

STATE OF FLORIDA AUDITOR GENERAL

Financial and Federal Single Audit

Report No. 2026-162
March 2026

**PALM BEACH COUNTY
DISTRICT SCHOOL BOARD**

For the Fiscal Year Ended
June 30, 2025



Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2024-25 fiscal year, Michael J. Burke served as Superintendent of the Palm Beach County Schools and the following individuals served as School Board Members:

	<u>District No.</u>
Matthew Jay Lane, Esq. from 11-19-24	1
Barbara McQuinn through 11-18-24, Vice Chair	1
Virginia Savietto from 11-19-24	2
Alexandria Ayala through 11-18-24	2
Karen Brill, Chair	3
Erica Whitfield	4
Gloria Branch from 11-19-24	5
Frank Barbieri Jr. Esq., through 11-18-24	5
Marcia Andrews, Vice Chair from 11-19-24	6
Edwin Ferguson, Esq.	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 Barbara Coleman, 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 2025–001: District financial reporting procedures need improvement to ensure consistent, proper reporting of charter schools as discretely presented component units pursuant to Florida Department of Education directives. A similar finding was noted in our report No. 2023-179.

SUMMARY OF REPORT ON FEDERAL AWARDS

We audited the District’s compliance with applicable Federal awards requirements. The Adult Education Program, Title I Program, Student Support and Academic Enrichment Program, 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 and material noncompliance with Federal awards requirements, 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 action was taken for the additional matter finding included in our report No. 2023-179.

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

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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

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, 2025, 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 the 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, 2025, and the respective changes in financial position and, where applicable, cash flows thereof 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 as of June 30, 2025. 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, are 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 (*Government Auditing Standards*). 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.

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 **Budgetary Comparison Schedule – General Fund**, **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 26, 2026, 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 26, 2026

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, 2025, 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 2024-25 fiscal year are as follows:

- The net position of the District increased \$333 million, or 13.6 percent, from a restated \$2.446 billion to \$2.779 billion. Property tax revenues increased \$96.4 million (mainly due to a 7 percent increase in property values) and investment earnings increased \$13.6 million, while impact fee revenue decreased \$23 million. Enrollment at District schools increased approximately 900 students (0.5 percent) and charter schools experienced a 0.8 percent increase equal to approximately 200 students.
- The District's long-term debt decreased by \$143.8 million, or 9.3 percent, primarily due to debt repayments of \$123.7 million and debt refunding and defeasance of \$311 million, partially offset by the issuance of new certificates of participation of \$275.4 million (discussed in Note 11.).
- Total revenues increased by \$29.5 million, or 0.8 percent, from \$3.704 billion to \$3.733 billion compared to the prior year.
 - General revenues accounted for \$3.043 billion, or 81.5 percent, of all revenues and increased \$168.7 million, or 5.9 percent. As noted above, property tax revenues increased \$96.4 million, investment earnings increased \$13.6 million, local sales tax revenue increased by \$7.6 million, while impact fees decreased \$23 million (included in other general revenue).
 - Program specific revenues in the form of charges for services, grants, and contributions accounted for \$689.8 million, or 18.5 percent, of all revenues and decreased by \$139.2 million, or 16.8 percent. Charges for services increased \$3.3 million, or 6.6 percent, primarily due to additional aftercare enrollment and fees. Operating grants and contributions decreased overall by \$137.3 million, or 18.4 percent, primarily due to Elementary and Secondary School Emergency Relief (ESSER) funding sunset in September 2024.
- Total expenses decreased by \$148.1 million from \$3.548 billion to \$3.400 billion. This was primarily due to prior year FRS/HIS expense of \$242.9 million (due to actuarial assumption changes) compared with a \$8.2 million credit for the current year; reduction in charter school payments of \$16.2 million; partially offset by a \$69.3 million increase in Family Empowerment Scholarships.

- The District’s governmental funds combined ending fund balances increased by \$98.9 million to \$2.096 billion, from \$1.997 billion in the prior year. For the fiscal year ended June 30, 2025, the District’s funds were as follows:
 - The General Fund (the primary operating fund), reflected on a current financial resources basis, ended the year with a fund balance of \$454 million, an increase of \$11.2 million, or 2.5 percent over the prior year. Of the fund balance amount, \$91 million was classified as unassigned (available to cover unanticipated financial needs and includes the Board-approved contingency); \$291.9 million was classified as assigned; \$68.5 million was classified as restricted; and \$2.7 million was classified as nonspendable. During the current year, General Fund revenues (including other financing sources) exceeded expenditures (including other financing uses) by \$11.2 million, primarily due to increased property taxes (including referendum) offset by raises for staff and absorption of costs covered by the Special Revenue - ESSER Fund.
 - Capital Improvement Fund, a major fund, had a restricted fund balance of \$646.6 million, an increase of \$95.7 million, or 17.4 percent, over the prior year. Ad valorem taxes for capital projects of \$513.4 million and investment earnings of \$27.2 million exceeded current year spending of \$121.5 million and transfers to the General Fund of \$151.4 million (mainly for capital maintenance and insurance) and to Other Nonmajor Governmental Funds of \$172 million (mainly for debt service).
 - Sales Tax Fund, another major fund, ended the year with a restricted fund balance of \$652.9 million, an increase of \$105.5 million, or 19.3 percent, over the prior year. The increase was primarily due to sales tax revenue in excess of capital outlay spending.
 - Other Nonmajor Governmental Funds ended the year with a fund balance of \$342.2 million, a decrease of \$113.6 million, or 24.9 percent, over the prior year. Of the fund balance, \$5 million is classified as nonspendable; \$315.7 million is restricted for debt service and capital projects; \$13.4 million is restricted for child nutrition; and \$8.1 million is assigned for capital projects and other purposes.

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also provides certain required supplementary information, as well as combining and individual fund statements and schedules.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Government-wide

The District's net position was \$2.779 billion at June 30, 2025. The largest portion of the District's net position, \$1.826 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 (\$1.598 billion) represents resources that are subject to external restrictions on how they may be used.

It is important to note that the unrestricted net deficit portion of the District's net position (\$644.7 million) is driven primarily by the net pension liability which is a long-term liability that will be funded over time. The unrestricted net position reflects the District's proportionate share of pension obligations, which will be gradually reduced through annual contributions to the pension funds over many years.

Table 1

Summary of Net Position Governmental Activities (in thousands)				
	June 30, 2025	June 30, 2024	Increase (Decrease)	Percentage Change
Current and Other Assets	\$ 2,854,187	\$ 2,668,757	\$ 185,430	6.9%
Capital Assets (Net)	3,215,450	3,165,017	50,433	1.6%
Total Assets	6,069,637	5,833,774	235,863	4.0%
Deferred Loss on Debt Refunding	17,138	37,351	(20,213)	-54.1%
Pension and OPEB Related	520,411	503,372	17,039	3.4%
Total Deferred Outflows of Resources	537,549	540,723	(3,174)	-0.6%
Current and Other Liabilities	278,742	270,449	8,293	3.1%
Long-Term Liabilities	3,278,098	3,469,805	(191,707)	-5.5%
Total Liabilities	3,556,840	3,740,254	(183,414)	-4.9%
Leases	22,584	23,394	(810)	-3.5%
Pension and OPEB Related	239,256	146,910	92,346	62.9%
Refundings	9,388	-	9,388	100.0%
Total Deferred Inflows of Resources	271,228	170,304	100,924	59.3%
Net Position:				
Net Investment in Capital Assets	1,826,219	1,771,957	54,262	3.1%
Restricted	1,597,613	1,488,266	109,347	7.3%
Unrestricted (Deficit)	(644,714)	(796,284)	151,570	19.0%
Total Net Position	\$ 2,779,118	\$ 2,463,939	\$ 315,179	12.8%

