shared with charter schools, McKay, and FES. Property values increased a surprising 22.3 percent which increased the amount of funds generated from the discretionary operating millage, voter approved millage, and the capital millage. In addition to the increases in the operating and capital funds, the District's share of ESSER funds will continue over the next two years. Applying Federal funds to eligible expenditures in fiscal years 2021 and 2022 has freed up one-time funds to help soften the Federal funding cliff in two years.

The District will continue to receive the 1.00 millage referendum approved in November 2018 generating over \$275 million for District operated schools in fiscal year 2023. The referendum will fund investments in teacher pay through recruitment and retention supplements, school behavioral health positions, school

psychologists, expanded mental health co-located services, arts and music education, and school safety. Voters overwhelmingly approved, with 74 percent support, continuation of the 1.00 mill in November 2022 for an additional four years (fiscal years 2024 through 2027).

The capital budget is supported by a one cent local government infrastructure sales tax approved in November 2016. The District receives 50 percent of this sales tax revenue or approximately \$130 million per year. As stipulated in the ballot language, the sales tax levy must sunset no later than December 31, 2026.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Heather Frederick, C.P.A.
Chief Financial Officer
The School District of Palm Beach County, Florida
3328 Forest Hill Boulevard, Suite A-306
West Palm Beach, FL 33406

Visit the District's website at:
<http://www.palmbeachschools.org>

View an electronic copy of the District's ACFR at:
<http://www.palmbeachschools.org/accounting/>

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BASIC FINANCIAL STATEMENTS

Palm Beach County District School Board
Statement of Net Position
June 30, 2022
(amounts expressed in thousands)

	Primary Government Governmental Activities	Component Units
ASSETS		
Cash, Cash Equivalents, and Investments	\$ 1,613,460	\$ 62,719
Ad Valorem and Sales Tax Receivable	57,915	-
Accounts, Deposits, and Interest Receivable	903	11,110
Due from Other Governments or Agencies	121,691	5,244
Inventories	32,322	16
Restricted Assets (Cash with Fiscal Agent)	2,192	6,802
Leases Receivable	2,310	8,540
Other Assets	8,090	7,251
Capital Assets:		
Land	351,214	10,934
Construction in Progress	91,483	8
Improvements Other Than Buildings	68,196	8,915
Buildings and Improvements	4,270,606	84,348
Furniture, Fixtures, and Equipment	185,661	31,522
Motor Vehicles	128,686	1,583
Lease Assets	1,816	256,442
Audio/Video Materials and Software	48,709	3,606
Less Accumulated Depreciation/Amortization	(2,032,742)	(66,962)
TOTAL ASSETS	4,952,512	432,078
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Loss on Debt Refunding	58,346	-
Deferred Amount on Renegotiation of Lease	-	889
Other Postemployment Benefits	46,385	-
Pensions	434,545	6,050
TOTAL DEFERRED OUTFLOWS OF RESOURCES	539,276	6,939
LIABILITIES		
Accounts and Contracts Payable	90,149	8,850
Accrued Payroll and Payroll Deductions	113,064	7,873
Retainage Payable on Contracts	7,553	-
Deposits Payable	880	1
Interest Payable	25,695	720
Unearned Revenue	3,079	455
Noncurrent Liabilities:		
Portion Due or Payable Within One Year:		
Notes/Loans Payable	6,294	835
Leases Payable	422	8,915
Bonds Payable	959	1,545
Liability for Compensated Absences	17,205	166
Certificates of Participation Payable	81,330	-
Estimated Claims	27,118	-

(Continued)

Palm Beach County District School Board
Statement of Net Position (Continued)
June 30, 2022
(amounts expressed in thousands)

	Primary Government Governmental Activities	Component Units
LIABILITIES (Continued)		
Noncurrent Liabilities (Continued):		
Portion Due or Payable After One Year:		
Notes/Loans Payable	\$ 6,240	\$ 2,957
Leases Payable	1,117	242,042
Deferred Rental Payments	-	957
Bonds Payable	4,047	94,389
Liability for Compensated Absences	200,264	1,062
Certificates of Participation Payable	1,305,437	-
Estimated Claims	34,199	-
Other Postemployment Benefits	63,218	-
Net Pension Liability	616,040	7,988
	2,604,310	378,755
TOTAL LIABILITIES		
DEFERRED INFLOWS OF RESOURCES		
Leases	2,310	8,540
Other Postemployment Benefits	61,095	-
Pensions	716,829	9,336
Tax Referendum Revenue	-	1,375
	780,234	19,251
TOTAL DEFERRED INFLOWS OF RESOURCES		
NET POSITION		
Net Investment in Capital Assets	1,779,388	(1,995)
Restricted for:		
Categorical Carryover Programs	35,478	139
Debt Service	127,510	4,316
Capital Projects	671,114	72
Food Service	49,682	26
Other Purposes	58,235	3,231
Unrestricted (Deficit)	(614,163)	35,222
	\$ 2,107,244	\$ 41,011
TOTAL NET POSITION		

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

**Palm Beach County District School Board
Statement of Activities
For the Fiscal Year Ended June 30, 2022
(amounts expressed in thousands)**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 1,436,600	\$ 1,812	\$ 433,358	\$ 11,306
Instructional Support Services	218,602	-	71,110	-
Board	8,328	-	-	-
General Administration	25,750	-	15,116	-
School Administration	128,463	-	23,958	-
Facilities Acquisition and Construction	144,721	-	77	9,491
Fiscal Services	6,720	-	145	-
Food Services	102,695	3,163	128,440	-
Central Services	37,836	-	20,886	-
Student Transportation Services	52,510	1,246	29,702	-
Operation of Plant	164,159	-	15,987	-
Maintenance of Plant	86,219	-	137	-
Administrative Technology Services	5,375	-	185	-
Community Services	31,457	33,130	9,026	-
Interest on Long-Term Debt	54,913	-	-	1,319
Unallocated Depreciation/Amortization Expense	127,978	-	-	-
Total Primary Government	\$ 2,632,326	\$ 39,351	\$ 748,127	\$ 22,116
Component Units				
Charter Schools	\$ 258,505	\$ 4,459	\$ 32,923	\$ 11,631

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes

Property Taxes, Levied for Capital Projects

Local Sales Taxes

Grants and Contributions Not Restricted to Specific Programs

Investment Earnings

Miscellaneous

Special Items

Total General Revenues and Special Items

Change in Net Position

Net Position - Beginning

Net Position - Ending

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

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

Primary Government	
Governmental Activities	Component Units
\$ (990,124)	\$ -
(147,492)	-
(8,328)	-
(10,634)	-
(104,505)	-
(135,153)	-
(6,575)	-
28,908	-
(16,950)	-
(21,562)	-
(148,172)	-
(86,082)	-
(5,190)	-
10,699	-
(53,594)	-
(127,978)	-
<u>(1,822,732)</u>	<u>-</u>
-	(209,492)
1,215,227	-
339,277	-
193,710	-
343,473	205,077
293	450
70,983	10,762
-	396
<u>2,162,963</u>	<u>216,685</u>
340,231	7,193
<u>1,767,013</u>	<u>33,818</u>
<u>\$ 2,107,244</u>	<u>\$ 41,011</u>

**Palm Beach County District School Board
Balance Sheet – Governmental Funds
June 30, 2022
(amounts expressed in thousands)**

	General Fund	Special Revenue ESSER Fund	Capital Improvement Fund
ASSETS			
Cash, Cash Equivalents, and Investments	\$ 395,663	\$ 266	\$ 295,041
Ad Valorem and Sales Tax Receivable	18,257	-	5,095
Accounts and Interest Receivable	903	-	-
Due from Other Governments or Agencies	5,183	41,903	-
Due from Other Funds	43,000	-	7,000
Inventories	27,817	-	-
Leases Receivable	2,310	-	-
Other Assets	16	2,675	-
TOTAL ASSETS	\$ 493,149	\$ 44,844	\$ 307,136
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts and Contracts Payable	\$ 32,293	\$ 6,576	\$ 7,860
Accrued Payroll and Payroll Deductions	103,456	6,268	-
Due to Other Funds	-	32,000	-
Retainage Payable on Contracts	-	-	397
Deposits Payable	880	-	-
Unearned Revenue	-	-	-
Total Liabilities	136,629	44,844	8,257
Deferred Inflows of Resources:			
Leases	2,310	-	-
Unavailable Revenue	6,388	-	-
Total Deferred Inflows of Resources	8,698	-	-
Fund Balances:			
Nonspendable	27,817	-	-
Restricted	91,488	-	298,879
Committed	-	-	-
Assigned	158,517	-	-
Unassigned	70,000	-	-
Total Fund Balances	347,822	-	298,879
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 493,149	\$ 44,844	\$ 307,136

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

Sales Tax Fund	Other Capital Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
\$ 320,630	\$ 3,721	\$ 286,095	\$ 1,301,416
34,563	-	-	57,915
-	-	-	903
-	35,656	33,692	116,434
-	-	-	50,000
-	-	4,505	32,322
-	-	-	2,310
-	-	21	2,712
\$ 355,193	\$ 39,377	\$ 324,313	\$ 1,564,012

\$ 18,845	\$ 63	\$ 23,119	\$ 88,756
-	182	9,285	119,191
-	-	18,000	50,000
3,214	30	3,912	7,553
-	-	-	880
-	-	3,713	3,713
22,059	275	58,029	270,093

-	-	-	2,310
-	34,371	6	40,765
-	34,371	6	43,075

-	-	4,505	32,322
333,134	2,373	261,740	987,614
-	-	33	33
-	2,358	-	160,875
-	-	-	70,000
333,134	4,731	266,278	1,250,844
\$ 355,193	\$ 39,377	\$ 324,313	\$ 1,564,012

**Palm Beach County District School Board
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2022
(amounts expressed in thousands)**

Total Fund Balances - Governmental Funds \$ 1,250,844

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

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

Cost of Capital Assets	\$ 5,146,371	
Accumulated Depreciation/Amortization	<u>(2,032,742)</u>	
Total Capital Assets, Net of Depreciation/Amortization		3,113,629

Deferred outflows/inflows of resources are reported in the statement of net position but not recognized in the governmental funds since they do not represent current resources:

Deferred Outflows - Net Unamortized Amount		
for Refunding Transactions	\$ 58,346	
Deferred Outflows - Pensions	421,857	
Deferred Outflows - OPEB	45,852	
Deferred Inflows - Pensions	(693,239)	
Deferred Inflows - OPEB	<u>(60,393)</u>	(227,577)

Expenditures for insurance and software extending over more than one accounting period not allocated between or among accounting periods, but accounted for as expenditures of the period of acquisition in the funds. 5,378

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

Assets and Deferred Outflows of Resources	\$ 332,714	
Liabilities and Deferred Inflows of Resources	<u>(119,152)</u>	
Net Position		213,562

Revenues that have been deferred or unearned in the governmental funds but are recognized as revenue in the government-wide financial statements. 41,399

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

Notes/Loans Payable	\$ (12,534)	
Bonds Payable	(5,006)	
Certificates of Participation Payable	(1,386,767)	
Leases Payable	(1,539)	
Compensated Absences	(207,463)	
Other Postemployment Benefits (OPEB)	(62,491)	
Net Pension Liability	(588,496)	
Accrued Interest on Long-term Debt	<u>(25,695)</u>	(2,289,991)

Net Position - Governmental Activities \$ 2,107,244

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

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Palm Beach County District School Board
Statement of Revenues, Expenditures, and Changes in
Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2022
(amounts expressed in thousands)

	General Fund	Special Revenue ESSER Fund	Capital Improvement Fund
Revenues			
Local Sources:			
Ad Valorem Taxes	\$ 1,215,227	\$ -	\$ 339,277
Local Sales Taxes	-	-	-
Investment Earnings (Loss)	157	-	1
School Age Child Care Fees	30,419	-	-
Food Service Sales	168	-	-
Local Grants and Other	34,723	-	110
Total Local Sources	<u>1,280,694</u>	<u>-</u>	<u>339,388</u>
State Sources:			
Florida Education Finance Program	349,379	-	-
Capital Outlay and Debt Service	111	-	-
Food Service	-	-	-
Class Size Reduction	199,929	-	-
Charter School Capital Outlay	-	-	-
State Grants and Entitlements	80,638	-	-
Total State Sources	<u>630,057</u>	<u>-</u>	<u>-</u>
Federal Sources:			
Federal Grants and Entitlements	6,810	184,301	-
National School Lunch Act	-	-	-
Total Federal Sources	<u>6,810</u>	<u>184,301</u>	<u>-</u>
Total Revenues	<u>1,917,561</u>	<u>184,301</u>	<u>339,388</u>
Expenditures			
Current:			
Instruction	1,308,570	115,551	-
Instructional Support Services	164,611	9,899	-
Board	8,718	12	-
General Administration	10,507	11,872	-
School Administration	117,857	18,108	-
Facilities Acquisition and Construction	14,753	-	32,801
Fiscal Services	7,457	28	-
Food Services	143	-	-
Central Services	18,048	20,204	-
Student Transportation Services	52,232	2,437	-
Operation of Plant	162,138	8,053	-
Maintenance of Plant	89,411	113	-
Administrative Technology Services	5,929	18	-
Community Services	31,153	-	-
Total Current Expenditures	<u>1,991,527</u>	<u>186,295</u>	<u>32,801</u>
Capital Outlay	1,594	2,076	4,862
Debt Service:			
Retirement of Principal	277	-	-
Interest	-	-	-
Fiscal Charges	-	-	-
Total Expenditures	<u>1,993,398</u>	<u>188,371</u>	<u>37,663</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(75,837)</u>	<u>(4,070)</u>	<u>301,725</u>
Other Financing Sources (Uses)			
Transfers In	119,141	9,811	-
Transfers Out	(9,817)	(5,741)	(252,532)
Lease Proceeds	1,453	-	-
Issuance of Long-Term Debt	-	-	-
Payments to Refunded Debt Escrow Agent	-	-	-
Sale of Capital Assets and Other	-	-	-
Total Other Financing Sources (Uses)	<u>110,777</u>	<u>4,070</u>	<u>(252,532)</u>
Net Change in Fund Balances	34,940	-	49,193
Fund Balances, Beginning	312,882	-	249,686
Fund Balances, Ending	<u>\$ 347,822</u>	<u>\$ -</u>	<u>\$ 298,879</u>

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

Sales Tax Fund	Other Capital Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 1,554,504
193,710	-	-	193,710
(514)	5	1,116	765
-	-	-	30,419
-	-	2,995	3,163
1,845	913	5,607	43,198
<u>195,041</u>	<u>918</u>	<u>9,718</u>	<u>1,825,759</u>
-	-	-	349,379
-	-	7,344	7,455
-	-	1,010	1,010
-	-	-	199,929
-	-	11,306	11,306
-	-	2,014	82,652
-	-	<u>21,674</u>	<u>651,731</u>
-	-	140,145	331,256
-	-	127,029	127,029
-	-	<u>267,174</u>	<u>458,285</u>
<u>195,041</u>	<u>918</u>	<u>298,566</u>	<u>2,935,775</u>
-	-	79,795	1,503,916
-	-	56,107	230,617
-	-	5	8,735
-	-	3,197	25,576
-	-	86	136,051
72,418	1,310	24,367	145,649
-	-	137	7,622
-	-	104,763	104,906
-	-	682	38,934
-	-	779	55,448
-	-	26	170,217
-	-	25	89,549
-	-	-	5,947
-	-	<u>1,787</u>	<u>32,940</u>
<u>72,418</u>	<u>1,310</u>	<u>271,756</u>	<u>2,556,107</u>
11,411	534	84,505	104,982
-	-	84,570	84,847
-	-	63,780	63,780
107	-	316	423
<u>83,936</u>	<u>1,844</u>	<u>504,927</u>	<u>2,810,139</u>
<u>111,105</u>	<u>(926)</u>	<u>(206,361)</u>	<u>125,636</u>
-	6	156,744	285,702
-	-	(17,612)	(285,702)
-	-	-	1,453
-	-	39,610	39,610
-	-	(38,995)	(38,995)
-	192	-	192
-	<u>198</u>	<u>139,747</u>	<u>2,260</u>
111,105	(728)	(66,614)	127,896
222,029	5,459	332,892	1,122,948
<u>\$ 333,134</u>	<u>\$ 4,731</u>	<u>\$ 266,278</u>	<u>\$ 1,250,844</u>

Palm Beach County District School Board
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Statement of Activities
For the Fiscal Year Ended June 30, 2022
(amounts expressed in thousands)

Net Change in Fund Balances - Governmental Funds \$ 127,896

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

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation and amortization expense (\$127,978) in excess of capitalized capital outlay (\$106,140) in the current period. (21,838)

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

Debt Refunding Amortization	\$ (14,752)	
Premium/Discount Amortization	24,002	9,250

Revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. 41,399

Revenues reported in the governmental funds that were reported as revenue in the statement of activities in the prior year under full accrual. (4,144)

Repayment of notes/loans and leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 6,421

Lease proceeds provided current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. (1,453)

Repayment of bond and COPs principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 78,426

Debt refunding proceeds provided current financial resources to governmental funds. Debt refunding payments are expenditures in the governmental funds. This is the amount by which the refunding proceeds (\$39,610) exceeded refunding payments (\$38,995) in the current period. (615)

The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net position. (263)

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

Prepaid Insurance and Software	\$ 60	
Compensated Absences	1,141	
Other Postemployment Benefits	(3,826)	
Pension Expense	86,256	
Accrued Interest on Long-Term Debt	41	83,672

An internal service fund is used by management to charge the costs of self-insurance claims (including health, workers' compensation, auto and general liability) to individual funds, and the cost of school police to schools. The net income of the internal service fund is reported with governmental activities. 21,480

Change in Net Position - Governmental Activities \$ 340,231

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

Palm Beach County District School Board
Statement of Revenues, Expenditures, and Changes in
Fund Balance – Budget and Actual – General Fund
For the Fiscal Year Ended June 30, 2022
(amounts expressed in thousands)

	Budgeted Amounts		Actual (Budgetary Basis)	Variances - Positive (Negative)	
				Original to Final	Final to Actual
	Original	Final			
REVENUES:					
Local Sources	\$ 1,273,252	\$ 1,280,694	\$ 1,280,694	\$ 7,442	\$ -
State Sources	617,448	630,057	630,057	12,609	-
Federal Sources	5,804	6,810	6,810	1,006	-
Total Revenues	1,896,504	1,917,561	1,917,561	21,057	-
EXPENDITURES:					
Instruction	1,517,382	1,532,426	1,310,310	(15,044)	222,116
Instructional Support Services	180,565	179,768	164,625	797	15,143
Board	11,340	11,525	8,946	(185)	2,579
General Administration	10,989	11,928	10,507	(939)	1,421
School Administration	119,080	119,146	117,890	(66)	1,256
Facilities Acquisition and Construction	11,582	14,809	14,761	(3,227)	48
Fiscal Services	7,788	7,723	7,457	65	266
Food Services	107	196	143	(89)	53
Central Services	18,171	18,120	18,053	51	67
Student Transportation Services	55,246	56,360	52,245	(1,114)	4,115
Operation of Plant	177,029	177,586	163,780	(557)	13,806
Maintenance of Plant	97,046	90,226	90,053	6,820	173
Administrative Technology Services	6,338	6,186	5,929	152	257
Community Services	50,177	45,485	31,194	4,692	14,291
Debt Service	100	377	277	(277)	100
TOTAL EXPENDITURES	2,262,940	2,271,861	1,996,170	(8,921)	275,691
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(366,436)	(354,300)	(78,609)	12,136	275,691
OTHER FINANCING SOURCES (USES)					
Transfers In	123,554	119,141	119,141	(4,413)	-
Transfers Out	-	(9,817)	(9,817)	(9,817)	-
Lease Proceeds	-	1,453	1,453	1,453	-
TOTAL OTHER FINANCING SOURCES	123,554	110,777	110,777	(12,777)	-
NET CHANGE IN FUND BALANCE	\$ (242,882)	\$ (243,523)	32,168	\$ (641)	\$ 275,691
FUND BALANCE, JULY 1, 2021 (GAAP BASIS)			312,882		
FUND BALANCE, JUNE 30, 2022 (BUDGETARY BASIS)			345,050		
Adjustment to Conform with GAAP:					
Elimination of Encumbrances			2,772		
FUND BALANCE, JUNE 30, 2022 (GAAP BASIS)			\$ 347,822		

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

Palm Beach County District School Board
Statement of Revenues, Expenditures, and Changes in
Fund Balance – Budget and Actual – Special Revenue ESSER Fund
For the Fiscal Year Ended June 30, 2022
(amounts expressed in thousands)

	Budgeted Amounts		Actual (Budgetary Basis)	Variances -	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
REVENUES:					
Federal Sources	\$ 130,259	\$ 523,444	\$ 184,301	\$ 393,185	\$ (339,143)
EXPENDITURES:					
Instruction	115,224	404,934	115,859	(289,710)	289,075
Instructional Support Services	7,499	25,673	9,967	(18,174)	15,706
Board	-	12	12	(12)	-
General Administration	1,726	16,340	11,872	(14,614)	4,468
School Administration	(83)	18,113	18,108	(18,196)	5
Fiscal Services	5	28	28	(23)	-
Central Services	56	20,204	20,204	(20,148)	-
Student Transportation Services	13	2,729	2,437	(2,716)	292
Operation of Plant	5,448	38,099	10,139	(32,651)	27,960
Maintenance of Plant	351	1,362	113	(1,011)	1,249
Administrative Technology Services	20	20	18	-	2
TOTAL EXPENDITURES	130,259	527,514	188,757	(397,255)	338,757
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(4,070)	(4,456)	(4,070)	(386)
OTHER FINANCING SOURCES (USES)					
Transfers In	-	9,811	9,811	9,811	-
Transfers Out	-	(5,741)	(5,741)	(5,741)	-
TOTAL OTHER FINANCING SOURCES	-	4,070	4,070	4,070	-
NET CHANGE IN FUND BALANCE	\$ -	\$ -	(386)	\$ -	\$ (386)
FUND BALANCE, JULY 1, 2021 (GAAP BASIS)			-		
FUND BALANCE, JUNE 30, 2022 (BUDGETARY BASIS)			(386)		
Adjustment to Conform with GAAP:					
Elimination of Encumbrances			386		
FUND BALANCE, JUNE 30, 2022 (GAAP BASIS)			\$ -		

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

Palm Beach County District School Board
Statement of Net Position – Proprietary Funds
June 30, 2022
(amounts expressed in thousands)

	Internal Service Funds
ASSETS	
Current Assets:	
Cash, Cash Equivalents, and Investments	\$ 312,044
Due from Other Agencies	5,257
Total Current Assets	317,301
Noncurrent Assets:	
Restricted Cash	2,192
Total Noncurrent Assets	2,192
TOTAL ASSETS	319,493
DEFERRED OUTFLOWS OF RESOURCES	
Other Postemployment Benefits	533
Pension	12,688
TOTAL DEFERRED OUTFLOWS OF RESOURCES	13,221
LIABILITIES	
Current Liabilities:	
Accounts Payable	1,393
Accrued Payroll and Payroll Deductions	1,555
Estimated Unpaid Claims	27,118
Total Current Liabilities	30,066
Noncurrent Liabilities:	
Liability for Compensated Absences	2,324
Estimated Unpaid Claims	34,199
Other Postemployment Benefits	727
Net Pension Liability	27,544
Total Noncurrent Liabilities	64,794
TOTAL LIABILITIES	94,860
DEFERRED INFLOWS OF RESOURCES	
Other Postemployment Benefits	702
Pensions	23,590
TOTAL DEFERRED INFLOWS OF RESOURCES	24,292
NET POSITION	
Unrestricted	\$ 213,562

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

**Palm Beach County District School Board
Statement of Revenues, Expenses, and Changes in Fund
Net Position – Proprietary Funds
For the Fiscal Year Ended June 30, 2022
(amounts expressed in thousands)**

	Internal Service Funds
OPERATING REVENUES	
Premium Revenue	\$ 249,973
Charges for Services	39,766
Pharmacy Rebates	21,106
Other Operating Revenues	3,202
Total Operating Revenues	314,047
OPERATING EXPENSES	
Salaries	21,004
Benefits	5,496
Purchased Services	7,452
Energy	442
Supplies	434
Capital Outlay	80
Claims and Other Expenses	257,187
Total Operating Expenses	292,095
Operating Income	21,952
NONOPERATING REVENUES	
Investment Earnings (Loss)	(472)
Total Nonoperating Revenues	(472)
Change in Net Position	21,480
Total Net Position - Beginning	192,082
Total Net Position - Ending	\$ 213,562

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

**Palm Beach County District School Board
Statement of Cash Flows – Proprietary Funds
For the Fiscal Year Ended June 30, 2022
(amounts expressed in thousands)**

	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Receipts from Interfund Premiums and Charges for Services	\$ 289,739
Cash Payments for Claims and Administration	(266,409)
Cash Receipts for Pharmacy Rebates	21,106
Cash Payments for Salaries and Benefits	(29,215)
Other Receipts	2,462
	17,683
Net Cash Provided by Operating Activities	
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and Fair Market Value Adjustments on Investments	(472)
	(472)
Net Cash Used by Investing Activities	
Net Increase in Cash and Cash Equivalents	17,211
Cash and Cash Equivalents, Beginning*	297,025
	314,236
Cash and Cash Equivalents, Ending*	\$ 314,236

Reconciliation of Operating Income to Net Cash Provided by Operating Activities:

Operating Income	\$ 21,952
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Changes in Assets, Liabilities, Deferred Outflows/Inflows of Resources:	
Due from Other Agencies	216
Accrued Payroll and Payroll Deductions	168
Compensated Absences	80
Accounts Payable	(791)
Net Pension Liability	(28,322)
Other Postemployment Benefits	(285)
Deferred Inflows	21,712
Deferred Outflows	3,932
Estimated Unpaid Claims	(979)
	(4,269)
Total Adjustments	(4,269)
Net Cash Provided by Operating Activities	\$ 17,683

*Includes Restricted Cash

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

Palm Beach County District School Board
Statement of Fiduciary Net Position – Fiduciary Funds
June 30, 2022
(amounts expressed in thousands)

	<u>Private-Purpose Trust Fund</u>	<u>Custodial Fund</u>
	<u>Florida Future Educators of America</u>	<u>School Internal Funds</u>
ASSETS		
Cash, Cash Equivalents, and Investments	\$ 327	\$ 24,152
Accounts Receivable	-	73
TOTAL ASSETS	<u>327</u>	<u>24,225</u>
LIABILITIES		
Accounts Payable	-	200
TOTAL LIABILITIES	<u>-</u>	<u>200</u>
NET POSITION - Restricted		
Restricted for Student Activities	-	24,025
Held in Trust for Scholarships	327	-
TOTAL NET POSITION	<u>\$ 327</u>	<u>\$ 24,025</u>

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

Palm Beach County District School Board
Statement of Changes in Fiduciary Net Position – Fiduciary Funds
For the Fiscal Year Ended June 30, 2022
(amounts expressed in thousands)

	Private-Purpose Trust Fund	Custodial Fund
	Florida Future Educators of America	School Internal Funds
ADDITIONS		
Miscellaneous Revenue	\$ -	\$ 20,407
Donations	21	5,907
Total Additions	21	26,314
DEDUCTIONS		
Purchased Services	-	3,776
Supplies	-	9,623
Equipment	-	2,055
Other	-	7,329
Scholarships	28	-
Total Deductions	28	22,783
Change in Net Position	(7)	3,531
Net Position - Beginning	334	20,494
Net Position - Ending	\$ 327	\$ 24,025

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

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

Discretely Presented Component Units. The Florida Department of Education (FDOE) concluded, based on FDOE's interpretation of the GASB requirements, that school districts should report charter schools as discretely presented component units. This conclusion is based, in part, on FDOE's interpretation that exclusion of the charter schools from financial reporting would cause district

financial statements to be misleading as, pursuant to the Article IX, Section 4 of the State Constitution, charter schools are public schools and each school district has constitutional responsibility for all public schools within the school district. As a result, we have included charter school audited financial information to comply with State reporting requirements.

The 49 charter schools in operation during the fiscal year are listed below:

School	Address
Academy For Positive Learning (0664)	2405 Mercer Avenue West Palm Beach, FL 33401
Believers Academy (3400)	5840 Corporate Way, Suite 100 West Palm Beach, FL 33407
Ben Gamla Palm Beach (3941)	8600 South Jog Road Boynton Beach, FL 33472
Bridge Prep Academy of Palm Beach (4102)	9085 Happy Hollow Road Delray Beach, FL 33446
Bright Futures Academy (3385)	10350 Riverside Drive Palm Beach Gardens, FL 33410
Connections Education Center of the Palm Beaches (4100)	1310 Old Congress Avenue West Palm Beach, FL 33409
Ed Venture Charter School (2521)	115 East Coast Avenue Hypoluxo, FL 33462
Everglades Preparatory Academy (3398)	360 East Main Street, Building C Pahokee, FL 33476
Florida Futures Academy (4081)	1760 North Congress Avenue West Palm Beach, FL 33409
Franklin Academy Palm Beach Gardens (4061)	5651 Hood Road Palm Beach Gardens, FL 33418
Franklin Academy Boynton Beach (4020)	7882 South Military Trail Lake Worth, FL 33463
Gardens School of Technology Arts, Inc. (3961)	9153 Roan Lane Palm Beach Gardens, FL 33403
Glades Academy, Inc. (3382)	7368 State Road 15, Building E Pahokee, FL 33476
G-Star School of The Arts (3396)	2030 S. Congress Avenue, Building J West Palm Beach, FL 33406
Gulfstream L.I.F.E. Academy (3345)	1715 Tiffany Drive West Palm Beach, FL 33418
Imagine Schools - Chancellor Campus (3381)	3333 High Ridge Road Boynton Beach, FL 33426
Inlet Grove Community High School (1461)	600 W 28th Street Riviera Beach, FL 33404
Montessori Academy of Early Enrichment, Inc. (3394)	6300 Lake Worth Road Greenacres, FL 33463

Olympus International Academy (4030)	8411 West Palmetto Park Road Boca Raton, FL 33433
Palm Beach Maritime Academy (2801)	1518 West Lantana Road Lantana, FL 33462
Palm Beach Maritime Academy High School (3924)	600 South East Coast Avenue Lantana, FL 33462
Palm Beach Preparatory Charter Academy (3971)	3525 South Congress Avenue Palm Springs, FL 33461
Palm Beach School for Autism (2941)	8480 West Lantana Road Lantana, FL 33467
Potentials Charter School (2531)	1201 Australian Avenue Riviera Beach, FL 33404
Quantum High School (3401)	1275 Gateway Boulevard Boynton Beach, FL 33426
Renaissance Charter School at Central Palm (4051)	6696 South Military Trail Lake Worth, FL 33463
Renaissance Charter School at Cypress (4050)	8151 Okeechobee Boulevard West Palm Beach, FL 33411
Renaissance Charter School at Summit (4002)	2001 Summit Boulevard West Palm Beach, FL 33406
Renaissance Charter School at Wellington (4001)	3200 South State Road 7 Wellington, FL 33449
Renaissance Charter School at West Palm Beach (3431)	1889 Palm Beach Lakes Boulevard West Palm Beach, FL 33409
The Learning Academy at the Els Center of Excellence (3083)	18370 Limestone Creek Road Jupiter, FL 33458
Seagull Academy (3391)	6250 North Military Trail Riviera Beach, FL 33407
Somerset Academy Boca (3413)	333 S.W. 4th Avenue Boca Raton, FL 33432
Somerset Academy Boca Middle (4041)	333 S.W. 4th Avenue Boca Raton, FL 33432
Somerset Academy Canyons High School (4013)	9385 Boynton Beach Boulevard Boynton Beach, FL 33472
Somerset Academy Canyons Middle School (4012)	9385 Boynton Beach Boulevard Boynton Beach, FL 33472
Somerset Academy JFK Charter School (3395)	4696 Davis Road Lake Worth, FL 33461
Somerset Academy Lakes Charter School (4091)	2845 Summit Boulevard West Palm Beach, FL 33406
Somerset Academy Wellington (4031)	1000 Wellington Trace Wellington, FL 33414

South Tech Charter Academy, Inc. (1571)	6161 Woolbright Road Boynton Beach, FL 33437
South Tech Preparatory Academy, Inc. (3441)	1325 Gateway Boulevard Boynton Beach, FL 33426
SLAM High School Palm Beach (4111)	2845 Summit Boulevard West Palm Beach, FL 33406
Sports Leadership & Management (SLAM) Middle School Palm Beach (4090)	2845 Summit Boulevard West Palm Beach, FL 33406
Sports Leadership & Management (SLAM) Middle High School Boca (4103)	22500 Hammock Street Boca Raton, FL 33428
The Learning Center at the Els Center of Excellence (2791)	18370 Limestone Creek Road Jupiter, FL 33458
Toussaint L'Ouverture High (3386) Ceased operations in March 2022	2601 South Military Trail West Palm Beach, FL 33415
University Preparatory Academy Palm Beach (4080)	2101 North Australian Avenue West Palm Beach, FL 33407
Western Academy Charter School (2911)	12031 Southern Boulevard Loxahatchee, FL 33470
Worthington High School (3421)	1711 Worthington Road West Palm Beach, FL 33409

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

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Eliminations have been made from the statements to remove the “doubling-up” effect of interfund activity.