Cash and other assets increased \$185.4 million, or 6.9 percent, primarily due to issuance of COPs Series 2025A with minimal spending in the current year, investment earnings, impact fees, and other one-time money. Pension and OPEB deferred outflow of resources increased by \$17 million, or 3.4 percent, primarily due to changes in actuarial assumptions and experience (see Note 1.K.). Current liabilities increased by \$8.3 million, or 3.1 percent. Long-term liabilities decreased \$191.7 million, or 5.5 percent, primarily due to a decrease of \$81.4 million in net pension liability (which is actuarially determined), debt repayments of \$123.7 million, refunding and defeasance of debt of \$311 million, and amortization of premiums of \$13.6 million. These decreases were offset in part by increases of \$5.4 million in OPEB liability, \$22.6 million in compensated absences [liabilities], and debt issuance proceeds of \$275.4 million. Pension and OPEB-related deferred inflows of resources increased \$92.3 million, or 62.9 percent, due to changes in actuarial values (see Note 1.K.) and breakout of Unamortized Refunding Gains. See Notes 11, 12, and 13 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, 2025</u>	<u>June 30, 2024</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Program Revenues:				
Charges for Services	\$ 53,695	\$ 50,392	\$ 3,303	6.6%
Operating Grants and Contributions	610,210	747,538	(137,328)	-18.4%
Capital Grants and Contributions	25,920	31,081	(5,161)	-16.6%
General Revenues:				
Property Taxes	2,160,688	2,064,283	96,405	4.7%
Local Sales Taxes	219,046	211,402	7,644	3.6%
Grants and Contributions Not Restricted to Specific Programs	463,153	390,694	72,459	18.5%
Investment Earnings	126,446	112,827	13,619	12.1%
Other General Revenue	74,058	95,499	(21,441)	-22.5%
Total Revenues	<u>3,733,216</u>	<u>3,703,716</u>	<u>29,500</u>	<u>0.8%</u>
Functions/Program Expenses:				
Instruction	1,833,808	1,945,523	(111,715)	-5.7%
Instructional Support Services	271,020	301,117	(30,097)	-10.0%
Board	9,641	13,286	(3,645)	-27.4%
General Administration	17,103	29,332	(12,229)	-41.7%
School Administration	143,703	170,733	(27,030)	-15.8%
Facilities Acquisition and Construction	234,279	223,603	10,676	4.8%
Fiscal Services	9,458	9,969	(511)	-5.1%
Food Services	149,915	139,297	10,618	7.6%
Central Services	56,261	30,145	26,116	86.6%
Student Transportation Services	67,358	70,233	(2,875)	-4.1%
Operation and Maintenance of Plant	327,391	336,900	(9,509)	-2.8%
Administrative Technology Services	6,950	7,572	(622)	-8.2%
Community Services	51,136	57,317	(6,181)	-10.8%
Interest on Long-Term Debt	64,433	63,301	1,132	1.8%
Unallocated Depreciation/Amortization Expense	157,784	150,005	7,779	5.2%
Total Expenses	<u>3,400,240</u>	<u>3,548,333</u>	<u>(148,093)</u>	<u>-4.2%</u>
Change in Net Position	<u>332,976</u>	<u>155,383</u>	<u>177,593</u>	<u>114.3%</u>
Net Position - Beginning	2,463,939	2,308,556	155,383	6.7%
Adjustment to Beginning Net Position (1)	(17,797)	-	(17,797)	100.0%
Net Position - Beginning, as Restated	<u>2,446,142</u>	<u>2,308,556</u>	<u>137,586</u>	<u>6.0%</u>
Net Position - Ending	<u>\$ 2,779,118</u>	<u>\$ 2,463,939</u>	<u>\$ 315,179</u>	<u>12.8%</u>

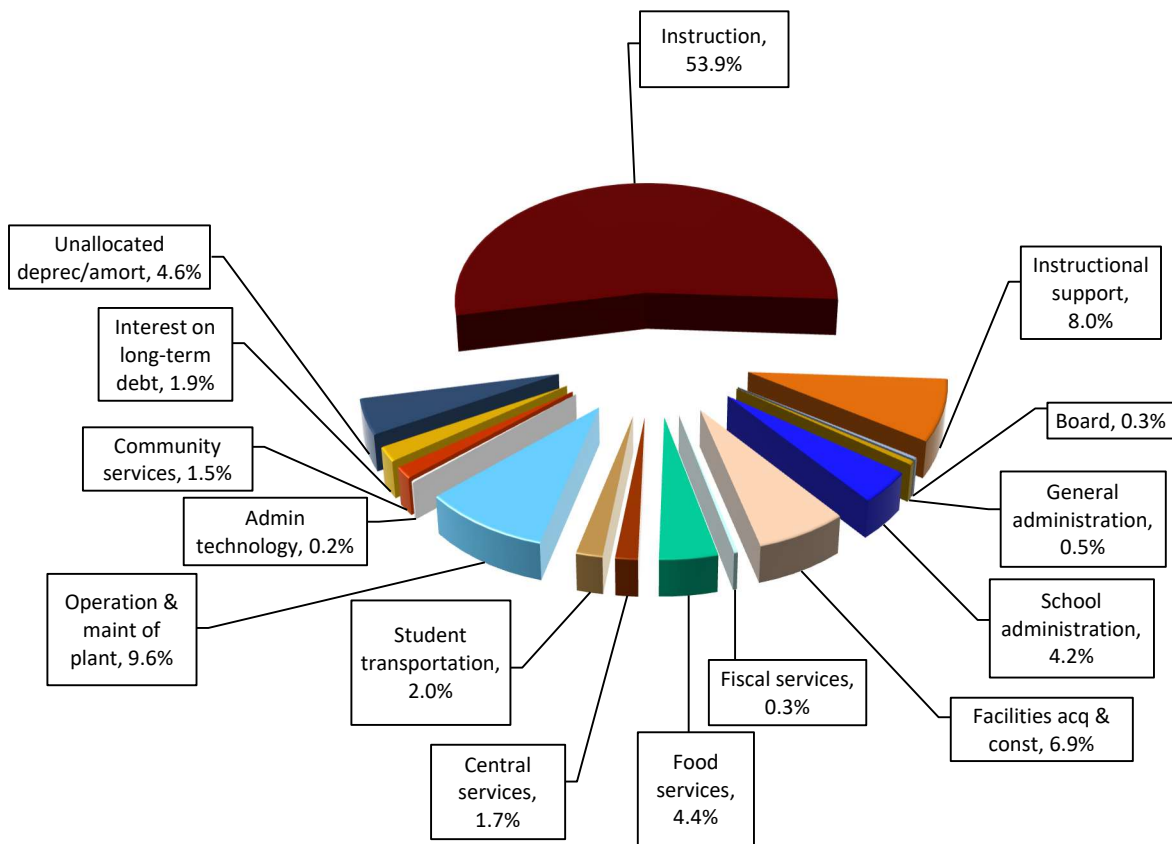
(1) Adjustment to beginning net position is due to the implementation of GASB Statement No. 101, which is a change in accounting principle that addresses accounting and financial reporting for compensated absences, as discussed in Note 1.N.

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 prior year.

As reported in the statement of activities, the cost of all of the governmental activities this year was \$3.4 billion. Some costs were paid by those who benefited from the programs (\$53.7 million), or by other governments and organizations who subsidized certain programs with grants and contributions (\$636.1 million). The District paid for the remaining “public benefit” portion of the governmental activities with \$2.161 billion in property taxes, \$219 million in local sales tax, \$463.2 million in grants and contributions not restricted to specific programs, \$126.4 million in interest earnings, and \$74.1 million in other general revenue (which includes impact fees of \$21 million).

Property taxes increased \$96.4 million, or 4.7 percent, which was primarily attributed to a 7 percent increase in property values. As a property rich county, Palm Beach County property taxpayers funded 65.2 percent of the District’s education costs in fiscal year 2025 compared to an average of 44.7 percent statewide not including voter-approved referendums. Sales tax revenue increased \$7.6 million, or 3.6 percent, as a result of an increase in economic activity.

The pie chart below represents total expenses classified by function.



FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS

Governmental Funds

As of June 30, 2025, the District’s governmental funds reported a combined fund balance of \$2.096 billion, which was an increase of \$98.9 million, or 5 percent, over the prior year.

The General Fund, which is the chief operating fund of the District, had a fund balance of \$454 million, an increase of \$11.2 million, or 2.5 percent, over the prior year. The increase was primarily due to increased funding through property taxes (including referendum) offset by raises for staff and absorption of costs covered by Special Revenue - ESSER Fund in the prior year.