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

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

Fund Financial Statements

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

The governmental funds are accounted for on the “flow of current financial resources” measurement focus. Governmental fund financial statements are prepared using the current financial resource measurement focus and the modified accrual basis of accounting. The proprietary funds are accounted for on an “economic resources” measurement focus. Accordingly, the statement of revenues, expenses, and changes in fund net position for the proprietary funds reports increases and decreases in total economic net worth. The private purpose trust fund is reported using the economic resources measurement focus.

GOVERNMENTAL FUNDS

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

General Fund

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

Special Revenue Elementary and Secondary School Emergency Relief (ESSER) Fund

The Special Revenue ESSER Fund accounts for Federal coronavirus relief programs awarded through the Elementary and Secondary School Emergency Relief Fund.

Capital Improvement Fund

The Capital Improvement Fund accounts for locally received funds, primarily ad valorem tax revenues, and funds are used to fund COPs debt service, capital maintenance, and other projects.

Sales Tax Fund

The Sales Tax Fund accounts for locally received funds, primarily sales tax revenue, for the acquisition, construction, or renovation of capital facilities, and acquisition of new computer technology, equipment, and vehicles.

Other Capital Projects Fund

The Other Capital Projects Fund accounts for various miscellaneous revenue designated for construction projects.

Other Nonmajor Governmental Funds

The Other Nonmajor Governmental Funds are a summary of all the other nonmajor governmental funds.

PROPRIETARY FUNDS

The proprietary funds are used to account for ongoing activities where the intent is that charges made to users will cover the costs of the services provided. The measurement focus is upon the determination of net income. The only proprietary funds that the District has are its internal service funds. A proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for internal service funds include salaries, benefits, administrative expenses, and claims paid. All items not meeting this definition are reported as nonoperating revenues and expenses.

Internal Service Funds

The internal service funds are used to account for the financing of goods and services provided by one department to another on a cost reimbursement basis. The District has two self-insurance internal service funds: one for group health, and one for workers' compensation, general and auto liability claims. Expenditures of the self-insurance funds are charged back to the appropriate governmental fund. The District also has the School Police Internal Service Fund to aggregate and charge out the actual cost of school police officers to the schools.

FIDUCIARY FUNDS

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

Custodial Funds

Custodial funds consist of activity funds, which are established at each school to record the receipts and disbursements of various school activities administered for the general welfare of the students and completion of certain planned objectives and special programs of school groups. The District retains no equity interest in these funds.

Private Purpose Trust Fund

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

BASIS OF ACCOUNTING

Basis of accounting determines when transactions are recognized in the financial records and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting.

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

Modified Accrual

Under the modified accrual basis, revenues are recognized in the accounting period in which they become susceptible to accrual, i.e., both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Significant revenues susceptible to accrual include ad valorem taxes, reimbursable-type grants, and interest on investments. The District considers all revenues (with the exception of the expenditure-driven grants) as available if they are collected within 60 days after year-end. The expenditure driven grants are considered available if received within one year from the balance sheet date. Current year property tax revenue is recognized when levied for, if available. Amounts are considered available if received by the District within 60 days subsequent to fiscal year end. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred. The principal exceptions to this are: (1) interest on general long-term debt is recognized as expenditures when due/paid; and (2) expenditures related to liabilities reported as general long-term obligations are recognized when due, such as compensated absences, other postemployment benefits (OPEB), pensions, claims payable, bonds, loans, and leases.

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

Accrual

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

Revenue Recognition

Program and General Revenues – Amounts reported as program revenues include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than program revenues. Revenues that are not classified as program revenues are presented as general revenues. 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.

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

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

The State allocates gross receipt taxes, generally known as Public Education Capital Outlay money, to the District on an annual basis. The District is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from FDOE.

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

Sales Tax and Impact Fees – Sales tax and impact fee revenue anticipated to be collected within 60 days of year-end are recognized in the fiscal year collected by the county.

Federal Revenue Sources – The District receives Federal awards for the enhancement of various educational programs. Federal awards are generally received based on applications submitted to, and approved by, various granting agencies. For Federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred.

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

C. Budgetary Policies

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

Annual budgets are legally adopted for all funds except the fiduciary funds. The budget amounts for revenues and expenditures reflect all amendments to the original budget dated September 14, 2021, with the final amendments approved by the Board. Significant dates in the budgeting timetable follow:

- The Palm Beach County Property Appraiser certifies to the District the taxable value of all nonexempt District property by July 1 of each year, or the Clerk of the Circuit Court is required to certify an interim tax roll.
- Within 24 days of tax roll certification, the Board considers and approves for advertising a tentative budget.
- Within 29 days after tax roll certification, the District advertises the tentative budget and the millage rates therein.
- A public hearing to adopt the tentative budget and proposed millage rate is held not less than two nor more than five days after the budget is advertised.
- Within 35 days of tax roll certification, the District notifies the Palm Beach County Property Appraiser of proposed millage rates.

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

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

Unreserved appropriations are canceled at the end of the fiscal year. However, encumbered appropriations for funds do not lapse at the end of the fiscal year. Restricted, committed, and assigned fund balances at June 30, 2022, for funds under budgetary control have been re-appropriated for the fiscal year 2023 operating budget within the appropriate fund. Programs restricted for carryover include all State categorical grants required to be expended on specific programs and District approved carryover programs.

D. Encumbrances

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

E. Cash, Cash Equivalents, and Investments

The District maintains a Treasurer's pool for the District's cash and investments. Each fund's portion of the pool is reported as cash, cash equivalents, and investments in the financial statements. Investments recorded at fair value consist of direct obligations of the United States Treasury, U.S. Government Agency Securities, U.S. Government sponsored agencies, U.S. Treasury Securities, AAA rated local government investment pools, corporate notes, U.S. Government Supported Corporate Debt, and other investments allowable by the District's investment policy. The District categorizes its investments according to the fair value hierarchy established by GASB Statement No. 72. The hierarchy is based on observable and unobservable inputs used in establishing the fair value of a financial asset or liability. All money market mutual funds are AAA rated by the various rating agencies and each fund is registered as a 2a-7 fund with the Securities and Exchange Commission and recorded at amortized cost. Rule 2a-7 of the Investment Company Act of 1940 comprises the rules governing money market funds. For purposes of the statement of cash flows, each fund's portion of the pool is considered cash equivalents, which are money market funds and all highly liquid investments with a maturity of three months or less when purchased.

F. Inventories

Inventories are stated at cost, principally on a weighted average cost basis. The District's inventories include various items consisting of school supplies, paper, textbooks, fuel, commodities, etc. United States Department of Agriculture (USDA) commodities received from the Federal government are recorded at the value established by the Federal government using the average cost method. Inventorial items are recorded as expenditures when shipped to schools and department offices (the consumption method). The nonspendable fund balance at the governmental fund level is equal to the amount of inventories at year-end to indicate the portion of the governmental fund balances that are nonspendable.

G. Prepaid Items

Expenditures for insurance and similar services extending over more than one accounting period are not allocated between or among accounting periods in the governmental funds and are instead accounted for as expenditures in the period of acquisition (purchase method). In the government-wide financial statements these amounts are reported as other assets and will be charged to expense in the period used or consumed.

H. Capital Assets

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

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

<u>Description</u>	<u>Estimated Useful Lives</u>
Furniture, Fixtures, and Equipment	3 - 15 years
Motor Vehicles	5 - 10 years
Audio/Video Materials & Software	3 - 5 years
Lease Assets (based on shorter of lease term or expected life of the assets)	2 - 5 years
Buildings and Improvements	15 - 50 years
Improvements Other Than Buildings	15 years
Intangibles	5 years

I. Leases

The District is a lessee for noncancelable leases of equipment and facilities. The District recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements. The District recognizes lease assets with an initial value of \$50,000 or more.

At the commencement of the lease, the District measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of lease liability, adjusted for any payments made at or before the lease commencement date, plus certain initial direct costs. The lease asset is amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Key estimates and judgments related to leases include how the District determines: (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments. The lease contracts did not contain an implicit rate; therefore, the District uses an incremental borrowing rate. The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will do so if certain changes occur that would be expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

J. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position has a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to future periods that will not be recognized as an outflow of resources (expense/expenditure) until then. One item is the net carrying amount of debt refunding reported in the government-wide statement of net position. A deferred loss on debt refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded debt or new refunding debt. A

second item, in accordance with GASB Statement No. 68, reports pension related deferred outflows of resources and deferred inflows of resources on its financial statements. A third item, in accordance with GASB Statement No. 75, reports OPEB related deferred outflows of resources and deferred inflows of resources on its financial statements.

On the government-wide financial statements, deferred outflows of resources totaled \$539.3 million with activity for fiscal year ended June 30, 2022, as follows (in thousands):

	Ending Balance			Ending Balance
	June 30, 2021	Increase	Decrease	June 30, 2022
Deferred Outflows of Resources				
Net Carrying Amount of Deferred Refunding	\$ 73,098	\$ -	\$ 14,752	\$ 58,346
Pension Related - FRS	435,789	345,173	435,789	345,173
Pension Related - HIS	109,949	89,372	109,949	89,372
OPEB Related	50,465	-	4,080	46,385
Total Deferred Outflows of Resources	\$ 669,301	\$ 434,545	\$ 564,570	\$ 539,276

In addition to liabilities, the statement of net position has a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. In the governmental funds, the District has \$40.8 million unavailable revenue (\$3.4 million is related to Medicaid administration claims, \$2.7 million related to Early Learning Coalition, \$34.2 million related to impact fees, and \$429 thousand related to FEMA claims and fuel tax credit), and \$2.3 million related to leases that qualifies as a deferred inflow of resources and is shown in the governmental funds balance sheet under the modified accrual basis of accounting.

On the government-wide financial statements, deferred inflows of resources totaled \$780.2 million with activity for fiscal year ended June 30, 2022, as follows (in thousands):

	Ending Balance			Ending Balance
	June 30, 2021	Increase	Decrease	June 30, 2022
Deferred Inflows of Resources				
Leases	\$ -	\$ 2,310	\$ -	\$ 2,310
Pension Related - FRS	7,816	682,784	-	690,600
Pension Related - HIS	28,472	-	2,243	26,229
OPEB Related	57,844	3,251	-	61,095
Total Deferred Inflows of Resources	\$ 94,132	\$ 688,345	\$ 2,243	\$ 780,234

K. Long-Term Debt

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

L. Self-Insurance

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

Consistent with GAAP guidelines, in the proprietary fund financial statements, the liability for self-insured risks is recorded under the accrual basis of accounting. Expenditures of the self-insurance funds are charged back to the appropriate governmental fund.

M. Compensated Absences

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

The District uses the vesting method to calculate the compensated absences amounts. The entire compensated absence liability is reported on the government-wide financial statements. The portion related to employees in the internal service fund is recorded at the fund level. The current portion is the amount estimated to be used in the following year. To liquidate the liability, an expenditure is mainly recognized in the general fund as payments come due each period, for example, as a result of employee resignations and retirements. At year end, the amount recorded in the general fund for compensated absences was \$7.7 million and was paid in July. Compensated absences not recorded at the fund level represent a reconciling item between the fund level and government-wide presentations (see Note 10).

N. Pensions

In the government-wide statement of net position, liabilities are recognized for the District's proportionate share of each pension plan's net pension liability. The portion related to employees in the internal service fund is recorded at the fund level. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) defined benefit plan and additions to/deductions from the FRS's and the HIS's fiduciary net position have been determined on the same basis as they are reported by the FRS and the HIS plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Pension liabilities are liquidated in the governmental fund in which the employee is charged. Investments are reported at fair value. The District's retirement plans and related amounts are described in Note 11.

O. Accounting Estimates

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

P. Postemployment Benefits Other Than Pensions (OPEB)

The District applies GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for the measurement, recognition, and display of OPEB expenditures or expenses, liabilities, and assets as discussed in a subsequent note. OPEB is unfunded at June 30, 2022.

Q. Impact of Recently Issued Accounting Principles

Recently Issued and Adopted Accounting Pronouncements

In June 2017, the GASB issued Statement No. 87, *Leases*, which became effective for fiscal year end June 30, 2022. This Statement outlines new guidance that establishes a single approach to accounting for and reporting leases by state and local governments. The goal is to better align reporting these leases with their particular situations, as well as provide greater transparency and usefulness of financial statements. The adoption of GASB Statement No. 87 is reflected in Notes 7 and 10.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*, which became effective for fiscal year end June 30, 2022. This standard will enhance comparability in accounting and financial reporting and improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements. This Statement addresses a variety of topics and includes specific provisions about the following: (1) the effective date of GASB Statement No. 87, *Leases*, for interim financial reports; (2) reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit OPEB plan; (3) the applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits; (4) the applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements; (5) measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition; (6) reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers; (7) reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature; (8) terminology used to refer to derivative instruments. This standard is implemented in the District's financial statements.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*, which became effective for fiscal year end June 30, 2022, with the exception of the removal of the London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate which will become effective June 30, 2023. The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an Interbank Offered Rate (IBOR). This Statement achieves that objective by: (1) providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment; (2) clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; (3) clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable; (4) removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap; (5) identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap; (6) clarifying the definition of *reference rate*, as it is used in Statement 53, as amended; and (7) providing an exception to the lease modifications in Statement No. 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend. The exceptions to the existing provisions for hedge accounting termination and lease modifications in this statement will reduce the cost of the accounting and financial reporting ramifications of replacing IBORs with other reference rates. The reliability and relevance of reported information will be maintained by requiring that agreements that effectively maintain an existing hedging arrangement continue to be accounted for in the same manner as before the replacement of a reference rate. As a result, this Statement will preserve the consistency and comparability of reporting hedging derivative instruments and leases after governments amend or replace agreements to replace an IBOR. This standard has no impact on the District's financial statements.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, which became effective for fiscal year end June 30, 2022. The objective of this Statement is to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined OPEB plans, and employee benefit plans other than pensions plans or OPEB plans as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. This standard is not expected to impact the District's financial statements.

Recently Issued Accounting Pronouncements

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*, which will become effective for fiscal year ending June 30, 2023. This standard will provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This standard is not expected to impact the District's financial statements.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which will become effective for fiscal year ending June 30, 2023. The requirements of this statement will improve financial reporting by establishing the definitions of public-private and public-public partnership (PPPs) arrangements and availability payment arrangements and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions. That uniform guidance will provide more relevant and reliable information for financial statement users and create greater consistency in practice. This Statement will enhance the decision usefulness of a government's financial statements by requiring governments to report assets and liabilities related to PPPs consistently and disclose important information about PPP transactions. The required disclosures will allow users to understand the scale and important aspects of a government's PPPs and evaluate a government's future obligations and assets resulting from PPPs. This standard is not expected to impact the District's financial statements.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, which will become effective for fiscal year ending June 30, 2023. The objective of this Statement is to improve financial reporting by establishing a definition for subscription-based information technology arrangements (SBITAs) and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. That definition and uniform guidance will result in greater consistency in practice. Establishing the capitalization criteria for implementation costs also will reduce diversity and improve comparability in financial reporting by governments. This Statement also will enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs. Management is currently evaluating the impact of the adoption of this Statement on the District's financial statements.

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*, which will become effective for fiscal year ending June 30, 2024. The primary object of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable,

relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within financial reporting entity and describes the transactions or other events that constitute those changes. This standard is not expected to impact the District's financial statements.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*, which will become effective for the fiscal year ending June 30, 2025. The object of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This standard is not expected to impact the District's financial statements.