The Capital Improvement Fund reported an ending fund balance of \$646.6 million, an increase of \$95.7 million, or 17.4 percent, over the prior year. The increase was due to investment earnings of \$27.2 million and capital improvement tax revenue of \$513.4 million (due to a 7 percent increase in property values) offset by capital spending of \$121.5 million and transfers to the General Fund for capital maintenance and Other Nonmajor Governmental Funds for debt service payments.

The Sales Tax Fund reported an ending fund balance of \$652.9 million, an increase of \$105.5 million compared with the prior year, as a result of sales tax collections over capital spending.

Other Nonmajor Governmental Funds, which represent a summarization of all the other nonmajor governmental funds, ended the year with total fund balance of \$342.2 million, a decrease of \$113.6 million, or 24.9 percent, when compared with prior year. The decrease was primarily due to additional expenditures of \$26.4 million in debt service, \$82.4 million in capital outlay, \$17.5 million in food service, \$16.3 million in instructional salaries, and \$15.8 million in construction, offset by decreases of \$23 million in impact fee revenue and the sunset of the Special Revenue – ESSER grant.

Proprietary Funds

The District's internal service funds reported a combined net position of \$325.9 million. The Health Internal Service Fund ended the year with a net position of \$83.8 million, an increase of \$16.8 million from prior year as a result of premiums collected exceeding claims, primarily due to a one-time \$30 million premium paid by the District as part of labor negotiations. The Workers' Compensation and Claims Fund ended the year with a net position of \$242.1 million, an increase of \$44.7 million due to premiums exceeding claims. The School Police Internal Service Fund ended the year with a net position of \$36 thousand, a decrease of \$162 thousand. 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 \$86.7 million to \$2.530 billion. The increase in revenue was primarily attributed to nonrecurring funds including \$20.4 million additional State funds (primarily due to \$17.1 million in State revenue due to higher FEFP Base Student Allocation) and \$64.1 million in local revenue (higher school-aged child care fees, ad valorem revenue, and interest income).

The General Fund actual expenditures were less than the budgeted appropriations. This was primarily due to staff vacancies, 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, 2025, the District had \$3.215 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 and subscription assets; audio/video materials and software. This amount represents a net increase (including additions, deletions, amortization, and depreciation) of \$50.4 million from last year. Capital spending in the current year included the acquisition of 98 buses and 8 electric buses totaling \$17.1 million; 53 white fleet vehicles and 75 new school police vehicles totaling \$7.2 million; capital construction of \$123.1 million; computer equipment of \$17.1 million; cafeteria equipment of \$4.1 million; electronics of \$2.6 million; new furniture of \$2.4 million; equipment of \$1.7 million; and musical instruments of \$1.2 million. In addition, two elementary schools underwent modernization and expansion. See Note 7. of the notes to the financial statements for more information on capital assets.

Table 3

Capital Assets at Year End Governmental Activities (in thousands)			
	June 30, 2025	June 30, 2024	Increase (Decrease)
Land	\$ 351,457	\$ 351,457	\$ -
Construction in Progress	140,107	56,812	83,295
Improvements Other Than Buildings	77,289	72,883	4,406
Buildings and Improvements	4,518,953	4,488,547	30,406
Furniture, Fixtures, and Equipment	264,161	245,337	18,824
Motor Vehicles	140,764	129,948	10,816
Lease Assets	1,841	1,944	(103)
Subscription Assets	61,930	44,971	16,959
Audio/Video Materials and Software	4,425	4,907	(482)
Less: Accumulated Depreciation/Amortization	(2,345,477)	(2,231,789)	(113,688)
Total Capital Assets, Net	\$ 3,215,450	\$ 3,165,017	\$ 50,433

In November 2024, the taxpayers of Palm Beach County approved the extension of the 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, 2025, the District had \$1.410 billion in debt outstanding, which was \$143.8 million, or 9.3 percent, less than the prior year. The decrease was primarily related to principal payments, refunding, and defeasance on existing debt partially offset by the issuance of new certificates of participation. See Note 11. 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, 2025</u>	<u>June 30, 2024</u>	<u>Increase (Decrease)</u>
Notes/Loans Payable	\$ -	\$ 1,525	\$ (1,525)
Leases Payable	454	896	(442)
Subscriptions Payable	28,746	19,020	9,726
Capital Outlay Bond Issues	2,486	2,910	(424)
Certificates of Participation	1,276,210	1,413,830	(137,620)
Plus: Issuance Premium	102,323	115,886	(13,563)
Total	<u>\$ 1,410,219</u>	<u>\$ 1,554,067</u>	<u>\$ (143,848)</u>

The limit for lease purchase agreement (also known as Certificates of Participation or COP) debt is tied to District capital millage. State law requires that annual debt service payments for these agreements may not exceed 75 percent of current year capital millage proceeds. The District also maintains a more restrictive internal Board policy recommending this amount not exceed 50 percent. During the 2024-25 fiscal year, the District's debt service payments were 37.7 percent of capital millage proceeds, remaining well within compliance of both State law and Board policy. Based on the District's current debt structure, the remaining legal lease purchase agreement debt issuance capacity (at the 75 percent statutory limit) is \$148.1 million. The remaining capacity under the more restrictive Board policy (at the 50 percent limit) is \$19.9 million. Other long-term obligations (not included in the calculation above) include liabilities for compensated absences, estimated long-term claims, other postemployment benefits, and net pension liabilities.

FACTORS BEARING ON THE DISTRICT'S FUTURE

Academically High Performing Designation

The District was officially designated as an Academically High-Performing School District by the Florida Department of Education for the 2024-25 school year. The District is one of only 13 in the State to earn this distinction. This significant achievement reflects the dedication and hard work of students, staff, and families across the District.

Financial landscape and legislative Impact

District revenues are determined largely by the Florida Legislature and the Governor, with funding per student set during the State's annual budget approval. Local school board taxing authority is also strictly governed at the State level, the Legislature dictates the largest component of school property taxes, the Required Local Effort (RLE) and statutory caps limit remaining levy components.

The 2025-26 fiscal year budget cycle has presented a complex financial situation. While the State budget fully restored funding for advanced high school programs (AP, IB, and dual enrollment) through the restricted "Academic Acceleration Options" categorical, overall per-student funding increased by only \$123.08 (1.3 percent) compared to the 2024-25 fiscal year FEFP budget.

Enrollment and Revenue Challenges

Historically, District enrollment has remained consistent, excluding pandemic years. For the 2025-26 fiscal year, enrollment was initially projected to decline slightly by approximately 400 students. However, the eleventh-day count on Monday, August 25, 2025, revealed an unexpected decline of 5,516 students.

This sharp decline resulted in an estimated \$45 million revenue loss. Revenue adjustments will be based on the Florida Department of Education's updated FEFP calculation expected in January 2026. Staffing adjustments alone are insufficient to absorb this significant revenue loss. Consequently, the District has implemented a hiring freeze on all non-critical positions and is actively aligning staffing levels with current enrollment. Fortunately, sufficient vacancies exist across the District to absorb these necessary reductions without layoffs.

Key drivers of this demographic shift include:

- **English Language Learner (ELL) Reversal:** After averaging annual growth of 4,000 EL students over the past 2 years, the District experienced an unexpected decline of 1,800 EL students this year.
- **Universal Vouchers:** Enrollment continues to be impacted by the Family Empowerment Scholarships (FES). While District and charter enrollment were projected to decrease by only 400 students each, FES enrollment was projected to increase by 6,000 full-time equivalent (FTE) students. The FES program now serves over 430,000 students statewide at a cost of \$3.8 billion, posing a significant long-term concern for public education funding.

Federal Funding Outlook

Following a period of uncertainty, critical Federal funds were released in July 2025, including \$9.8 million for after-school programs and \$21.5 million for migrant education, professional development, and English-learner services. While this secures the 2025-26 fiscal year funding, the long-term outlook for these programs remains uncertain.