2. CHANGE IN REPORTING ENTITY

During the 2020-21 fiscal year, the District did not include the charter schools as aggregate discretely presented component units. This change in the District's reporting entity affects the comparability of amounts reported for the 2021-22 fiscal year with amounts reported for the 2020-21 fiscal year. As a result of this change, beginning net position of the component units as a whole, totaling \$33.8 million, has been added.

3. AD VALOREM TAXES

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

Property values are assessed as of January 1 each year. The Board levies the property tax at the final budget hearing each year based on the assessed valuation of all non-exempt property. This levy finances the expenditures of the current fiscal year. Tax bills are mailed by the Tax Collector on November 1 and are due no later than April 1. After this date, taxes become an enforceable lien on property. Discounts of up to 4 percent are available for early payment. The majority of ad valorem taxes are collected in November and December and remitted to the Board. Section 197.383, Florida Statutes, requires the Tax Collector to distribute the taxes collected to each taxing authority at least four times during the first two months after the tax roll comes into the Tax Collector's possession, and at least once per month thereafter. Taxes are considered delinquent if not paid prior to April 1. State law provides for enforcement of collection of taxes by the sale of tax certificates on real property and for levy upon, seizure and sale of personal property after the Tax Collector initiates a sequence of required procedures resulting in a court order to carry out the action.

The State Legislature prescribes the maximum non-voted millage that may be levied by the Board for each fiscal year. For the 2021-22 fiscal year, the total millage rate levy was 6.875 mills (including 1.00 mills approved by voters in November 2018) and the total assessed value was \$234.9 billion. Gross taxes levied were approximately \$1.6 billion. Total revenue, net of discounts, was approximately \$1.6 billion. A portion of the taxes levied for the Local Capital Improvement Capital Project Fund, designated for repairs and maintenance programs are transferred to the General Fund

as provided by Chapter 1013, Florida Statutes. For fiscal year 2022, the maintenance transfer amounted to approximately \$91.3 million. Additionally, approximately \$10.8 million was transferred for property insurance. The total transfer from Capital Improvement funds was approximately \$96.1 million and \$6 million from Other Nonmajor Governmental Funds.

4. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and Cash Equivalents

Florida Statutes authorize the deposit of District funds in demand deposits or time deposits of financial institutions approved by the State Treasurer and are defined as public deposits. All District public deposits are held in qualified public depositories pursuant to Chapter 280, Florida Statutes, the “Florida Security for Public Deposits Act.” Under the Act, all qualified public depositories are required to pledge eligible collateral having a market value equal to or greater than the average daily or monthly balance of all public deposits times the depository’s collateral pledging level. The collateral pledging level may range from 50 percent to 125 percent depending upon the depository’s financial condition and the length of time that the depository has been established. All collateral must be deposited with the State Treasurer. Any losses to public depositors resulting from insolvency are covered by applicable deposit insurance, sale of securities pledged as collateral and, if necessary, assessment against other qualified public depositories of the same type as the depository in default. All bank balances of the District are fully insured or collateralized. At June 30, 2022, the carrying amount of the District’s cash deposits was approximately \$61.2 million and the bank balance was approximately \$76.8 million. The carrying amount of the Custodial Fund – School Internal Funds cash deposits was approximately \$24.2 million.

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

Cash equivalents consist of amounts invested in money market mutual funds, Florida Public Assets for Liquidity Management (FL Palm) and Florida PRIME. FL Palm and Florida PRIME are external investment pools that are not registered with the Securities Exchange Commission (SEC), but operate in a manner consistent with the SEC’s Rule 2a-7 of the Investment Company Act of 1940. Rule 2a-7 allows funds to use amortized cost to maintain a constant net asset value (NAV) of \$1.00 per share. Accordingly, the District’s investments in both FL Palm and Florida PRIME are reported at the account balance, which is amortized cost. There are no restrictions or fees to withdraw from either of these pools.

Investments

The District’s investment policy permits investments in the Florida PRIME, FL Palm, securities of the United States Government, U.S. Government Agencies, Federal instrumentalities, interest bearing time deposit or savings accounts, repurchase agreements, commercial paper, corporate notes, bankers’ acceptances, state and/or local government debt, and money market mutual funds. The District’s investment advisor used the effective duration method to calculate effective duration measures for the securities held by the District. Besides measuring the sensitivity of the securities

fair value to changes in interest rates, the effective duration method accounts for any call (early redemption) features that a security may have.

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, the District categorizes investments according to the fair value hierarchy established by this Statement. The hierarchy is based on valuation inputs used to measure the fair value of the asset as follows: Level 1 assets are quoted prices in active markets for identical assets; Level 2 assets are valued using a matrix pricing technique of quoted prices for similar assets or liabilities in active markets. Certain investments are measured at fair value using the net asset value per share (or its equivalent) practical expedient and have not been classified in the fair value hierarchy. The fair value amounts, presented in the following table, are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of net position.

As of June 30, 2022, the District had the following unrestricted cash, cash equivalents, and investments with stated maturities that were categorized as Level 1 and Level 2 (amounts in thousands):

Investments by Level	Balance (in thousands)	Fair Value Measurements Using		Effective Duration (Years)
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	
Commercial Paper	\$ 447,075	\$ -	\$ 447,075	0.20
Core Fund Investments				
U.S. Treasury - Notes	56,396	56,396	-	1.65
Federal Agency - Bond/Notes	20,577	-	20,577	1.09
Corporate Notes	26,336	-	26,336	1.61
Municipal Bonds	2,538	-	2,538	1.38
Bank Note	598	-	598	0.44
Total Investments by Fair Value Level	\$ 553,520	\$ 56,396	\$ 497,124	
Investments Reported at Amortized Cost				
FL Palm	177,959			
FL Palm (Term)	150,000			
Money Market Funds	551,778			
U.S. Treasury Note	4,172			
Florida PRIME	114,807			
Total Investments Reported at Amortized Cost	998,716			
Total Investments	1,552,236			
Cash Deposits	61,224			
Total Cash, Cash Equivalents, and Investments*	\$ 1,613,460			

*Excludes Fiduciary Funds

Interest Rate Risk

To limit exposure to fair value losses resulting from increases in interest rates, the District's investment policy limits operating funds to maturities of two years or less. Investments of reserves, project funds, debt proceeds and other non-operating funds (core funds) shall have a term appropriate

to the need for funds and in accordance with debt covenants, but in no event shall exceed 5.5 years and the average duration of the funds as a whole may not exceed 3 years. The District's investment in the Federally Backed Securities (Fannie Mae, Freddie Mac (also known as Federal Home Loan Mortgage Corporation) and Farmer Mac) matures between July 2022 and December 2023. As of June 30, 2022, the District held \$26.3 million in corporate notes of which \$9.4 million in fair value is callable, which permit the issuer to redeem the securities prior to their original maturity date.

Concentration of Credit Risk

The District's investment policy specifies the maximum percentage allocation to any single investment type as well as the maximum percentage holding per issuer. Up to 100 percent of the portfolio may be invested in U.S. government securities, 80 percent may be invested in Federal instrumentalities (U.S. government sponsored agencies) with no more than 50 percent with a single issuer, and 50 percent may be invested in U.S. government agencies with no more than 25 percent with a single issuer. Corporate notes are limited to 30 percent of the portfolio with no more than 5 percent with a single issuer.

PORTFOLIO / INVESTMENTS	CARRYING AMOUNT (in thousands)	PERCENTAGE OF INVESTMENT BALANCE	RATING S&P/ MOODY'S
Money Market Funds			
Dreyfus Treasury and Agency	\$ 137,423	8.52%	AAAm/Aaa-mf
Federated Government Obligation	25,237	1.56%	AAAm/Aaa-mf
Fidelity Institutional Government Fund	18,598	1.15%	AAAm/AAA-mf
Wells Fargo	370,520	22.96%	AAAm/Aaa-mf
FL Palm (Term)	150,000	9.30%	AAAf
FL Palm	177,959	11.03%	AAAm
Florida PRIME (SBA)	114,807	7.12%	AAAm
Commercial Paper	447,075	27.71%	A-1/P-1
Investments in Fixed Income Securities			
Bank Note	598	0.04%	A/A2
Corporate Notes	26,336	1.63%	(1)
Federal Agency - Bond/Notes	20,577	1.28%	AA+/Aaa
Municipal Bonds	2,538	0.16%	AA-/Aa1
U.S. Treasury - Notes	60,568	3.75%	AA+/Aaa
Total Investments	1,552,236	96.21%	
Plus Cash Deposits	61,224	3.79%	
Total Cash, Cash Equivalents, and Investments	<u>\$ 1,613,460</u>	<u>100.00%</u>	

(1) Eighty-three Corporate Notes rating range – S&P (A / BBB+) and Moody's (Aaa / A3).

As of June 30, 2022, all District investments were in compliance with the District's investment policy or debt management policy and did not exceed portfolio allocation or issuer maximums.

Credit Risk

The District's investment policy lists the authorized investment types as well as the minimum allowable credit rating for each investment type. Corporate notes purchased for investment must be issued by corporations organized and operating within the United States or by depository institutions licensed by the United States that have a long-term debt rating, at the time of purchase, at a minimum "A" by Moody's and a minimum long-term debt rating of "A" by Standard & Poor's (S&P). The maximum length to maturity for corporate notes shall be 5.5 years from the date of purchase. As of June 30, 2022, the District held \$26.3 million of corporate notes of which had an S&P rating between A and BBB+. All investments in the Federally Backed Securities (Fannie Mae, Freddie Mac (also known as Federal Home Loan Mortgage Corporation) and Farmer Mac) had an S&P rating of AA+ and a Moody's rating of Aaa for securities held for more than one year. All other rated investments were rated between BBB+ and AAAM by S&P. As of June 30, 2022, the Local Government Investment Pools were rated AAAM by S&P.

Custodial Credit Risk

The District's investment policy requires that all securities, with the exception of certificates of deposit, be held with a third-party custodian; and all securities purchased by, and all collateral obtained by the District should be properly designated as an asset of the District. The securities must be held in an account separate and apart from the assets of the financial institution. A third-party custodian is defined as any bank depository chartered by the Federal government, the State of Florida, or any other state or territory of the United States which has a branch or principal place of business in the State of Florida as defined in Section 658.12, Florida Statutes, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in the State of Florida. Certificates of deposit will be placed in the provider's safekeeping department for the term of the deposit. Security transactions between a broker/dealer and the custodian involving the purchase or sale of securities by transfer of money or securities are made on a "delivery vs. payment" basis, if applicable, to ensure that the custodian will have the security or money, as appropriate, in hand at the conclusion of the transaction. As of June 30, 2022, the District's investment in fixed income securities was held with a third-party custodian.

5. DUE FROM OTHER GOVERNMENTS OR AGENCIES

At June 30, 2022, the District had a total of approximately \$121.7 million in Due from Other Governments or Agencies which consisted of the following balances (amounts in thousands):

	General Fund	Special Revenue ESSER Fund	Other Capital Projects Fund	Other Nonmajor Governmental Funds	Internal Service Fund	Total
Federal and State Sources:						
Medicaid*	\$ 4,121	\$ -	\$ -	\$ -	\$ -	\$ 4,121
Grant and Entitlements	-	41,903	-	27,669	-	69,572
FEMA and Other Emergency Claims*	277	-	114	-	-	391
Fuel Tax*	-	-	83	-	-	83
Education Facilities Security	-	-	1,159	-	-	1,159
CO&DS	-	-	-	6,023	-	6,023
Local Sources:						
Impact Fees*	-	-	34,225	-	-	34,225
Pharmacy Rebates	-	-	-	-	5,257	5,257
Other	785	-	75	-	-	860
Total Due From Other Governments or Agencies	\$ 5,183	\$ 41,903	\$ 35,656	\$ 33,692	\$ 5,257	\$ 121,691

* All or partially recorded as Deferred Inflows – Unavailable Revenue at the fund level.

6. INTERFUND ACTIVITIES

Due to/from other funds consisted of the following balances at June 30, 2022 (amounts in thousands):

	Interfund Receivables	Interfund Payables
General Fund	\$ 43,000	\$ -
Special Revenue ESSER Fund	-	32,000
Capital Improvement Fund	7,000	-
Other Nonmajor Governmental Funds	-	18,000
Total Interfund	\$ 50,000	\$ 50,000

The amount payable by the Special Revenue ESSER Fund and Other Nonmajor Governmental Funds are to cover temporary cash shortages related to timing of receipts.

Interfund transfers for the year ended June 30, 2022, were as follows (amounts in thousands):

Transfer from:	Transfer to:				Total
	General Fund	Special Revenue ESSER Fund	Other Capital Projects Fund	Other Nonmajor Governmental Funds	
General Fund	\$ -	\$ 9,811	\$ 6	\$ -	\$ 9,817
Special Revenue ESSER Fund	5,741	-	-	-	5,741
Capital Improvement Fund	96,077	-	-	156,455	252,532
Other Nonmajor Governmental Funds	17,323	-	-	289	17,612
Total	\$ 119,141	\$ 9,811	\$ 6	\$ 156,744	\$ 285,702

Transfers to the General Fund relate primarily to funding for the property insurance, maintenance, renovation and/or repair of school facilities, pursuant to Section 1011.71, Florida Statutes. Transfers to Other Nonmajor Governmental Funds mainly relate to amounts needed to make debt service payments.

7. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022, is as follows (amounts in thousands):

	*Restated Beginning Balance July 1, 2021	Additions and Transfers In	Retirements and Transfers Out	Ending Balance June 30, 2022
<u>Non-Depreciable Assets:</u>				
Land	\$ 351,214	\$ -	\$ -	\$ 351,214
Construction in Progress	68,704	85,768	62,989	91,483
Total Non-Depreciable Assets	419,918	85,768	62,989	442,697
<u>Depreciable Assets:</u>				
Improvements Other Than Buildings	67,649	634	87	68,196
Buildings and Improvements	4,212,458	62,621	4,473	4,270,606
Furniture, Fixtures, and Equipment	187,896	10,569	12,804	185,661
Motor Vehicles	130,575	7,591	9,480	128,686
Lease Assets*	363	1,453	-	1,816
Audio/Video Materials & Software	50,149	493	1,933	48,709
Total Depreciable Assets	4,649,090	83,361	28,777	4,703,674
<u>Less Depreciation and Amortization for:</u>				
Improvements Other Than Buildings	(49,318)	(3,260)	(4)	(52,574)
Buildings and Improvements	(1,649,021)	(88,501)	(4,473)	(1,733,049)
Furniture, Fixtures, and Equipment	(113,261)	(21,412)	(12,701)	(121,972)
Motor Vehicles	(78,294)	(11,380)	(9,403)	(80,271)
Lease Assets*	-	(279)	-	(279)
Audio/Video Materials & Software	(43,384)	(3,146)	(1,933)	(44,597)
Total Accumulated Depreciation and Amortization	(1,933,278)	(127,978)	(28,514)	(2,032,742)
Capital Assets, Net	\$ 3,135,730	\$ 41,151	\$ 63,252	\$ 3,113,629

*Restated for GASB Statement No. 87, *Leases*, as of July 1, 2021; see also Note 10.

Depreciation and amortization expense for the year ended June 30, 2022, of approximately \$128 million was not allocated to specific functions. The District's capital assets essentially serve all functions and as such, the depreciation and amortization expense is included as a separate line item in the statement of activities.

Right-to-Use Lease Assets

Lessee. The District has recorded right-to-use lease assets as a result of implementing GASB Statement No. 87. The Lease Assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payment made. The Lease Assets are amortized on a straight-line basis over the shorter of the life of the assets or of the related lease.

The classes and amounts of Lease Assets are as follows (amounts in thousands):

	Asset Balances	
	June 30, 2022	
GPS Systems	\$	1,382
Office Equipment		198
Facilities		236
Total	\$	1,816

Refer to Note 10 for information on the liabilities relating to the right-to-use lease assets.

Lessor. The District is a lessor for various annual leases of cellular towers at District schools. The revenues are generally allocated to the school in which the towers are located and are not pledged to repay any debt. Some of the leases have termination options that either party may exercise by giving various periods of notice to the other party.

8. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; administrative errors and omissions; injuries to employees, students and guests; as well as natural disasters and employee health and medical insurance. The District is self-insured for portions of its general and automobile liability insurance, workers' compensation and employee health and medical insurance. Losses involving auto and general liability claims are limited (generally) by provisions of Section 768.28, Florida Statutes. A third party administers these self-insured funds. The District purchases commercial insurance for other risks including property, construction, and other miscellaneous risks. The District has not experienced any significant reduction in insurance coverage from previous years nor has it paid any settlements in excess of insurance coverage in the past three years. This liability is typically liquidated from the internal service funds.