Additionally, the District's share of Federal COVID-19 relief (ESSER) ended in September 2024. To soften this "funding cliff" in the 2025-26 fiscal year, the District strategically applied Federal funds to eligible expenditures between the 2020-21 fiscal year and the 2024-25 fiscal year to free up one-time operating funds, a strategy successfully utilized following the Great Recession.

Local Referendum Support

Local voter-approved initiatives continue to provide vital funding stability:

- **Operating Millage (1.00):** Approved through 2027, this referendum will generate approximately \$359.4 million in the 2025-26 fiscal year for District-operated schools. It funds teacher recruitment and retention supplements, school behavioral health positions, school psychologists, co-located mental health services, arts and music education, and school safety.
- **Sales Tax:** The District receives 50 percent of the county's one-cent infrastructure sales tax (approximately \$200 million annually) for the capital budget. In November 2024, voters approved a half-cent School Capital Outlay Sales Surtax (generating approximately \$200 million annually) to prioritize maintenance of the District's extensive facilities (over 30 million square feet valued at \$9 billion).

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 our ACFR at:
<https://www.palmbeachschools.org/about-us/reports-and-publications/financial-reports>

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BASIC FINANCIAL STATEMENTS

Palm Beach County District School Board
Statement of Net Position
June 30, 2025
(amounts expressed in thousands)

	Primary Governmental Activities	Component Units
ASSETS		
Cash, Cash Equivalents, and Investments	\$ 2,645,736	\$ 147,548
Ad Valorem and Sales Tax Receivable	80,823	-
Accounts, Deposits, and Interest Receivable	1,378	1,731
Due from Other Governments or Agencies	85,607	14,003
Inventories	7,678	-
Restricted Assets (Cash with Fiscal Agent)	3,033	14,382
Leases Receivable	22,584	10,079
Other Assets	7,348	4,243
Capital Assets:		
Nondepreciable Capital Assets	491,564	11,553
Depreciable Capital Assets, Net	2,723,886	298,321
TOTAL ASSETS	6,069,637	501,860
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Loss on Debt Refunding	17,138	798
Other Postemployment Benefits	81,294	-
Pensions	439,117	8,069
TOTAL DEFERRED OUTFLOWS OF RESOURCES	537,549	8,867
LIABILITIES		
Accounts and Contracts Payable	100,183	8,208
Accrued Payroll and Payroll Deductions	134,715	10,357
Retainage Payable on Contracts	15,057	-
Interest Payable	20,974	1,030
Unearned Revenue	7,813	105
Long-Term Liabilities:		
Portion Due Within One Year	248,968	14,504
Portion Due After One Year	3,029,130	344,448
TOTAL LIABILITIES	3,556,840	378,652
DEFERRED INFLOWS OF RESOURCES		
Leases	22,584	10,456
Other Postemployment Benefits	65,764	-
Pensions	173,492	4,080
Deferred Gain on Debt Refunding	9,388	-
TOTAL DEFERRED INFLOWS OF RESOURCES	271,228	14,536
NET POSITION		
Net Investment in Capital Assets	1,826,219	(15,387)
Restricted for:		
Categorical Carryover Programs	11,878	447
Debt Service	155,803	2,987
Capital Projects	1,348,813	656
Food Service	18,444	318
Other Purposes	62,675	8,813
Unrestricted (Deficit)	(644,714)	119,705
TOTAL NET POSITION	\$ 2,779,118	\$ 117,539

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, 2025
(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	\$ 1,833,808	\$ 3,628	\$ 331,810	\$ 12,421
Instructional Support Services	271,020	-	67,573	-
Board	9,641	-	-	-
General Administration	17,103	-	3,592	-
School Administration	143,703	-	8,539	-
Facilities Acquisition and Construction	234,279	-	-	12,893
Fiscal Services	9,458	-	144	-
Food Services	149,915	3,695	128,165	-
Central Services	56,261	-	616	-
Student Transportation Services	67,358	2,743	39,563	-
Operation of Plant	207,995	-	21,332	-
Maintenance of Plant	119,396	-	-	48
Administrative Technology Services	6,950	-	48	-
Community Services	51,136	43,629	8,828	-
Interest on Long-Term Debt	64,433	-	-	558
Unallocated Depreciation/Amortization Expense	157,784	-	-	-
Total Primary Government	\$ 3,400,240	\$ 53,695	\$ 610,210	\$ 25,920
Component Units				
Charter Schools	\$ 314,303	\$ 5,696	\$ 20,741	\$ 19,797

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

Total General Revenues

Change in Net Position

Net Position - Beginning

Adjustment to Beginning Net Position

Net Position - Beginning, as Restated

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
\$ (1,485,949)	\$ -
(203,447)	-
(9,641)	-
(13,511)	-
(135,164)	-
(221,386)	-
(9,314)	-
(18,055)	-
(55,645)	-
(25,052)	-
(186,663)	-
(119,348)	-
(6,902)	-
1,321	-
(63,875)	-
(157,784)	-
<u>(2,710,415)</u>	<u>-</u>
-	(268,069)
1,647,285	-
513,403	-
219,046	-
463,153	215,173
126,446	3,519
74,058	56,548
<u>3,043,391</u>	<u>275,240</u>
332,976	7,171
2,463,939	-
(17,797)	110,368
<u>2,446,142</u>	<u>110,368</u>
<u>\$ 2,779,118</u>	<u>\$ 117,539</u>

**Palm Beach County District School Board
Balance Sheet – Governmental Funds
June 30, 2025
(amounts expressed in thousands)**

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Sales Tax Fund</u>
ASSETS			
Cash, Cash Equivalents, and Investments	\$ 560,472	\$ 656,618	\$ 646,074
Ad Valorem and Sales Tax Receivable	32,220	10,039	38,564
Accounts and Interest Receivable	1,378	-	-
Due from Other Agencies	13,092	-	-
Due from Other Funds	3,000	-	-
Inventories	2,681	-	-
Leases Receivable	22,584	-	-
Other Assets	96	-	-
TOTAL ASSETS	<u>\$ 635,523</u>	<u>\$ 666,657</u>	<u>\$ 684,638</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts and Contracts Payable	\$ 19,908	\$ 17,516	\$ 25,779
Accrued Payroll and Payroll Deductions	126,640	-	-
Due to Other Funds	-	-	-
Retainage Payable on Contracts	-	2,539	5,962
Unearned Revenue	-	-	-
Total Liabilities	<u>146,548</u>	<u>20,055</u>	<u>31,741</u>
Deferred Inflows of Resources:			
Leases	22,584	-	-
Unavailable Revenue	12,354	-	-
Total Deferred Inflows of Resources	<u>34,938</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Nonspendable	2,681	-	-
Restricted	68,495	646,602	652,897
Committed	-	-	-
Assigned	291,861	-	-
Unassigned	91,000	-	-
Total Fund Balances	<u>454,037</u>	<u>646,602</u>	<u>652,897</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 635,523</u>	<u>\$ 666,657</u>	<u>\$ 684,638</u>

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

Other Nonmajor Governmental Funds	Total Governmental Funds
\$ 345,030	\$ 2,208,194
-	80,823
-	1,378
62,535	75,627
100	3,100
4,997	7,678
-	22,584
21	117
\$ 412,683	\$ 2,399,501

\$ 35,643	\$ 98,846
14,342	140,982
3,100	3,100
6,556	15,057
7,813	7,813
67,454	265,798

-	22,584
3,078	15,432
3,078	38,016

4,997	7,678
329,151	1,697,145
13	13
7,990	299,851
-	91,000
342,151	2,095,687

\$ 412,683	\$ 2,399,501
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Palm Beach County District School Board
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2025
(amounts expressed in thousands)

Total Fund Balances - Governmental Funds \$ 2,095,687

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

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

Cost of Capital Assets	\$ 5,560,927	
Accumulated Depreciation	(2,345,477)	
Total Capital Assets, Net of Depreciation		3,215,450

The deferred outflows 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 - Unamortized Loss on Refunding Transactions	\$ 17,138	
Deferred Outflows - Pensions	425,414	
Deferred Outflows - OPEB	80,192	
Deferred Inflows - Pensions	(167,537)	
Deferred Inflows - OPEB	(64,873)	
Deferred Inflows - Unamortized Gain on Refunding Transactions	(9,388)	280,946