The employee health insurance claims liability is based on an analysis performed by management, which is based on historical trends. The remaining claims liability is based on an actuarial evaluation performed by an independent actuary as of June 30, 2022, using a discounted rate factor of 2 percent. The liability consists of claims reported and payable, as well as an estimate for claims incurred but not reported. At June 30, 2022, the liability for claims consisted of approximately \$19.2 million, \$7.8 million, and \$34.3 million for employee health, auto and general liability, and workers' compensation, respectively.

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

	Fiscal Year Ended	Fiscal Year Ended
	June 30, 2021	June 30, 2022
Beginning Balance	\$ 56,206	\$ 62,296
Additions:		
Current Year Claims and Changes in Estimates	232,782	240,991
Reductions:		
Claim Payments	(226,692)	(241,970)
Ending Balance	<u>\$ 62,296</u>	<u>\$ 61,317</u>

9. SHORT-TERM DEBT

Revolving Line of Credit

The District has an unused revolving line of credit (RLOC) of \$80 million from PNC Bank, used to finance sales tax projects. The District pays an unused fee of 0.10 percent each month. Should the District make a draw on the RLOC, interest would be assessed at a rate of 79 percent of 1-M Bloomberg Short-Term Bank Yield (BSBY) plus 35 LIBOR plus 0.41 percent. The line of credit can be increased to a maximum amount of \$200 million with appropriate notice to the Bank. The RLOC matures on July 13, 2023. The District has not drawn on the RLOC but may draw if needed to expedite work.

Events of default related to the RLOC would be failure to pay timely, failure to observe and perform any covenant, condition or agreement for a period of 90 days, false statement or representations related to the agreement, filing of bankruptcy, reorganization, and insolvency. In addition, if any debt of or assumed by the District with combined annual debt service in excess of \$10 million is not paid within any applicable grace period, the RLOC becomes due and payable.

10. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2022, is as follows (amounts in thousands):

	*Restated Beginning Balance July 1, 2021	Additions	Reductions	Ending Balance June 30, 2022	Amounts Due Within One Year
Governmental Activities:					
Bonds, Notes, and Other Payables:					
Notes/Loans Payable	\$ 18,678	\$ -	\$ (6,144)	\$ 12,534	\$ 6,294
Leases Payable*	363	1,453	(277)	1,539	422
Capital Outlay Bond Issues	5,379	-	(1,106)	4,273	959
Certificates of Participation	1,342,130	39,610	(116,315)	1,265,425	81,330
	1,366,550	41,063	(123,842)	1,283,771	89,005
Plus Issuance Premium	146,077	-	(24,002)	122,075	-
Total Bonds, Notes, and Other Payables	1,512,627	41,063	(147,844)	1,405,846	89,005
Other Liabilities:					
Compensated Absences	221,677	17,361	(21,569)	217,469	17,205
Self-Insurance					
Claims and Judgments	62,296	240,991	(241,970)	61,317	27,118
OPEB Liability	66,950	-	(3,732)	63,218	-
Net Pension Liability	1,496,769	306,622	(1,187,351)	616,040	-
Total Other Liabilities	1,847,692	564,974	(1,454,622)	958,044	44,323
Total Governmental Activities Long-Term Liabilities	\$ 3,360,319	\$ 606,037	\$ (1,602,466)	\$ 2,363,890	\$ 133,328

*Restated for GASB Statement No. 87, Leases, as of July 1, 2021; see also Note 7.

The compensated absences are generally liquidated by the general fund. Long-term claims and judgments are liquidated by the internal service funds. Pension contributions are paid by the governmental fund consistent with employee compensation. OPEB is pay as you go and charged to the governmental fund consistent with employee benefits.

Notes/Loans Payable

On October 18, 2018, the District entered into loan agreement 2018 with Banc of America Public Capital Corp for financing the acquisition of various HVAC systems and other components, a \$16.1 million issue with a coupon rate of 3.044 percent. Under the terms of the loan agreement, the debt is payable over five years and will mature on August 1, 2023.

On September 6, 2019, the District entered into loan agreement 2019 with Banc of America Public Capital Corp for financing the acquisition of various HVAC systems and other components, a \$14.7 million issue with a coupon rate of 1.719 percent. Under the terms of the loan agreement, the debt is payable over five years and will mature on August 1, 2024.

A summary of notes/loans payable terms are presented as follows (amounts in thousands):

Bus & Equipment Loans	Date of Issue	Amount Issued	Remaining Interest Rates (Percent)	Final Maturity Date	Debt Outstanding June 30, 2021	Debt Redeemed	Debt Outstanding June 30, 2022
2018	10/18/18	\$ 16,072	3.044%	08/01/23	\$ 8,275	\$ 3,236	\$ 5,039
2019	09/06/19	14,700	1.719%	08/01/24	10,403	2,908	7,495
		<u>\$ 30,772</u>			<u>\$ 18,678</u>	<u>\$ 6,144</u>	<u>\$ 12,534</u>

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

Year Ended June 30	Principal	Interest	Total Principal and Interest
2023	\$ 6,294	\$ 244	\$ 6,538
2024	4,716	91	4,807
2025	1,524	13	1,537
	<u>\$ 12,534</u>	<u>\$ 348</u>	<u>\$ 12,882</u>

The District uses a Master Equipment Lease Purchase Agreement dated 2015 (direct placement), to finance the purchase of vehicles and equipment. In the event of a default, the Lessor may terminate the Lease. The Lessor may also demand all unpaid rental payments and liquidated damages. The Lessor may also request the District to convey any or all the equipment to the Lessor so the equipment can be leased or sold. The proceeds will be applied to the unpaid obligations. As of June 30, 2022, the District has two direct borrowings with \$12.5 million outstanding under the Master Equipment Lease Purchase Agreement.

Events of default related to the Equipment Lease would be failure to pay within 10 days or failure to maintain insurance, failure to observe and perform any covenant, condition or agreement for a period of 30 days after written notice specifying such failure and requesting it be remedied. In addition, false statements or representation pursuant to the lease, any default under any other agreement for borrowing money, lease financing, or otherwise receiving credit under which there is outstanding aggregate amount of at least 10 percent of the District's current indebtedness, appointment of a receiver, trustee, custodian or liquidator of all or a substantial part of the assets of the District, filing of bankruptcy, consolidation, merger or otherwise combine with any other entity, or sell, lease or dispose of all or a substantial portion of assets.

Leases Payable

The District has entered into agreements to lease certain equipment and facilities. The lease agreements qualify as other than short term leases under GASB Statement No. 87 and have been recorded at the present value of the future minimum payments as of the date of inception. The lease liability is calculated using an implicit rate of 3.5 percent, which represents the District's incremental borrowing rate.

Future minimum lease payments and the present value of the minimum lease payments as of June 30 are as follows (amounts in thousands):

<u>Year Ending June 30</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total Principal and Interest</u>
2023	\$ 422	\$ 28	\$ 450
2024	430	42	472
2025	350	42	392
2026	288	47	335
2027	49	10	59
Total Minimum Lease Payments	\$ 1,539	\$ 169	\$ 1,708

State Board of Education Capital Outlay Bond Issues

State Board of Education Capital Outlay Bond Issues (COBI) are serviced entirely by the State using a portion of the District's share of revenue derived from motor vehicle license taxes pursuant to Chapter 320, Florida Statutes, and Article XII, Section 9(d), of the Florida Constitution. The State Board of Administration determines the annual sinking fund requirements. The amounts necessary to retire bonds and interest payable are withheld from the entitlement to the District. Interest rates on the COBI bonds range from 2 percent to 5 percent. Interest is payable semiannually on January 1 and July 1. The bonds are redeemable at par.

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

<u>Capital Outlay Bond Issues</u>	<u>Date of Issue</u>	<u>Amount Issued</u>	<u>Remaining Interest Rates (Percent)</u>	<u>Final Maturity Date</u>	<u>Debt Outstanding June 30, 2021</u>	<u>Debt Redeemed</u>	<u>Debt Outstanding June 30, 2022</u>
COBI 2011-A	12/7/2011	\$ 5,820	3%	1/1/2023	\$ 1,095	\$ 530	\$ 565
COBI 2020-A	1/14/2020	4,918	2% to 5%	1/1/2031	4,284	576	3,708
		<u>\$ 10,738</u>			<u>\$ 5,379</u>	<u>\$ 1,106</u>	<u>\$ 4,273</u>

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

<u>Year Ending June 30</u>	<u>Principal Capital Outlay Bonds</u>	<u>Interest</u>	<u>Total Principal and Interest</u>
2023	\$ 959	\$ 191	\$ 1,150
2024	404	166	570
2025	424	146	570
2026	450	124	574
2027	472	102	574
2028-2031	1,564	160	1,724
Total	\$ 4,273	\$ 889	\$ 5,162

Certificates of Participation

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

As part of the American Reinvestment and Recovery Act (ARRA), the District was authorized to issue up to \$67.7 million of Qualified School Construction Bonds (QSCB) for the purpose of new construction. The District chose to modernize two schools (Galaxy Elementary and Gove Elementary) and replace two roofs (Belle Glade Elementary and Pioneer Park Elementary). The District issued the bonds as taxable COPs through the Build America Bonds program, also created by the ARRA legislation. The District issued taxable bonds and receives a federal subsidy from the U.S. Treasury department equal to the difference between the taxable and tax-exempt rates prior to each payment date. The COPs were sold to Bank of America during a competitive sale held on November 3, 2010, and closed on November 15, 2010. The par amount was \$67.7 million and the interest rate was 5.4 percent. The District paid interest only until August 2019 when annual deposits to the sinking fund began. The final maturity of the bonds is August 1, 2025. The total interest that will be paid over the life of the bonds is \$53.7 million. A total subsidy of \$51.6 million was expected to be recorded as revenue in the year earned. Starting in 2013, sequestration reduced the subsidy and the current projected subsidy is \$48.8 million. Therefore, the District will pay interest of \$4.9 million net of the federal subsidy. In the current year, the District recorded \$3.3 million subsidy as revenue and \$3.7 million as interest expense resulting in a net interest payment of \$0.4 million.

Subsequent to the sale of the QSCB certificates, the District entered into a forward delivery agreement (FDA) classified as a nonparticipating interest-earning investment contract with Barclays Bank related to the COP 2010A QSCB. An FDA is a type of investment in which the investor purchases eligible securities on a periodic basis from the agreement provider at a fixed rate of return. The Board expects to purchase eligible securities, which consist of direct obligations of or obligations guaranteed by the U.S. Treasury and AAA-rated senior debt obligations of Fannie Mae, Freddie Mac,

the Federal Home Loan Bank System, and Federal Farm Credit System from Barclays on a semi-annual basis beginning July 19, 2019, through the final maturity date of August 1, 2025. The FDA will generate a guaranteed fixed rate of return of 4.262 percent or \$8.1 million. The interest earnings associated with this transaction will completely offset the interest due (net of the federal subsidy) and will generate an additional \$3 million to be used to repay the principal in 2025.

The Corporation leases facilities and equipment to the District under the Master Lease. The Master Lease is automatically renewable annually unless terminated, in accordance with the provisions of the Master Lease, as a result of default, or the failure of the Board to appropriate funds to make lease payments in its final official budget. Failure to appropriate funds to pay lease payments under any lease will, and an event of default under any lease may, result in the termination of all leases. The remedies on default or upon an event of non-appropriation include the surrender of the COP Series 2000A, Series 2001A, Series 2002B, Series 2002C, Series 2002D, Series 2003B, Series 2004A, Series 2006A, Series 2007A, Series 2007B, Series 2007E, Series 2010A, Series 2020A, Series 2021A, Series 2021B; and QSCB Series 2010A Facilities by the District and the Trustee's re-letting for the remaining Ground Lease term or sale of the facilities. In either case, the proceeds will be applied against the Board's obligations under the Master Lease.

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

Certificate Series	Date of Issue	Amount Issued	Remaining Interest Rates (Percent)	Final Maturity Date	Debt Outstanding June 30, 2021	Debt Issued	Debt Matured	Debt Refunded/ Defeased	Debt Outstanding June 30, 2022	Ground Lease Term
2010A QSCB	11/15/2010	\$ 67,665	5.40%	* 08/01/2025	\$ 67,665	\$ -	\$ -	\$ -	\$ 67,665	08/01/2032
2011A (1)	07/13/2011	112,425	-	08/01/2021	6,335	-	6,335	-	-	08/01/2032
2011D (2)	11/15/2011	25,065	-	08/01/2021	1,665	-	1,665	-	-	08/01/2021
2012A (3)	05/15/2012	20,085	5.00%	08/01/2022	1,795	-	-	-	1,795	08/01/2028
2012C (4)	08/09/2012	67,145	5.00%	08/01/2029	47,945	-	4,385	38,995	4,565	08/01/2029
2014B (5)	06/27/2014	166,010	5.00%	08/01/2025	92,640	-	16,965	-	75,675	08/01/2025
2014C (6)	07/29/2014	33,280	5.00%	** 08/01/2031	33,280	-	-	-	33,280	08/01/2031
2015A (7)	05/05/2015	106,315	2.52%	** 08/01/2022	18,915	-	9,345	-	9,570	08/01/2022
2015B (8)	01/14/2015	145,535	5.00%	08/01/2031	116,470	-	8,200	-	108,270	08/01/2031
2015D (9)	04/30/2015	221,640	5.00%	08/01/2032	191,915	-	5,815	-	186,100	08/01/2032
2015C (10)	10/28/2015	62,970	5.00%	08/01/2032	62,970	-	-	-	62,970	08/01/2032
2017A (11)	10/11/2017	147,850	5.00%	08/01/2027	135,045	-	3,740	-	131,305	08/01/2027
2017B (12)	12/26/2017	41,945	5.00%	08/01/2028	41,945	-	-	-	41,945	08/01/2032
2018A (13)	02/13/2018	114,770	5.00%	08/01/2027	91,050	-	11,255	-	79,795	08/01/2027
2018B (14)	02/28/2018	103,955	5.00%	08/01/2028	98,045	-	6,310	-	91,735	08/01/2028
2018C (15)	02/28/2018	120,790	5.00%	08/01/2029	118,790	-	3,305	-	115,485	08/01/2029
2020A	05/12/2020	103,820	5.00%	08/01/2034	103,820	-	-	-	103,820	08/01/2034
2021A	05/20/2021	101,905	5.00%	08/01/2040	101,905	-	-	-	101,905	08/01/2040
2021B	05/20/2021	9,935	2.55%	08/01/2035	9,935	-	-	-	9,935	08/01/2035
2022A (16)	05/05/2022	39,610	1.37%	** 08/01/2029	-	39,610	-	-	39,610	08/01/2029
		<u>\$ 1,812,715</u>			<u>\$ 1,342,130</u>	<u>\$ 39,610</u>	<u>\$ 77,320</u>	<u>\$ 38,995</u>	<u>\$ 1,265,425</u>	

* 2010A QSCB - Average coupon rate before IRS subsidy is 5.4%. Net interest rate with IRS subsidy is 0.5058%.