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. 7,231

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	\$ 465,360	
Liabilities and Deferred Inflows of Resources	(139,411)	
Net Position		325,949

Revenues that have been deferred or unearned in the governmental funds but are recognized as revenue in the government-wide financial statements. 15,432

Long-term liabilities are not due and payable in the fiscal year and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:

Obligations Under Leases and SBITA	\$ (29,200)	
Bonds Payable	(2,701)	
Certificates of Participation Payable	(1,378,318)	
Arbitrage and Yield Restriction Rebate Liability	(4,486)	
Compensated Absences	(244,995)	
Other Postemployment Benefits (OPEB)	(107,782)	
Net Pension Liability	(1,373,121)	
Accrued Interest on Long-Term Debt	(20,974)	(3,161,577)

Net Position - Governmental Activities **\$ 2,779,118**

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, 2025
(amounts expressed in thousands)

	General Fund	Capital Improvement Fund	Sales Tax Fund
Revenues			
Local Sources:			
Ad Valorem Taxes	\$ 1,647,285	\$ 513,403	\$ -
Local Sales Taxes	-	-	219,046
Interest Income	38,049	27,164	30,436
School Age Child Care Fees	43,629	-	-
Food Service Sales	194	-	-
Impact Fees	-	-	-
Local Grants and Other	46,021	60	4,947
Total Local Sources	<u>1,775,178</u>	<u>540,627</u>	<u>254,429</u>
State Sources:			
Florida Education Finance Program	294,420	-	-
Capital Outlay and Debt Service	125	-	-
Food Service	-	-	-
Class Size Reduction	192,184	-	-
Charter School Capital Outlay	-	-	-
State Grants and Entitlements	259,652	-	-
Total State Sources	<u>746,381</u>	<u>-</u>	<u>-</u>
Federal Sources:			
Federal Grants and Entitlements	8,123	-	-
National School Lunch Act	-	-	-
Total Federal Sources	<u>8,123</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>2,529,682</u>	<u>540,627</u>	<u>254,429</u>
Expenditures			
Current:			
Instruction	1,746,369	-	-
Instructional Support Services	207,984	-	-
Board	9,630	-	-
General Administration	14,070	-	-
School Administration	145,190	-	-
Facilities Acquisition and Construction	12,741	99,955	111,449
Fiscal Services	9,345	-	-
Food Services	177	-	-
Central Services	57,961	-	-
Student Transportation Services	65,056	-	-
Operation of Plant	209,617	-	-
Maintenance of Plant	119,984	-	-
Administrative Technology Services	7,041	-	-
Community Services	49,942	-	-
Total Current Expenditures	<u>2,655,107</u>	<u>99,955</u>	<u>111,449</u>
Capital Outlay	<u>36,517</u>	<u>21,505</u>	<u>37,433</u>
Debt Service:			
Retirement of Principal	19,679	-	-
Interest	-	-	-
Fiscal Charges	-	-	-
Total Expenditures	<u>2,711,303</u>	<u>121,460</u>	<u>148,882</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(181,621)</u>	<u>419,167</u>	<u>105,547</u>
Other Financing Sources (Uses)			
Transfers In	163,869	-	-
Transfers Out	-	(323,473)	-
Issuance of Debt - SBITA	28,963	-	-
Issuance of Refunding Debt	-	-	-
Net Premium (discount) from Issuance of Long-Term and Refunded Debt	-	-	-
Payments to Refunded Debt Escrow Agent	-	-	-
Sale of Capital Assets and Other	-	-	-
Total Other Financing Sources (Uses)	<u>192,832</u>	<u>(323,473)</u>	<u>-</u>
Net Change in Fund Balances	<u>11,211</u>	<u>95,694</u>	<u>105,547</u>
Fund Balances, Beginning	442,826	550,908	547,350
Fund Balances, Ending	<u>\$ 454,037</u>	<u>\$ 646,602</u>	<u>\$ 652,897</u>

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

Other Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 2,160,688
-	219,046
11,758	107,407
-	43,629
3,502	3,696
21,000	21,000
12,719	63,747
<u>48,979</u>	<u>2,619,213</u>
-	294,420
8,521	8,646
1,102	1,102
-	192,184
12,421	12,421
7,432	267,084
<u>29,476</u>	<u>775,857</u>
175,300	183,423
<u>127,053</u>	<u>127,053</u>
<u>302,353</u>	<u>310,476</u>
<u>380,808</u>	<u>3,705,546</u>
110,467	1,856,836
66,289	274,273
-	9,630
3,593	17,663
324	145,514
9,762	233,907
146	9,491
149,853	150,030
616	58,577
3,285	68,341
465	210,082
-	119,984
-	7,041
1,862	51,804
<u>346,662</u>	<u>3,213,173</u>
113,193	208,648
121,784	141,463
73,025	73,025
1,911	1,911
<u>656,575</u>	<u>3,638,220</u>
<u>(275,767)</u>	<u>67,326</u>
172,080	335,949
(12,476)	(335,949)
-	28,963
275,425	275,425
19,148	19,148
(293,210)	(293,210)
1,213	1,213
<u>162,180</u>	<u>31,539</u>
(113,587)	98,865
<u>455,738</u>	<u>1,996,822</u>
<u>\$ 342,151</u>	<u>\$ 2,095,687</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, 2025
(amounts expressed in thousands)

Net Change in Fund Balances - Governmental Funds \$ 98,865

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 capitalized capital outlay (\$208,948) in excess of depreciation and amortization expense (\$157,784) in the current period. 51,164

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	\$ (20,213)	
Deferred Inflows on Debt Refunding	(9,388)	
Premium on Current Year Issuance	(19,148)	
Premium/Discount Amortization	<u>32,711</u>	(16,038)

Revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. 15,432

Revenues reported in the governmental funds that were reported as revenue in the statement of activities in the prior year under full accrual. (7,305)

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. 1,525

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. 120,259

COPs 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 payments (\$293,210) exceeded refunding proceeds (\$275,425) in the current period. 17,785

The effect of an increase in capitalized leases and SBITAs of \$28,963 offset by redemption of principal of \$19,679 as part of GASB 87 and GASB 96 is to decrease net position. (9,284)

The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net position. (731)

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	\$ (1,941)	
Compensated Absences	(4,768)	
Arbitrage and Yield Restriction	(1,522)	
Other Postemployment Benefits	(7,340)	
Pension Expense	7,177	
Accrued Interest on Long-Term Debt	<u>8,304</u>	(90)

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. 61,394

Change in Net Position - Governmental Activities \$ 332,976

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, 2025
(amounts expressed in thousands)**

	Internal Service Funds
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 437,542
Due from Other Agencies	9,980
Total Current Assets	447,522
Noncurrent Assets:	
Restricted Cash	3,033
Total Noncurrent Assets	3,033
TOTAL ASSETS	450,555
DEFERRED OUTFLOWS OF RESOURCES	
Other Postemployment Benefits	1,102
Pensions	13,703
TOTAL DEFERRED OUTFLOWS OF RESOURCES	14,805
LIABILITIES	
Current Liabilities:	
Accounts Payable and Contracts Payable	1,337
Accrued Payroll and Payroll Deductions	3,342
Compensated Absences	1,088
Estimated Unpaid Claims	29,120
Other Postemployment Benefits	51
Total Current Liabilities	34,938
Noncurrent Liabilities:	
Liability for Compensated Absences	3,780
Estimated Unpaid Claims	37,379
Other Postemployment Benefits	1,431
Pension	55,037
Total Noncurrent Liabilities	97,627
TOTAL LIABILITIES	132,565
DEFERRED INFLOWS OF RESOURCES	
Other Postemployment Benefits	891
Pension	5,955
TOTAL DEFERRED INFLOWS OF RESOURCES	6,846
NET POSITION	
Unrestricted	\$ 325,949

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, 2025
(amounts expressed in thousands)**