** Outstanding direct placement debt.

Notes to Certificates of Participation Series leases:

- (1) Issued to advance refund and defease Series 2007B Certificates of Participation, refunded and partially defeased by Series 2015C and 2017B Certificates of Participation. **
- (2) Issued to advance refund and defease a portion of Series 2003A Certificates of Participation. **
- (3) Issued to advance refund and defease a portion of Series 2002D Certificates of Participation, refunded and partially defeased by Series 2017B Certificates of Participation. **
- (4) Issued to advance refund and defease a portion of Series 2004A Certificates of Participation, refunded and partially defeased by Series 2022A Certificates of Participation. **
- (5) Issued to advance refund and defease a portion of Series 2011B Certificates of Participation (which previously refunded Series 2001B Certificates of Participation). **
- (6) Issued to advance refund and defease a portion of Series 2007A Certificates of Participation. **

- (7) Issued to advance refund and defease a portion of Series 2005A Certificates of Participation (which previously refunded Series 2001A, 2002A, 2002C, and 2002D Certificates of Participation). **
- (8) Issued to advance refund and defease a portion of Series 2006A Certificates of Participation. **
- (9) Issued to advance refund and defease portions of Series 2007A and 2007E Certificates of Participation. **
- (10) Issued to advance refund and defease a portion of Series 2011A Certificates of Participation (which previously refunded Series 2007B Certificates of Participation). **
- (11) Issued to advance refund and defease a portion of Series 2007C Certificates of Participation (which previously refunded Series 2001A and 2002C Certificates of Participation). **
- (12) Issued to advance refund and defease a portion of Series 2011A and 2012A Certificates of Participation (which previously refunded Series 2007B and 2002D Certificates of Participation). **
- (13) Issued to advance refund and defease Series 2002B Certificates of Participation. **
- (14) Issued to advance refund and defease Series 2012B Certificates of Participation (which previously refunded Series 2002D Certificates of Participation). **
- (15) Issued to advance refund and defease Series 2003B Certificates of Participation. **
- (16) Issued to refund and defease Series 2012C Certificates of Participation. **

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

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

Due to the economic substance of the issuances of COPs as a financing arrangement on behalf of the Board, the financial activities of the Corporation have been blended in with the financial statements of the District. For accounting purposes, due to the blending of the Corporation within the District's financial statements, basic lease payments are reflected as debt service expenditures when payable to Certificate holders. During the year ended June 30, 2022, \$82.8 million was expended for capital outlay in the Certificates of Participation Capital Projects Funds.

The District uses COPs to finance capital projects, which is based on a COP Master Lease Purchase Agreement dated 1994. If the Board defaults on one series under the COP Master Lease, the default will apply to all series under the COP Master Lease. In the event of a default, the Board is required to surrender and deliver all facilities financed under the COP Master Lease to the Trustee. The Trustee will then sell or lease the facilities. The proceeds will be applied to the unpaid obligations. Any excess remaining will be paid to the Board. As of June 30, 2022, the District has three direct placements with \$82.5 million outstanding under the COP Master Lease Agreement.

Events of default related to COP would be if the Board fails to pay in full any lease payment, failure to observe and perform any covenant or condition or agreement for 60 days after written notice

specifying such failure and requesting it be remedied, filing of bankruptcy, insolvency, or reorganization. However, any of these items caused by a failure of the Board to appropriate funds shall not constitute an event of default.

All COPs issued are subject to arbitrage rebate. At June 30, 2022, the arbitrage liability was zero.

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

Year Ended June 30	Series 2012A	Series 2012C	Series 2014B	Series 2014C	Series 2015A	Series 2015B	Series 2015C
2023	\$ 1,795	\$ 4,565	\$ 17,685	\$ -	\$ 9,570	\$ 8,605	\$ -
2024	-	-	18,480	-	-	9,040	-
2025	-	-	19,325	-	-	9,490	-
2026	-	-	20,185	-	-	9,965	-
2027	-	-	-	-	-	10,460	-
2028-2032	-	-	-	33,280	-	60,710	33,210
2033-2037	-	-	-	-	-	-	29,760
2038-2041	-	-	-	-	-	-	-
Total	\$ 1,795	\$ 4,565	\$ 75,675	\$ 33,280	\$ 9,570	\$ 108,270	\$ 62,970

Year Ended June 30	Series 2015D	Series 2017A	Series 2017B	Series 2018A	Series 2018B	Series 2018C	Series 2020A
2023	\$ 6,105	\$ 3,990	\$ 6,335	\$ 11,795	\$ 3,955	\$ 6,930	\$ -
2024	6,410	15,020	6,365	12,365	6,785	6,320	-
2025	6,735	15,830	6,690	12,965	7,065	7,145	-
2026	7,780	16,740	5,625	13,535	7,205	9,115	-
2027	26,815	38,730	-	14,225	7,575	4,070	-
2028-2032	122,310	40,995	16,930	14,910	59,150	81,905	-
2033-2037	9,945	-	-	-	-	-	103,820
2038-2041	-	-	-	-	-	-	-
Total	\$ 186,100	\$ 131,305	\$ 41,945	\$ 79,795	\$ 91,735	\$ 115,485	\$ 103,820

Year Ended June 30	Series 2021A	Series 2021B	Series 2022A	Series 2010A QSCB	Total Lease Payment	Total Interest	Total Lease Payment & Interest
2023	\$ -	\$ -	\$ -	\$ -	\$ 81,330	\$ 60,542	\$ 141,872
2024	-	-	5,430	-	86,215	55,737	141,952
2025	-	-	5,505	-	90,750	51,512	142,262
2026	-	-	5,580	67,665	163,395	45,224	208,619
2027	-	-	5,655	-	107,530	38,519	146,049
2028-2032	-	-	17,440	-	480,840	113,668	594,508
2033-2037	23,935	9,935	-	-	177,395	36,427	213,822
2038-2041	77,970	-	-	-	77,970	8,035	86,005
Total	\$ 101,905	\$ 9,935	\$ 39,610	\$ 67,665	\$ 1,265,425	\$ 409,664	\$ 1,675,089

State law requires that no more than 75 percent of the capital millage levy be used for COP debt service. During fiscal year 2020, the District analyzed the best structure of the future COP issues. Since most previously issued COP debt matures by 2030 and the remaining by 2032, it was determined that significant savings would be achieved by shortening the maturity of future debt from 25 to 15 – 20 years with the principal payments beginning in 2030 with interest only for the first 10 years. This structure will be reviewed and revised with each future debt issue. Based on the

wrapped structure, the District’s legal lease purchase agreement remaining debt capacity is \$166.2 million and \$62.8 million based on Board Policy which recommends no more than 50 percent of capital millage levy be used for COP debt service. During the 2021-22 fiscal year, debt service payments remained in compliance at 41.56 percent of capital millage proceeds.

Defeased Debt

In prior years, the District defeased certain COPs by creating separate irrevocable trust funds. New debt was issued and the proceeds were used to purchase U.S. Government Securities that were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments. These investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the financial statements.

On May 5, 2022, the District issued COP Series 2022A in the amount of \$39.6 million with an interest rate of 1.37 percent and maturity of August 2029. The Series 2022A is a tax-exempt instrument and was issued to refund and defease a portion of the 2012C COP issue. The District made a principal payment of \$39 million recorded in the fund level financial statements as a payment to escrow agent. The net savings from this transaction were \$5.5 million or 13.8 percent. The refunding meets the requirement of an in-substance defeasance and the liability for the refunded certificates was removed from the District’s financial statements in the current fiscal year.

As of June 30, 2022, the total amount of defeased debt outstanding but removed from the District’s financial statements amounted to \$57.3 million.

Certificates of Participation:

<u>Series</u>	<u>Maturities</u>	<u>Outstanding (in thousands)</u>	<u>Call Date</u>	<u>Defeased by COP Series</u>
2012A	8/1/2028	\$ 18,290	8/1/2022	2017B
2012C	8/1/2029	38,995	8/1/2022	2022A
Total Defeased COPs		\$ 57,285		

11. RETIREMENT PLANS

Florida Retirement System (FRS)

General Information about the FRS

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

Essentially all regular employees of the District are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost-sharing, multiple-employer defined benefit plans and other nonintegrated programs. An Annual Comprehensive Financial Report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' Web site (www.dms.myflorida.com).

Aggregate Amount of Net Pension Liability, Deferred Outflows/Inflows and Expenses

The aggregate amount of deferred outflows, deferred inflows, and net pension liability reported in the statement of net position and the aggregate total pension expense reported in the statement of activities is as follows (in thousands):

	<u>Net Pension Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Pension Expense</u>
District's proportion of the FRS Pension Plan	\$ 196,874	\$ 345,173	\$ 690,600	\$ (100,009)
District's proportion of the HIS Pension Plan	419,166	89,372	26,229	11,015
Total	<u>\$ 616,040</u>	<u>\$ 434,545</u>	<u>\$ 716,829</u>	<u>\$ (88,994)</u>

FRS Pension Plan – Defined Benefit

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

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

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or

any time after 33 years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. Members of the Plan may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

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

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

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

<u>Class, Initial Enrollment, and Retirement Age/Years of Service</u>	<u>Percent Value</u>
Regular Members Initially Enrolled Before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
Regular Members Initially Enrolled On or After July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
Elected County Officers	3.00
Senior Management Service	2.00
Special Risk	3.00

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member is initially enrolled before July 1, 2011, and has

service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2021-22 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	10.82
FRS, Elected County Officers	3.00	51.42
FRS, Senior Management Service	3.00	29.01
FRS, Special Risk Regular	3.00	25.89
DROP – Applicable to Members from All of the Above Classes	N/A	18.34
FRS, Reemployed Retiree	(2)	(2)

- (1) Employer rates include 1.66 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.06 percent for administrative costs of the FRS Investment Plan.
- (2) Contribution rates are dependent upon retirement class in which reemployed.

The District’s contributions to the Plan totaled \$146.5 million (which includes \$34.5 million of employee contributions) for the fiscal year ended June 30, 2022. This excludes the HIS defined benefit pension plan contributions.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2022, the District reported a liability of \$196.9 million for its proportionate share of the Plan’s net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. The District’s proportionate share of the net pension liability was based on the District’s 2020-21 fiscal year contributions relative to the 2020-21 fiscal year contributions of all participating members. At June 30, 2021, the District’s proportionate share was 2.606 percent, which was an increase of 0.137 from its proportionate share measured as of June 30, 2020.

For the fiscal year ended June 30, 2022, the District recognized negative pension expense of \$100 million (\$12 million due to the District’s share of changes in deferred inflows and deferred outflows of resources, reduced by \$112 million for the District’s contributions subsequent to the measurement date) related to the FRS Plan. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 33,745	\$ -
Change of Assumptions	134,711	-
Net Difference Between Projected and Actual Earnings on FRS Pension Plan Investments	-	686,845
Changes in Proportion and Differences Between District FRS Contributions and Proportionate Share of Contributions	64,756	3,755
District FRS Contributions Subsequent to the Measurement Date	111,961	-
Total	\$ 345,173	\$ 690,600

The deferred outflows of resources related to pensions, totaling \$112 million, resulting from District contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2023	\$ (130,274)
2024	(162,398)
2025	(191,732)
2026	20,538
2027	6,478
Total	\$ (457,388)

Actuarial Assumptions. The total pension liability in the July 1, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary Increases	3.25 percent, average, including inflation
Investment Rate of Return	6.80 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the PUB-2010 base table, projected generationally with Scale MP-2018 details in valuation report.

The actuarial assumptions used in the July 1, 2021, valuation were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018.

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

arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.0%	2.1%	2.1%	1.1%
Fixed Income	20.0%	3.8%	3.7%	3.3%
Global Equity	54.2%	8.2%	6.7%	17.8%
Real Estate (Property)	10.3%	7.1%	6.2%	13.8%
Private Equity	10.8%	11.7%	8.5%	26.4%
Strategic Investments	3.7%	5.7%	5.4%	8.4%
Total	100%			
Assumed inflation - Mean			2.4%	1.2%

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

Discount Rate. The discount rate used to measure the total pension liability was 6.8 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions will be made at the statutorily required rates. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The FRS Actuarial Assumption Conference is responsible for setting the assumptions used in the valuations of the defined benefit pension plans pursuant to Section 216.136(10), Florida Statutes. The 6.8 percent rate of return assumption used in the June 30, 2021, calculations was determined by the Plan's consulting actuary to be reasonable and appropriate per Actuarial Standard of Practice No. 27 (ASOP 27) for accounting purposes, which differs from the rate used for funding purposes, which is used to establish the contribution rates for the Plan. The discount rate used in the July 1, 2020, valuation was 6.8 percent.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.8 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.8 percent) or 1 percentage point higher (7.8 percent) than the current rate (amounts in thousands):

	<u>1% Decrease (5.8%)</u>	<u>Current Discount Rate (6.8%)</u>	<u>1% Increase (7.8%)</u>
District's Proportionate Share of the Net Pension Liability	\$ 880,436	\$ 196,874	\$ (374,506)

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

Payables to the Pension Plan. At June 30, 2022, the District reported a payable of \$23 million for the outstanding amount of contributions owed to the Plan required for the fiscal year ended June 30, 2022.

HIS Pension Plan

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

Benefits Provided. For the fiscal year ended June 30, 2022, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Federal Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2022, the contribution rate was 1.66 percent of payroll pursuant to Section 112.363, Florida Statutes. The District contributed 100 percent of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The District's contributions to the HIS Plan totaled \$20.5 million for the fiscal year ended June 30, 2022.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2022, the District reported a net pension liability of \$419.2 million for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020, and update procedures were used to determine the net pension liability as of June 30, 2021. The District's proportionate share of the net pension liability was based on the District's 2020-21 fiscal year contributions relative to the total 2020-21 fiscal year contributions of all participating members. At June 30, 2021, the District's proportionate share was 3.417 percent, which was a decrease of 0.076 from its proportionate share measured as of June 30, 2020.

For the fiscal year ended June 30, 2022, the District recognized pension expense of \$11 million (\$31.5 million due to the District's share of changes in deferred inflows and deferred outflows of resources, reduced by \$20.5 million for the District's contributions subsequent to the measurement date) related to the HIS Plan.

In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 14,026	\$ 176
Change of Assumptions	32,937	17,271
Net Difference Between Projected and Actual Earnings on HIS Pension Plan Investments	437	-
Changes in Proportion and Differences Between District HIS Contributions and Proportionate Share of Contributions	21,458	8,782
District HIS Contributions Subsequent to the Measurement Date	20,514	-
Total	\$ 89,372	\$ 26,229

The deferred outflows of resources related to pensions, totaling \$20.5 million, resulting from District contributions to the HIS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2023	\$ 10,311
2024	12,456
2025	9,911
2026	7,532
2027	3,136
Thereafter	(717)
Total	\$ 42,629

Actuarial Assumptions. The total pension liability in the July 1, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary Increases	3.25 percent, average, including inflation
Municipal Bond Rate	2.16 percent

Mortality rates were based on the Generational PUB-2010 with Projected Scale MP-2018. While an experience study had not been completed for the HIS Plan, the actuarial assumptions that determined the total pension liability for the HIS Plan were based on certain results of the most recent experience study for the FRS Plan.

Discount Rate. The discount rate used to measure the total pension liability was 2.16 percent, down from 2.21 percent in the prior year. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return

for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 2.16 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.16 percent) or 1 percentage point higher (3.16 percent) than the current rate (amounts in thousands):

	1% Decrease (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
District's Proportionate Share of the Net Pension Liability	\$ 484,596	\$ 419,166	\$ 365,560

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

Payables to the Pension Plan. At June 30, 2022, the District reported a payable of \$3.3 million for the outstanding amount of contributions owed the HIS Plan required for the fiscal year ended June 30, 2022.

FRS – Defined Contribution Pension Plan

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

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

Allocations to the investment member's accounts during the 2021-22 fiscal year were as follows:

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

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Non-vested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of Investment Plan members. For the fiscal year ended June 30, 2022, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the District.

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

The District's contributions to the Investment Plan totaled \$16.9 million (which includes \$7.9 million of employee contributions) for the fiscal year ended June 30, 2022. This excludes the HIS defined benefit pension plan contributions.

Payables to the Investment Plan. At June 30, 2022, the District reported a payable of \$1.4 million for the outstanding amount of contributions owed the Investment Plan required for the fiscal year ended June 30, 2022.

12. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

The District follows the guidance contained in GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, (GASB 75), for certain postemployment health care benefits provided by the District for the fiscal year ended June 30, 2022.

Plan Description. Pursuant to Section 112.0801, Florida Statutes, the District is required to permit participation in the health insurance program by retirees and their eligible dependents at a cost to the retiree that is no greater than the cost at which coverage is available for active employees. Retirees pay 100 percent of the blended (active and retiree combined) equivalent premium rates. The blended rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The OPEB Plan contribution requirements and benefit terms of the District and the OPEB Plan members are established and may be amended through recommendations of District staff and action from the Board. The plan is a single employer plan, and no separate financial statements of the Plan are issued. No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB 75.

Benefits Provided. The OPEB Plan provides healthcare insurance benefits for retirees and their dependents. The OPEB Plan provides an implicit subsidy as described above.

Employees Covered by Benefit Terms. At June 30, 2022, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	313
Active Employees	<u>20,684</u>
Total	<u>20,997</u>

Total OPEB Liability. The District's total OPEB liability of \$63.2 million was measured as of June 30, 2022, and was determined by an actuarial valuation as of June 30, 2021, and update procedures were used to determine the total OPEB liability as of June 30, 2022.

Actuarial Assumptions and Other Inputs. The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.54 percent
20-Year Tax-Exempt General Obligation Bonds	2.16 percent
Bond Rate Basis	Average Rating AA/Aa or higher
Salary Increases	2.5 percent per annum
Health Care Cost Trend Rate	7 percent, decreasing to an ultimate rate of 4 percent
Inflation Rate	2.5 percent per annum
Census Data	Provided by the District as of March 2021.
Medicare Eligibility	All current and future retirees are assumed to be eligible for Medicare at age 65.
Pre-Medicare Trend Rate	Select 6.5 percent, Ultimate 4 percent
Actuarial Cost Method	Entry Age Normal based on level percentage of projected salary.
Amortization Method	Experience/Assumptions gains and losses are amortized over a closed period of 15.7 years starting the current fiscal year, equal to the average remaining service of active and inactive plan members.

Plan Participation Percentage	The participation percentage is the assumed rate of future eligible retirees who elect to continue health coverage at retirement. It is assumed that 30 percent of all employees and their dependents who are eligible for the early retiree benefits will participate in the retiree medical plan. This assumes that a one-time irrevocable election to participate is made at retirement.
Mortality Rates	Pub-2010, projected forward using SOA scale MP-2020.
Termination Tables	FRS Actuarial Valuation as of July 1, 2019.
Retirement Tables	FRS Actuarial Valuation as of July 1, 2019.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and the healthcare cost trends.

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

Changes in the Total OPEB Liability.

Below are the details regarding the total OPEB liability for the measurement period from July 1, 2021, to June 30, 2022 (amounts in thousands):

	<u>Amount</u>
Balance at June 30, 2021	\$ 66,950
Changes for the year:	
Service Cost	4,439
Interest	1,527
Changes of Assumptions or Other Inputs	(8,316)
Benefit Payments	<u>(1,382)</u>
Net Changes	<u>(3,732)</u>
Balance at June 30, 2022	<u>\$ 63,218</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.16 percent as of June 30, 2021, to 3.54 percent as of June 30, 2022.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.54 percent) or 1 percentage point higher (4.54 percent) than the current discount rate (amounts in thousands):

	1% Decrease (2.54%)	Current Discount Rate (3.54%)	1% Increase (4.54%)
Total OPEB Liability	\$ 69,540	\$ 63,218	\$ 57,529

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend. The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower and 1 percentage point higher than the current healthcare cost trend rates (amounts in thousands):

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB Liability	\$ 55,000	\$ 63,218	\$ 73,333

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the year ended June 30, 2022, the District recognized OPEB expense of \$5 million. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (amounts in thousands):

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ -	\$ 43,826
Changes of Assumptions or Other Inputs	46,385	17,269
Total	\$ 46,385	\$ 61,095

Amounts recognized in the deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the OPEB expense as follows (amounts in thousands):

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2023	\$ (984)
2024	(984)
2025	(984)
2026	(984)
2027	(984)
Thereafter	(9,790)
Total	\$ (14,710)

13. NET POSITION AND FUND BALANCE REPORTING

Fund Balance

GASB Statement No. 54 categorizes fund balance as either nonspendable or spendable. Nonspendable is defined as the portion of fund balance that includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. District nonspendable items include inventories.

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

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

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the District's policy to use restricted assets first, followed by unrestricted assets. Committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

The District has not established a stabilization arrangement. Instead, the Board has established Board Policy 2.55, *Fund Balance for Contingency*, to set aside 3 percent of total annual operating fund appropriations and transfers from the operating fund to cover unanticipated financial needs and to avoid a budget deficit. At the end of the fiscal year, the unassigned general fund balance was \$70 million or 3.5 percent of general fund total expenditures.

The following table shows the District's fund balance classification on June 30, 2022 (in thousands):

	Major Funds					Total Governmental
	General	Capital Improvement	Sales Tax	Other Capital Projects	Other Nonmajor Governmental	
Fund Balances						
<u>Nonspendable:</u>						
<u>Inventory:</u>						
Textbooks	\$ 24,439	\$ -	\$ -	\$ -	\$ -	\$ 24,439
Child Nutrition	-	-	-	-	4,505	4,505
Transportation	2,205	-	-	-	-	2,205
Warehouse	1,161	-	-	-	-	1,161
Other	12	-	-	-	-	12
Total Nonspendable	27,817	-	-	-	4,505	32,322
<u>Restricted for:</u>						
Categorical Carryover Programs	35,478	-	-	-	-	35,478
IB, AP, AICE, & Industry Cert. Prog.	35,298	-	-	-	-	35,298
Industry Certification	9,589	-	-	-	-	9,589
School Improvement	1,822	-	-	-	-	1,822
Turn-Around Schls Ext Instruction	125	-	-	-	-	125
Local Sales Tax Projects	-	-	333,134	-	-	333,134
Workforce Development	7,510	-	-	-	-	7,510
Spectrum Leases	1,666	-	-	-	-	1,666
Child Nutrition	-	-	-	-	45,177	45,177
Debt Service	-	-	-	-	153,206	153,206
Capital Projects	-	298,879	-	2,373	63,357	364,609
Total Restricted	91,488	298,879	333,134	2,373	261,740	987,614
<u>Committed to:</u>						
The Education Network Program	-	-	-	-	13	13
U.S. DOJ Equitable Sharing Program	-	-	-	-	20	20
Total Committed	-	-	-	-	33	33
<u>Assigned to:</u>						
<u>School Operations:</u>						
Instruction	146	-	-	-	-	146
Instructional Support Services	14	-	-	-	-	14
Board	228	-	-	-	-	228
General & School Administration	46	-	-	-	-	46
Central Services	5	-	-	-	-	5
Capital Outlay	8	-	-	-	-	8
Operation of Plant	2,284	-	-	-	-	2,284
<u>Community Services:</u>						
After Care/Summer Camp	12,566	-	-	-	-	12,566
Pre-K/VPK Fee Based Activities	2,010	-	-	-	-	2,010
Community Schools	905	-	-	-	-	905
Other	41	-	-	-	-	41
Capital Projects	-	-	-	2,358	-	2,358
Miscellaneous Local Grants/Donations	4,925	-	-	-	-	4,925
Next Year Budget Appropriations	135,339	-	-	-	-	135,339
Total Assigned	158,517	-	-	2,358	-	160,875
Unassigned	70,000	-	-	-	-	70,000
Total Fund Balances	\$ 347,822	\$ 298,879	\$ 333,134	\$ 4,731	\$ 266,278	\$ 1,250,844

14. Internal Service Funds

The following is a summary of financial information as reported in the internal service funds for the 2021-22 fiscal year (amounts in thousands):

	Total	Health Insurance	Workers' Comp & Claims Insurance	School Police
Assets and Deferred Outflows of Resources:				
Total Assets	\$ 319,493	\$ 143,594	\$ 126,922	\$ 48,977
Deferred Outflows of Resources:				
Other Postemployment Benefits	533	24	14	495
Pension	12,688	277	228	12,183
Total Assets and Deferred Outflows of Resources	332,714	143,895	127,164	61,655
Liabilities, Deferred Inflows of Resources, and Net Position:				
Accounts Payable	1,393	512	777	104
Accrued Payroll and Payroll Deductions	1,555	58	61	1,436
Estimated Unpaid Claims	61,317	19,200	42,117	-
Liability for Compensated Absences	2,324	177	110	2,037
Other Postemployment Benefits	727	33	19	675
Net Pension Liability	27,544	419	319	26,806
Deferred Inflows of Resources:				
Other Postemployment Benefits	702	32	18	652
Pension	23,590	418	409	22,763
Net Position:				
Unrestricted	213,562	123,046	83,334	7,182
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 332,714	\$ 143,895	\$ 127,164	\$ 61,655
Revenues:				
Premium Revenue	\$ 249,973	\$ 226,513	\$ 23,460	\$ -
Charges for Services	39,766	-	-	39,766
Pharmacy Rebates	21,106	21,106	-	-
Investment Earnings (Loss)	(472)	(240)	(161)	(71)
Other Operating Revenue	3,202	1,176	788	1,238
Total Revenues	313,575	248,555	24,087	40,933
Total Expenses	(292,095)	(248,566)	(13,476)	(30,053)
Change in Net Position	\$ 21,480	\$ (11)	\$ 10,611	\$ 10,880

15. Commitments and Contingencies

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

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

On September 9, 2021, the Florida Supreme Court declined to entertain the Board’s appeal of the 4th District Court of Appeal’s decision in the Charter School Referendum case. The District is now required to start distributing funds monthly back to July 1, 2021. The 2021-22 school year annual amount is projected to be \$25 million and is fully reserved in the general fund budget. The issue about the first two years of the Referendum (2019-20 and 2020-21 school years) is still being litigated and an unfavorable decision could result in the District paying an additional \$45 million to charter schools.

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

The District has entered into various construction and other contracts that extend beyond year-end. The District has capital outlay commitments of \$343.9 million and other encumbrances of \$10.4 million as of June 30, 2022, are shown below (amounts in thousands):

	<u>Encumbrances</u>	<u>Construction Commitments</u>	<u>Total</u>
General Fund	\$ 2,772	\$ -	\$ 2,772
Special Revenue ESSER Fund	386	-	386
Capital Improvement Fund	-	33,735	33,735
Sales Tax Fund	-	145,301	145,301
Other Capital Projects Fund	-	345	345
Other Nonmajor Governmental Funds	7,240	154,088	161,328
Total Commitments	<u>\$ 10,398</u>	<u>\$ 333,469</u>	<u>\$ 343,867</u>

16. Subsequent Events

On August 30, 2022, the District issued \$185.9 million (plus a premium of \$21 million) in COPs Series 2022B. The \$206.9 million issue has an average coupon rate of 5.214 percent. The proceeds will provide the funding for several school modernizations and facility renewals. The final maturity will be no later than August 1, 2040. The Series 2022B COPs possess underlying ratings of Aa3 by Moody’s and AA- by Fitch.

On November 2, 2022, the Board approved the issuance of COPs Series 2023A (tax-exempt) with a principal of \$200 million and Series 2023B (taxable) with a principal of \$25 million. The issuance will

provide the funding needed to finance certain educational facilities and equipment. The estimated costs associated with the issuance of this debt is not to exceed \$1.9 million. Both transactions will mature no later than August 1, 2048.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in the District's Total OPEB Liability and Related Ratios (amounts expressed in thousands)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability					
Service Cost	\$ 4,439	\$ 8,911	\$ 7,678	\$ 7,418	\$ 7,142
Interest	1,527	4,583	5,688	5,591	5,546
Changes of Benefit Terms	-	(110,639)	-	-	-
Differences Between Expected and Actual Experience	-	(43,937)	-	(3,464)	-
Changes of Assumptions or Other Inputs	(8,316)	10,565	34,006	14,398	(7,413)
Benefit Payments	(1,382)	(1,962)	(5,594)	(4,455)	(6,557)
Net Change in Total OPEB Liability	<u>(3,732)</u>	<u>(132,479)</u>	<u>41,778</u>	<u>19,488</u>	<u>(1,282)</u>
Total OPEB Liability - Beginning	<u>66,950</u>	<u>199,429</u>	<u>157,651</u>	<u>138,163</u>	<u>139,445</u>
Total OPEB Liability - Ending	<u>\$ 63,218</u>	<u>\$ 66,950</u>	<u>\$ 199,429</u>	<u>\$ 157,651</u>	<u>\$ 138,163</u>
Covered-Employee Payroll	\$ 1,033,963	\$ 1,003,847	\$ 989,952	\$ 956,475	\$ 1,036,539
Total OPEB Liability as a Percentage of Covered-Employee Payroll	6.11%	6.67%	20.15%	16.48%	13.33%

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

Fiscal Year Ending June 30	District's Proportion of the FRS Net Pension Liability	District's Proportionate Share of the FRS Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the FRS Net Pension Liability as a Percentage of its Covered Payroll	FRS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2013	2.5134%	\$ 432,674	\$ 933,906	46.33%	88.54%
2014	2.5354%	154,697	971,624	15.92%	96.09%
2015	2.4332%	314,284	966,098	32.53%	92.00%
2016	2.3253%	587,133	989,739	59.32%	84.88%
2017	2.3208%	686,486	1,011,258	67.88%	83.89%
2018	2.3163%	697,680	1,051,957	66.32%	84.26%
2019	2.2943%	790,114	1,072,877	73.64%	82.61%
2020	2.4694%	1,070,284	1,204,586	88.85%	78.85%
2021	2.6063%	196,874	1,208,170	16.30%	96.40%

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

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

Fiscal Year Ending June 30	Contractually Required FRS Contribution	FRS Contributions in Relation to the Contractually Required Contribution	FRS Contribution Deficiency (Excess)	District's Covered Payroll	FRS Contributions as a Percentage of Covered Payroll
2014	\$ 55,536	\$ (55,536)	\$ -	\$ 971,624	5.72%
2015	59,324	(59,324)	-	966,098	6.14%
2016	57,082	(57,082)	-	989,739	5.77%
2017	60,417	(60,417)	-	1,011,258	5.97%
2018	66,459	(66,459)	-	1,051,957	6.32%
2019	72,055	(72,055)	-	1,072,877	6.72%
2020	83,294	(83,294)	-	1,204,586	6.91%
2021	100,299	(100,299)	-	1,208,170	8.30%
2022	111,961	(111,961)	-	1,238,673	9.04%

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

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

Fiscal Year Ending June 30	District's Proportion of the HIS Net Pension Liability	District's Proportionate Share of the HIS Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the HIS Net Pension Liability as a Percentage of its Covered Payroll	HIS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2013	3.2469%	\$ 282,686	\$ 933,906	30.27%	1.78%
2014	3.3048%	309,012	971,624	31.80%	0.99%
2015	3.1986%	326,211	966,098	33.77%	0.50%
2016	3.2461%	378,316	989,739	38.22%	0.97%
2017	3.2460%	347,078	1,011,258	34.32%	1.64%
2018	3.2499%	343,983	1,051,957	32.70%	2.15%
2019	3.2267%	361,034	1,072,877	33.65%	2.63%
2020	3.4930%	426,485	1,204,586	35.41%	3.00%
2021	3.4172%	419,166	1,208,170	34.69%	3.56%

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

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

Fiscal Year Ending June 30	Contractually Required HIS Contribution	HIS Contributions in Relation to the Contractually Required Contribution	HIS Contribution Deficiency (Excess)	District's Covered Payroll	HIS Contributions as a Percentage of Covered Payroll
2014	\$ 11,321	\$ (11,321)	\$ -	\$ 971,624	1.17%
2015	12,227	(12,227)	-	966,098	1.27%
2016	16,674	(16,674)	-	989,739	1.68%
2017	17,178	(17,178)	-	1,011,258	1.70%
2018	17,613	(17,613)	-	1,051,957	1.67%
2019	17,883	(17,883)	-	1,072,877	1.67%
2020	20,118	(20,118)	-	1,204,586	1.67%
2021	20,082	(20,082)	-	1,208,170	1.66%
2022	20,514	(20,514)	-	1,238,673	1.66%

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

1. Schedule of Changes in the District's Total Other Postemployment Benefits Liability and Related Ratios

No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

Changes of Assumptions. The discount rate was changed from 2.16 percent as of June 30, 2021, to 3.54 percent as of June 30, 2022.

2. Schedule of Net Pension Liability and Schedule of Contributions – Florida Retirement System Pension Plan

Changes of Assumptions. In 2021, the maximum amortization period was decreased to 20 years for all current and future amortization bases.

3. Schedule of Net Pension Liability and Schedule of Contributions – Health Insurance Subsidy Pension Plan

Changes of Assumptions. In 2021, the municipal bond rate used to determine the total pension liability was decreased from 2.21 percent to 2.16 percent.