	Internal Service Funds
OPERATING REVENUES	
Premium Revenue	\$ 294,381
Charges for Services	44,944
Pharmacy Rebates	35,881
Other Operating Revenue	1,093
Total Operating Revenues	376,299
OPERATING EXPENSES	
Salaries	31,761
Benefits	12,882
Purchased Services	8,262
Energy	627
Supplies	800
Claims and Other Expenses	279,612
Total Operating Expenses	333,944
Operating Income	42,355
NONOPERATING REVENUES	
Interest and Other Income	19,039
Total Nonoperating Revenues	19,039
Change in Net Position	61,394
Total Net Position - Beginning	264,555
Total Net Position - Ending	\$ 325,949

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, 2025
(amounts expressed in thousands)**

	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Receipts from Interfund Premiums and Charges for Services	\$ 339,325
Cash Payments for Claims and Administration	(282,755)
Cash Receipts for Pharmacy Rebates	32,011
Cash Payments for Salaries and Benefits	(42,196)
Cash Payments for Suppliers	(6,140)
Other Receipts	1,093
Net Cash Provided by Operating Activities	41,338
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income	19,039
Net Cash Provided by Investing Activities	19,039
Net Increase in Cash and Cash Equivalents	60,377
Cash and Cash Equivalents, Beginning*	380,198
Cash and Cash Equivalents, Ending*	\$ 440,575
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$ 42,355
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Changes in Assets, Liabilities and Deferred Outflows/Inflows of Resources, and Deferred Inflows of Resources:	
Due from Other Agencies	(3,870)
Accrued Payroll and Payroll Deductions	1,410
Accounts Payable	(23)
Compensated Absences Payable	1,891
Estimated Unpaid Claims	429
Net Pension Liability	(3,378)
Other Postemployment Benefits	101
Deferred Inflows	3,496
Deferred Outflows	(1,073)
Total Adjustments	(1,017)
Net Cash Provided by Operating Activities	\$ 41,338

*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, 2025
(amounts expressed in thousands)

	Private-Purpose Trust Fund	Custodial Fund
	Florida Future Educators of America	School Internal Funds
ASSETS		
Cash and Cash Equivalents	\$ 296	\$ 25,955
Accounts Receivable	-	100
TOTAL ASSETS	296	26,055
LIABILITIES		
Accounts Payable	-	161
Due to Other Agencies	-	2,930
TOTAL LIABILITIES	-	3,091
NET POSITION		
Restricted for Student Activities	-	22,964
Restricted for Individuals, Organizations, and Other Governments	296	-
TOTAL NET POSITION	\$ 296	\$ 22,964

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, 2025
(amounts expressed in thousands)

	Private-Purpose Trust Fund	Custodial Fund
	Florida Future Educators of America	School Internal Funds
ADDITIONS		
Miscellaneous Revenue	\$ -	\$ 23,916
Donations	18	7,382
Interest	6	-
Total Additions	24	31,298
DEDUCTIONS		
Purchased Services	-	4,976
Supplies	-	10,231
Equipment	-	2,928
Other	-	15,884
Scholarships	31	-
Total Deductions	31	34,019
Change in Net Position	(7)	(2,721)
Net Position - Beginning	303	25,685
Net Position - Ending	\$ 296	\$ 22,964

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 in the Debt Service fund. Separate financial statements for the Corporation are not published.

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 financial data reported on the accompanying statements was derived from the charter schools' audited financial statements for the fiscal year ended June 30, 2025. The audited financial statements of the individual component units can be obtained by contacting the following schools:

School	Address
Believers Academy (3400)	5840 Corporate Way, Suite 100 West Palm Beach, FL 33407
Ben Gamla Palm Beach (3941)	8600 South Jog Road West Palm Beach, FL 33472
Bodwell Academy (formerly Potentials Charter School) (2531)	1201 Australian Avenue Riviera Beach, FL 33404
Career Academy of the Palm Beaches (3345)	1715 East Tiffany Drive West Palm Beach, FL 33407
Connections Education Center (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 – North Campus (4081)	1760 North Congress Avenue West Palm Beach, FL 33409
Franklin Academy Charter School – Boynton Beach (4020)	7882 South Military Trail Lake Worth, FL 33463
Franklin Academy Charter School - Palm Beach Gardens (4061)	5651 Hood Road Palm Beach Gardens, FL 33418
G-Star School of The Arts (3396)	2030 S. Congress Avenue, Building J West Palm Beach, FL 33406

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
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 Elementary (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 Academy Middle School (0040)	3525 South Congress Avenue Palm Springs, FL 33461
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
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 (3431)	1889 Palm Beach Lakes Boulevard West Palm Beach, FL 33409

Sports Leadership Arts and Management (SLAM) High School (4111)	2845 Summit Boulevard West Palm Beach, FL 33406
Sports Leadership Arts and Management SLAM Middle School Palm Beach (4090)	2845 Summit Boulevard West Palm Beach, FL 33406
Sports Leadership Arts and Management SLAM Middle High School (4103)	22500 Hammock Street Boca Raton, FL 33428
Somerset Academy Boca East (3413)	333 S.W. 4th Avenue Boca Raton, FL 33432
Somerset Academy Boca Middle School (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 David Road Lake Worth, FL 33461
Somerset Academy Lakes (4091)	2845 Summit Boulevard West Palm Beach, FL 33406
Somerset Academy Wellington (4031)	1000 Wellington Trace Wellington, FL 33414
Somerset Academy Wellington High School (4131)	1000 Wellington Trace Wellington, FL 33414
South Tech Academy (1571)	6161 Woolbright Road Boynton Beach, FL 33437
South Tech Preparatory Academy (3441)	1325 Gateway Boulevard Boynton Beach, FL 33426
The Learning Academy Els Center of Excellence (3083)	18370 Limestone Creek Road Jupiter, FL 33458
The Learning Center Els Center (2791)	650 Royal Palm Beach Boulevard Royal Palm Beach, FL 33411
The Learning Center High School (0100)	650 Royal Palm Beach Boulevard Royal Palm Beach, FL 33411
University Preparatory Academy (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 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 District reports the following 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.

Capital Improvement Fund

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

Sales Tax Fund

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

Other Nonmajor Governmental Funds

The Other Nonmajor Governmental Funds are a summary of all the other nonmajor 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 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 a 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 in a trust or agency capacity, on behalf of outside organizations or for the benefit of student activities within the District and do not support the District's own programs. 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. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred. The principal exceptions to this general rule are: (1) 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, 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, moneys 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, subject to availability. 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 4, 2024, 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, 2025, for funds under budgetary control have been re-appropriated for the June 30, 2026, fiscal year 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, \$50,000 on improvements other than buildings, and \$100,000 on building improvements and 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. (See Note 7.)

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 Visual Materials and Computer Software	3 - 5 years
Lease 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. (See Notes 7, 8, and 11.)

J. Subscription-Based Information Technology Arrangements

The District has recorded subscription-based information technology arrangement (SBITA) assets and liabilities as a result of implementing GASB Statement No. 96. The District recognizes SBITA assets with an initial value of \$100,000 or more. The SBITA assets are initially measured at an amount equal to the initial measurement of the related SBITA liability plus any SBITA payments made prior to the subscription term, less SBITA incentives, plus any ancillary charges necessary to place the SBITA into service. The SBITA assets are amortized on a straight-line basis over the life of the related contract.

The costs of normal maintenance and repairs that do not add to the values of the assets or materially extend the asset lives are not capitalized and are expensed as incurred.

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

SBITA assets are reported with other capital assets and SBITA lease liabilities are reported with long term debt on the statement of net position (See Notes 7, 9, and 11.).

K. 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 \$537.5 million with activity for fiscal year ended June 30, 2025, as follows (in thousands):

	Ending Balance			Ending Balance
	June 30, 2024	Increase	Decrease	June 30, 2025
Deferred Outflows of Resources				
Net Carrying Amount of Deferred Refunding	\$ 37,351	\$ -	\$ 20,213	\$ 17,138
Pension Related - FRS	370,456	18,763	-	389,219
Pension Related - HIS	61,989	-	12,091	49,898
OPEB Related	70,927	10,367	-	81,294
Total Deferred Outflows of Resources	\$ 540,723	\$ 29,130	\$ 32,304	\$ 537,549

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. One item, in accordance with GASB Statement No. 87, reports right-to-use leases related to deferred inflows of resources on its financial statements. In the governmental funds, the District had \$38 million unavailable revenue (primarily \$22.6 million related to leases receivable and \$11.8 million related to Medicaid administration claims) that qualified 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 \$271.2 million with activity for fiscal year ended June 30, 2025, as follows (in thousands):

	Ending Balance			Ending Balance
	June 30, 2024	Increase	Decrease	June 30, 2025
Deferred Inflows of Resources				
Leases	\$ 23,394	\$ -	\$ 810	\$ 22,584
Pension Related - FRS	29,415	69,450	-	98,865
Pension Related - HIS	64,125	10,502	-	74,627
OPEB Related	53,370	12,394	-	65,764
Deferred Gain on Debt Refunding	-	9,388	-	9,388
Total Deferred Inflows of Resources	\$ 170,304	\$ 101,734	\$ 810	\$ 271,228

L. 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 (See Note 11).

M. Self-Insurance

The District is self-insured for health (health insurance for employees and eligible dependents) and portions of its general and automobile liability insurance and workers' compensation (insurance for various risks of loss related to torts; theft of; damage to; destruction of assets; errors and omissions;

injury to employees; and natural disasters). The estimated liability for self-insured risks represents an estimate of the amount to be paid on insurance claims reported and on insurance claims incurred but not reported (See Note 10).

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.

N. Compensated Absences

A compensated absence is leave (e.g., employee vacation leave and sick leave) for which employees may receive one or more (a) cash payments when the leave is used for time off; (b) other cash payments, such as payment for unused leave upon termination of employment; or (c) noncash settlements, such as conversion to defined benefit postemployment benefits. Leave earned in the earliest fiscal years is considered used before unused leave earned in current fiscal years. District employees may accumulate unused vacation and sick leave up to a specified amount depending on their date of hire.

In accordance with GASB Statement No. 101, compensated absences are estimated and accrued as liabilities on the government-wide financial statements to the extent that it is more likely than not that the leave will be used for time off or otherwise paid in cash or settled through noncash means. The liability is measured at the employee’s pay rate in effect at the financial reporting date and includes the employer’s share of applicable taxes and retirement contributions.

For governmental funds, an expenditure is recognized as payments come due each period (e.g., as a result of employee resignations and retirements) and is liquidated primarily by the general fund. At June 30, 2025, the amount recorded in the general fund for compensated absences was \$9.6 million. The amount of compensated absences not recorded at the fund level represents a reconciling item between the fund-level and government-wide presentations. The portion of the liability related to employees in the internal service fund is recorded at the fund level (See Note 11).

The District implemented GASB Statement No. 101 in the current year. At implementation on July 1, 2024, the beginning balance of the compensated absences liability was increased by \$17.8 million, which resulted in a decrease to the beginning net position by the same amount as shown in the table below (in thousands):

	Governmental Activities	
	Liability for Compensated Absences	Net Position
Balances, June 30, 2024, as Previously Reported	\$ 233,282	\$ 2,463,939
Change in Accounting Principle - GASB Statement No. 101	17,797	(17,797)
Balances, July 1, 2024, as Restated	\$ 251,079	\$ 2,446,142

O. 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 and 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 12.

P. 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.

Q. 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 Note 13. OPEB is unfunded at June 30, 2025.

R. Impact of Recently Issued Accounting Principles

Recently Issued and Adopted Accounting Pronouncements

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*, which became effective for fiscal year ended June 30, 2025. The objective 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. The adoption of GASB Statement No. 101 is reflected in Notes 1.N. and 11.

In June 2022, the GASB issued Statement No. 102, *Certain Risk Disclosures*, which became effective for fiscal year ended June 30, 2025. The objective of this statement is to provide users of governmental financial statements with essential information that currently is not often provided. The disclosures will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. As a result, users will have better information with which to understand and

anticipate certain risks to a government's financial condition. This standard had no impact on the District's financial statements.

Recently Issued Accounting Pronouncements

In April 2024, the GASB issued Statement No. 103, Financial Reporting Model Improvements, which will become effective for the fiscal year ending June 30, 2026. The objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In September 2024, the GASB issued Statement No. 104, Disclosure of Certain Capital Assets, which will become effective for the fiscal year ending June 30, 2026. The objective of this statement is to improve financial reporting by providing users of financial statements with essential information about certain types of capital assets to make informed decisions and assess accountability. Additionally, the disclosure requirements will improve consistency and comparability between governments. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

2. CHANGE TO OR WITHIN THE FINANCIAL REPORTING ENTITY

Addition of Discretely Presented Component Units. During the 2023-24 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 2024-25 fiscal year with amounts reported for the 2023-24 fiscal year. As a result of this change, beginning net position of the component units as a whole, totaling \$110.4 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 2024-25 fiscal year, the total millage rate levy was 6.314 mills (including 1.00 mills approved by voters in November 2022) and the total assessed value on which the levy was based was \$356.2 billion. Gross taxes levied were approximately \$2.249 billion. Total revenue, net of discounts, was approximately \$2.161 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 the 2024-25 fiscal year, the maintenance transfer amounted to approximately \$137.1 million. Additionally, approximately \$14.3 million was transferred for property insurance. The total transfer from nonvoted capital improvement funds was approximately \$151.4 million.

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 fair 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, 2025, the carrying amount of the District’s cash deposits was approximately \$329.1 million. The carrying amount of the Custodial Fund - School Internal Funds cash deposits was approximately \$23 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 do comply with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. 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 U.S. 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, 2025, 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	\$ 347,757	\$ -	\$ 347,757	0.14
Core Fund Investments				
U.S. Treasury - Bond/Notes	809,456	809,456	-	0.46
U.S. Treasury Bill	56,435	56,435	-	-
Municipal Bond Note	216	-	216	0.01
Corporate Notes	32,157	-	32,157	1.84
Bank Note	414	-	414	0.97
Total Investments by Fair Value Level	\$ 1,246,435	\$ 865,891	\$ 380,544	
Investments Reported at Amortized Cost				
FL Palm	580,406			
FL Palm (Term)	50,000			
Money Market Funds	303,985			
FL PRIME	132,511			
U.S. Treasury Note	3,259			
Total Investments Reported at Amortized Cost	1,070,161			
Total Investments	2,316,596			
Cash Deposits	329,140			
Total Cash, Cash Equivalents, and Investments*	\$ 2,645,736			

*Excludes Fiduciary Funds

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. 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. As of June 30, 2025, the District held \$32.2 million in corporate notes of which \$20.4 million in fair value is callable, which permit the issuer to redeem the securities prior to their original maturity date.

Concentration of Credit Risk

Concentration of credit risk is the risk of losses due to too high a concentration of investments in a single issuer. 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 and 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.

<u>PORTFOLIO / INVESTMENTS</u>	<u>CARRYING AMOUNT (in thousands)</u>	<u>PERCENTAGE OF INVESTMENT BALANCE</u>	<u>RATING S&P/ MOODY'S</u>
Money Market Funds			
Wells Fargo	\$ 167,062	6.31%	AAAm/Aaa-mf
Dreyfus Treasury and Agency	96,938	3.66%	AAAm/Aaa-mf
Federated Government Obligation	19,607	0.74%	AAAm/Aaa-mf
Fidelity Institutional Government Fund	20,378	0.77%	AAAm/Aaa-mf
FL Palm (Term)	50,000	1.89%	AAAm
FL Palm	580,406	21.94%	AAAm
Florida PRIME (SBA)	132,511	5.01%	AAAm
Commercial Paper	347,757	13.14%	(1)
Investments in Fixed Income Securities			
U.S. Treasury Bond/Note	812,715	30.72%	AA+/Aa
U.S. Treasury Bill	56,435	2.13%	A-1+/P-1
Municipal Bond/Note	216	0.01%	AA/Aa2
Corporate Notes	32,157	1.22%	(2)
Bank Note	414	0.02%	A+/Aa2
Total Investments	2,316,596	87.56%	
Plus Cash Deposits	329,140	12.44%	
Total Cash, Cash Equivalents, and Investments	<u>\$ 2,645,736</u>	<u>100.00%</u>	

(1) Commercial Paper rating range: S&P (A-1+ to A-1) and Moody's (P-1 to NR).