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Palm Beach County District School Board Schedule of Expenditures of Federal Awards For the Fiscal Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/ Program or Cluster	Federal Assistance Listing Number	Pass - Through Entity Identifying Number	Passed Through to Subrecipients	Total Expenditures
Clustered				
Child Nutrition Cluster				
United States Department of Agriculture:				
Florida Department of Agriculture and Consumer Services:				
Summer Food Service Program	10.559	21006, 21007, 22006, 22007	\$ -	\$ 117,127,235
Fresh Fruit and Vegetable Program	10.582	22004	-	471,008
Total Child Nutrition Cluster			<u>-</u>	<u>117,598,243</u>
Special Education Cluster				
United States Department of Education:				
Florida Department of Education:				
Special Education - Grants to States	84.027	262, 263	3,103,415	43,267,562
COVID-19 Special Education - Grants to States	COVID-19, 84.027	263	578,327	1,495,845
Putnam County District School Board:				
Special Education - Grants to States	84.027	None	-	4,299
Total Special Education - Grants to States	84.027		<u>3,681,742</u>	<u>44,767,706</u>
Florida Department of Education:				
Special Education - Preschool Grants	84.173	267	29,687	1,184,196
COVID-19 Special Education - Preschool Grants	COVID-19, 84.173	267	18,210	19,659
Total Special Education - Preschool Grants	84.173		<u>47,897</u>	<u>1,203,855</u>
Total Special Education Cluster			<u>3,729,639</u>	<u>45,971,561</u>
Head Start Cluster				
United States Department of Health and Human Services:				
Lutheran Services Florida:				
Head Start	93.600	04CH011690	-	3,338,498
COVID-19 Head Start	COVID-19, 93.600	04HE000622	-	65,052
Total Head Start Cluster			<u>-</u>	<u>3,403,550</u>
Not Clustered				
United States Department of Agriculture				
Florida Department of Health:				
Child and Adult Care Food Program	10.558	A-4576	-	9,430,607
United States Department of Defense				
Reserve Officers Training Corps	12.UNK	N/A	-	1,464,332
United States Department of Justice				
STOP School Violence	16.839	N/A	-	323,877
United States Department of the Treasury				
Palm Beach County Board of County Commissioners:				
Coronavirus Relief Fund	COVID-19, 21.019	None	-	246,240
United States Federal Communications Commission				
Emergency Connectivity Fund Program	32.009	N/A	-	1,627,682
United States Department of Education				
Impact Aid	84.041	N/A	-	2,381
School Safely National Activities	84.184	N/A	-	533,385
Florida Department of Education:				
Adult Education - Basic Grants to States	84.002	191, 193	-	3,130,682
Title I Grants to Local Educational Agencies	84.010	212, 223, 226	3,410,501	50,203,079
Migrant Education - State Grant Program	84.011	217	-	2,351,124
Career and Technical Education - Basic Grants to States	84.048	161	35,992	1,703,124
Education for Homeless Children and Youth	84.196	127	-	105,511
Charter Schools	84.282	298	988,763	990,094
COVID-19 Charter Schools	COVID-19, 84.282	298	176,578	176,872
Total Charter Schools	84.282		<u>1,165,341</u>	<u>1,166,966</u>

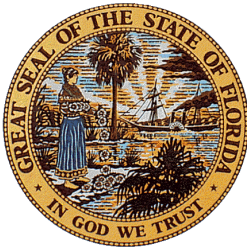
(Continued)

**Palm Beach County District School Board
Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2022**

Federal Grantor/Pass-Through Grantor/ Program or Cluster	Federal Assistance Listing Number	Pass - Through Entity Identifying Number	Passed Through to Subrecipients	Total Expenditures
Not Clustered (Continued)				
United States Department of Education (Continued)				
Twenty-First Century Community Learning Centers	84.287	244	\$ 603,799	\$ 7,603,444
English Language Acquisition State Grants	84.365	102	1,510	5,092,696
Supporting Effective Instruction State Grants	84.367	224	36,883	6,942,276
School Improvement Grants	84.377	126	-	208,092
Student Support and Academic Enrichment Program	84.424	241	152,968	4,243,501
Education Stabilization Fund:	84.425			
Governor's Emergency Education Relief Fund	COVID-19, 84.425C	123	71,927	221,137
Elementary and Secondary School Emergency Relief Fund	COVID-19, 84.425D	124, 128	8,850,867	117,959,949
American Rescue Plan - Elementary and Secondary School Emergency Relief Fund	COVID-19, 84.425U	121	291,679	66,119,999
Total Education Stabilization Fund	84.425		<u>9,214,473</u>	<u>184,301,085</u>
Insight Education Group:				
Teacher and School Leader Incentive Grants	84.374	None	-	3,246,918
Total United States Department of Education			<u>14,621,467</u>	<u>270,834,264</u>
United States Department of Health and Human Services				
Cooperative Agreements to Promote Adolescent Health Through School-Based HIV/STD Prevention and School-Based Surveillance	93.079	N/A	-	271,357
COVID-19 Cooperative Agreements to Promote Adolescent Health Through School-Based HIV/STD Prevention and School-Based Surveillance	COVID-19, 93.079	N/A	-	106,990
Total Cooperative Agreements to Promote Adolescent Health Through School-Based HIV/STD Prevention and School-Based Surveillance	93.079		<u>-</u>	<u>378,347</u>
Total Expenditures of Federal Awards			<u>\$ 18,351,106</u>	<u>\$ 451,278,703</u>

The notes below are an integral part of this Schedule.

- Notes: (1) Basis of Presentation. The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the Federal award activity of the Palm Beach County District School Board under programs of the Federal Government for the fiscal year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.
- (2) Summary of Significant Accounting Policies. Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (3) Indirect Cost Rate. The District has not elected to use the 10 percent de minimis cost rate allowed under the Uniform Guidance.
- (4) Noncash Assistance:
- (A) Summer Food Service Program for Children – Includes \$8,122,285 of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.
- (B) Emergency Connectivity Fund – Includes \$1,627,682 of equipment and services received during the fiscal year.



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

Claude Denson Pepper Building, Suite G74
111 West Madison Street
Tallahassee, Florida 32399-1450



Phone: (850) 412-2722
Fax: (850) 488-6975

The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Palm Beach County District School Board as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 29, 2023, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the aggregate discretely presented component units, as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material

misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

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

We identified a certain additional matter finding which is described as Finding No. AM 2022-001 on pages 98 through 101.

District's Response to Finding

The District's response to the additional matter finding identified in our audit is included as the District Response on pages 99 and 100 in Finding AM 2022-001. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

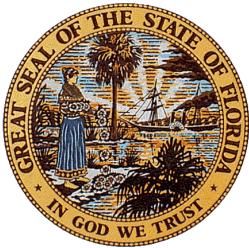
Purpose of this Report

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

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 29, 2023



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

Claude Denson Pepper Building, Suite G74
111 West Madison Street
Tallahassee, Florida 32399-1450



Phone: (850) 412-2722
Fax: (850) 488-6975

The President of the Senate, the Speaker of the
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Palm Beach County District School Board's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the fiscal year ended June 30, 2022. The District's major Federal programs are identified in **SECTION I – SUMMARY OF AUDITOR'S RESULTS** of the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the fiscal year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the **Auditor's Responsibilities for the Audit of Compliance** section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major Federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Other Matter – Federal Expenditures Not Included in the Compliance Audit

The District's basic financial statements include the operations of Franklin Academy Palm Beach Gardens; Franklin Academy Boynton Beach; Palm Beach Maritime Academy; Palm Beach School for Autism; Renaissance Charter School at Central Palm; Renaissance Charter School at Cypress; Renaissance Charter School at Summit; Renaissance Charter School at Wellington; Renaissance Charter School at West Palm Beach; Somerset Academy Canyons High School; Somerset Academy Wellington; Sports Leadership and Management (SLAM) Middle High School Boca, South Tech Charter Academy, Inc.; and South Tech Preparatory Academy, Inc. (Charter Schools) as part of the reported aggregate discretely presented component units on the accompanying basic financial statements. The Charter Schools expended Federal awards which are not included in the District's **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** during the fiscal year ended June 30, 2022. Our compliance audit, described in the ***Opinion on Each Major Federal Program*** section of our report, did not include the operations of these Charter Schools because, pursuant to Section 218.39(1)(e), Florida Statutes, the Charter Schools engaged other auditors to perform an audit in accordance with the Uniform Guidance.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's Federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major Federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the ***Auditor's Responsibilities for the Audit of Compliance*** section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 29, 2023

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

 Material weakness(es) identified? No

 Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major Federal programs:

 Material weakness(es) identified? No

 Significant deficiency(ies) identified? None reported

Type of auditor’s report issued on compliance for major Federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major Federal programs:

Assistance Listing Numbers:	Name of Federal Program or Cluster:
32.009	Emergency Connectivity Fund Program
84.002	Adult Education – Basic Grants to State
84.010	Title I Grants to Local Educational Agencies
84.374	Teacher and School Leader Incentive Grants
84.424	Student Support and Academic Enrichment Program
84.425	Education Stabilization Fund
93.600	Head Start Cluster

Dollar threshold used to distinguish between type A and type B programs: \$3,000,000

Auditee qualified as low risk auditee? Yes

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters are reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters are reported.

ADDITIONAL MATTER

FINANCIAL REPORTING

Finding Number	AM 2022-001
Opinion Unit	Aggregate Discretely Presented Component Units
Financial Statements Account Title(s)	Various
Fund Name	Not Applicable
Adjustment Amounts	July 1, 2021, Beginning Net Position of the Component Units: \$33,818,220
Prior Year Finding	2019-001, Report No. 2020-189, and 2016-001, Report No. 2017-190

Finding The District did not comply with Florida Department of Education (FDOE) directives for reporting charter schools as discretely presented component units (DPCUs) on the District financial statements.

Criteria State Board of Education (SBE) Rule 6A-1.0071, Florida Administrative Code, and related instructions from the Florida Department of Education (FDOE) prescribe the exhibits and schedules that should be prepared as part of the District annual financial report (AFR). Section 1010.01, Florida Statutes, requires that these exhibits and schedules be prepared in accordance with generally accepted accounting principles (GAAP).

GAAP provides that the financial reporting entity consists of the primary government and its component units. GAAP further defines component units as legally separate organizations for which the primary government is financially accountable. Among several other reasons, the FDOE determined school districts are financially accountable for charter schools because the districts establish charter schools by approval of the charter, which is tantamount to the initial appointment of the charter schools. The FDOE issued guidance to school districts to report charter schools as DPCUs, unless the charter schools were reported as component units of other governmental entities in accordance with GAAP.

Condition Pursuant to guidance from the FDOE, the District sponsored and was therefore responsible for reporting 51, 50, and 49 charter schools as DPCUs on the District financial statements for the 2019-20, 2020-21, and 2021-22 fiscal years, respectively. However, for those fiscal years, the District did not report the charter schools as DPCUs on the District financial statements.

The District reported the available financial information for the 49 charter schools in a column titled "Charter Schools" on the 2021-22 fiscal year AFR presented for audit. The AFR notes to financial statements indicated that the charter school financial audit information was included for State reporting purposes as required by the FDOE but that the charter schools do not qualify as part of the District's reporting entity, should not be reported as DPCUs, and will be excluded from the ACFR.

Cause

In response to our inquiries, District personnel indicated that the District assessed and concluded that charter schools do not meet the criteria to be considered component units because:

- The District is not financially accountable for the charter schools. Charter schools are legally separate organizations with independent boards and are exempt from many of the State regulations allowing them to provide unique educational opportunities for students. The role of the District is to provide limited administrative oversight and does not impose its own will but that of the State.
- Charter schools are not fiscally dependent on the District because the charter school's Board, not the School Board, approves its budget and charter schools are able to issue debt without approval by the District.
- There is no fiscal benefit or burden to the District because the District is not entitled to and cannot legally access the charter school's resources until closure of a school.
- It is not misleading to exclude charter schools from the District's reporting entity because Section 1002.33, Florida Statutes, explicitly precludes the District from being responsible for any and all liabilities of a charter school. Upon closure of a charter school, any remaining assets are usually distributed amongst other charter schools and are not significant to the District.

Notwithstanding this response, the District's financial reporting interpretation of DPCUs is contrary to the FDOE's conclusion that charter schools are DPCUs of their respective school districts, unless the charter schools were reported as component units of other governmental entities in accordance with GAAP.

Effect

The District did not comply with FDOE directives for financial reporting. Excluding charter schools as DPCUs from the District's financial statements may cause financial statement users to misunderstand the District's financial activities in comparison with other Florida school districts as virtually all other Florida school districts appropriately report applicable charter schools as DPCUs.

We extended our audit procedures to determine the adjustments necessary to report the financial information of the 49 charter schools in the aggregate discretely presented component unit information on the District financial statements and related notes, and District personnel accepted these adjustments.

For the 2021-22 fiscal year, the financial information of the 49 charter schools comprise 100 percent of the information reported for the District's aggregate DPCUs.

Recommendation

The District should improve financial reporting procedures to ensure compliance with FDOE directives for reporting charter schools as DPCUs on the District financial statements.

District Response

In response to Finding AM 2022-001, the District has again reassessed and since no facts or circumstances have changed the District continues to conclude that charter schools do not meet the criterion to be considered component units under Governmental Accounting Standards Board (GASB) Statement 14, 39 and 61. District staff has not come to this conclusion lightly and has consulted with the GASB on multiple occasions in 2012, 2014, and again in July 2017. The District's position has been affirmed as complying with generally accepted

accounting principles (GAAP) by the District's independent external audit firm for ten consecutive years.

As previously communicated in prior years, based on how the relationship is structured between the District and the Charter Schools once their Charter has been approved and the limitations on the actions the District can take, the District does not believe it has financial accountability for the Charter Schools. Lacking financial accountability, we therefore do not believe they meet the criteria to be component units of the District and therefore believe and have confirmed with GASB technical personnel as noted earlier that they should not be included in our reporting entity.

District staff assess GASB pronouncements based on the GAAP hierarchy. GASB Statement No. 55, The Hierarchy of GAAP for State and Local Governments lists the order of priority of pronouncements that a governmental entity should look to for accounting and financial reporting guidance. The hierarchy in descending order is:

1. Officially established accounting principles – Governmental Accounting Standards Board (GASB) Statements and Interpretations.
2. GASB Technical Bulletins and, if specifically made applicable to state and local governmental entities by the American Institute of Certified Public Accountants (AICPA) and cleared by the GASB, AICPA Industry Audit and Accounting Guides, and AICPA Statements of Position.
3. AICPA Practice Bulletins if specifically made applicable to state and local governmental entities and cleared by the GASB, as well as consensus positions of a group of accountants organized by the GASB that attempts to reach consensus positions on accounting issues applicable to state and local governmental entities.
4. Implementation guides (Q&As) published by the GASB staff, as well as practices that are widely recognized and prevalent in state and local government.

Although the District respects guidance from the Florida Department of Education (FDOE), the FDOE does not fall within the hierarchy of GAAP. Since the FDOE does not fall within the GAAP hierarchy, the District will continue to comply with any state reporting requirements determined to be non-GAAP by the District, such as reporting the financial information of charter schools, in the unaudited Superintendent's Annual Financial Report.

Auditor's Remarks

The District response provides that District staff consulted with the GASB on multiple occasions; assessed GASB pronouncements based on the GAAP hierarchy, including practices that are widely recognized and prevalent in state and local government; and will continue to comply with any state reporting requirements determined to be non-GAAP. Notwithstanding this response, in a memorandum to all school district finance officers, the FDOE documented consideration of applicable GASB pronouncements and established a compelling argument based on those pronouncements that school districts are financially accountable for charter schools and should report the charter schools as DPCUs.

Specifically, the FDOE acknowledged that, based on GASB pronouncements, a primary government is financially accountable for an organization and should report that organization as a DPCU if the primary government appoints a voting majority of an organization's officials and has the ability to impose its will on the organization. GASB pronouncements provide that:

- The creation of an organization is "tantamount to the initial appointment of the governing body" and a primary government's authority to unilaterally abolish an organization also provides the basis for the

primary government's accountability. Because the District can, pursuant to State law, create a charter school by approval of the charter contract and unilaterally abolish the charter contract of the charter school, the District met the criterion for appointing a voting majority of each District-sponsored charter school.

- “A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, activities, or level of services performed or provided by the organization.” Since State law requires the District to operate, control, and supervise all public schools within the District and defines charter schools as public schools, the District can and did impose its will upon each District-sponsored charter school.

Based on these deliberations, along with other GASB considerations, the FDOE determined that school districts should report charter schools as DPCUs and virtually all other school districts adopted this widely recognized and prevalent practice. Consequently, we continue to recommend that the District ensure consistent, proper reporting of DPCUs on the District financial statements.

PRIOR AUDIT FOLLOW-UP

The District had not taken corrective actions for the additional matter audit finding included in our report Nos. 2020-189 and 2017-190.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

The District did not have prior audit findings required to be reported under 2 CFR 200.511.