(2) Seventy-nine Corporate Notes rating range: S&P (AAA to BBB+) and Moody's (Aaa to Baa1).

As of June 30, 2025, 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. In addition, there were no investments in a single issuer that exceeded 5 percent of the investment portfolio.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. 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" category or better by any two Nationally Recognized Statistical Rating Organizations (NRSROs). The maximum length to maturity for corporate notes shall be 5.5 years from the date of purchase. As of June 30, 2025, the District held \$32.2 million of corporate notes which had an S&P rating between AAA and BBB+. All other rated investments were rated between BBB+ and AAAM by S&P. As of June 30, 2025, the Local Government Investment Pools were rated AAAM by S&P.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. 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, 2025, 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, 2025, the District had a total of approximately \$85.6 million in due from other governments or agencies which consisted of the following balances (in thousands):

	General Fund	Other Nonmajor Governmental Funds	Internal Service Fund	Total
Federal and State Sources:				
Medicaid*	\$ 11,779	\$ -	\$ -	\$ 11,779
Grant and Entitlements*	-	25,859	-	25,859
FEMA and Other Emergency Claims*	575	-	-	575
CO&DS	-	7,963	-	7,963
PECO	-	703	-	703
Local Sources:				
Impact Fees	-	21,000	-	21,000
Pharmacy Rebates	-	-	9,980	9,980
Other*	738	7,010	-	7,748
Total Due From Other Governments or Agencies	\$ 13,092	\$ 62,535	\$ 9,980	\$ 85,607

* 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, 2025, (in thousands):

	Interfund Receivables	Interfund Payables
General Fund	\$ 3,000	\$ -
Other Nonmajor Governmental Funds	100	3,100
Total Interfund	\$ 3,100	\$ 3,100

The amounts payable by the Other Governmental Funds are to cover temporary cash shortages related to timing of receipts.

Interfund transfers for the fiscal year ended June 30, 2025, as follows (in thousands):

Transfer from:	Transfer to:		
	General Fund	Other Nonmajor Governmental Funds	Total
Capital Improvement	\$ 151,448	\$ 172,025	\$ 323,473
Other Nonmajor Governmental Funds	12,421	55	12,476
Total	\$ 163,869	\$ 172,080	\$ 335,949

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, in addition to charter school capital outlay. Transfers to other non-major governmental funds mainly relate to amounts needed to make debt service payments.

7. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2025, is as follows (in thousands):

	Beginning Balance July 1, 2024	Additions and Transfers In	Retirements and Transfers Out	Ending Balance June 30, 2025
Non-Depreciable Assets:				
Land	\$ 351,457	\$ -	\$ -	\$ 351,457
Construction in Progress	56,812	117,237	33,942	140,107
Total Non-Depreciable Assets	408,269	117,237	33,942	491,564
Depreciable Assets:				
Improvements Other Than Buildings	72,883	4,497	91	77,289
Buildings and Improvements	4,488,547	36,952	6,546	4,518,953
Furniture, Fixtures, and Equipment	245,337	30,297	11,473	264,161
Motor Vehicles	129,948	24,944	14,128	140,764
Audio/Video Materials & Software	4,907	-	482	4,425
Lease Assets (See also Note 8.)	1,944	-	103	1,841
Subscription Assets (See also Note 9.)	44,971	28,963	12,004	61,930
Total Depreciable Assets	4,988,537	125,653	44,827	5,069,363
Less Depreciation and Amortization for:				
Improvements Other Than Buildings	(57,531)	(2,539)	(91)	(59,979)
Buildings and Improvements	(1,897,315)	(94,004)	(6,546)	(1,984,773)
Furniture, Fixtures, and Equipment	(157,691)	(30,262)	(10,752)	(177,201)
Motor Vehicles	(90,784)	(12,396)	(14,118)	(89,062)
Audio/Video Materials & Software	(3,449)	(364)	(482)	(3,331)
Lease Assets	(1,137)	(409)	(103)	(1,443)
Subscription Assets	(23,882)	(17,810)	(12,004)	(29,688)
Total Accumulated Depreciation and Amortization	(2,231,789)	(157,784)	(44,096)	(2,345,477)
Capital Assets, Net	\$ 3,165,017	\$ 85,106	\$ 34,673	\$ 3,215,450

Depreciation and amortization expense for the fiscal year ended June 30, 2025, of approximately \$157.8 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.

8. LEASES

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 on the Governmental Fund financial statements 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. 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 the related lease.

The classes and amounts of lease assets as of June 30, 2025, are as follows (in thousands):

	<u>Asset Balances</u>
GPS Systems	\$ 1,382
Equipment and Facilities	459
Total	\$ 1,841

A summary of changes in leases payable for the fiscal year ended June 30, 2025, is as follows (in thousands):

	<u>Amount Issued</u>	<u>Interest Rate</u>	<u>June 30, 2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2025</u>
GPS Systems	\$ 1,382	3.50%	\$ 671	\$ -	\$ (304)	\$ 367
Equipment and Facilities	562	3.50%	225	-	(138)	87
	<u>\$ 1,944</u>		<u>\$ 896</u>	<u>\$ -</u>	<u>\$ (442)</u>	<u>\$ 454</u>

Future minimum lease payments as of June 30, 2025, are as follows (in thousands):

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Principal and Interest</u>
2026	\$ 396	\$ 9	\$ 405
2027	58	-	58
	<u>\$ 454</u>	<u>\$ 9</u>	<u>\$ 463</u>

Leases Receivable

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. Leases receivable is included with accounts receivable, net, on the Governmental Fund financial statements. Future minimum lease payments and the present value of the minimum lease payments as of June 30, 2025, are as follows (in thousands):

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Principal and Interest</u>
2026	\$ 810	\$ 779	\$ 1,589
2027	844	749	1,593
2028	878	720	1,598
2029	914	689	1,603
2030	952	656	1,608
2031-2035	5,380	2,746	8,126
2036-2040	6,473	1,709	8,182
2041-2045	6,333	550	6,883
Total Minimum Lease Payments	\$ 22,584	\$ 8,598	\$ 31,182

9. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The District has recorded several multi-year subscription-based information technology arrangements (SBITAs) as a result of implementing GASB Statement No. 96. The District has several SBITAs for the right-to-use educational and non-educational software totaling \$61.9 million. The District has discounted the future minimum payments using its incremental borrowing rate of 3.5 and 4.5 percent.

The classes and amounts of SBITAs as of June 30, 2025, are as follows (in thousands):

	<u>Asset Balances</u>
Educational	\$ 15,880
Noneducational	46,050
	<u>\$ 61,930</u>

A summary of changes in SBITAs payable for the fiscal year ended June 30, 2025, is as follows (in thousands):

	<u>Amount Issued</u>	<u>Interest Rate</u>	<u>June 30, 2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2025</u>
Educational	\$ 15,976	3.5-4.5%	\$ 1,796	\$ 14,180	\$ (5,010)	\$ 10,966
Noneducational	32,007	3.5-4.5%	17,224	14,783	(14,227)	17,780
	<u>\$ 47,983</u>		<u>\$ 19,020</u>	<u>\$ 28,963</u>	<u>\$ (19,237)</u>	<u>\$ 28,746</u>

Future minimum lease payments as of June 30, 2025, are as follows (in thousands):

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Principal and Interest</u>
2026	\$ 10,900	\$ 1,173	\$ 12,073
2027	10,587	743	11,330
2028	3,599	303	3,902
2029	3,660	140	3,800
Total	<u>\$ 28,746</u>	<u>\$ 2,359</u>	<u>\$ 31,105</u>

10. 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, 2025, using a discounted rate 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, 2025, the liability for claims consisted of approximately \$21.4 million, \$6.9 million, and \$38.2 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 (in thousands):

	<u>Fiscal Year Ended June 30, 2024</u>	<u>Fiscal Year Ended June 30, 2025</u>
Beginning Balance	\$ 62,055	\$ 66,070
Additions:		
Current Year Claims and Changes in Estimates	257,937	267,344
Reductions:		
Claim Payments	<u>(253,922)</u>	<u>(266,915)</u>
Total	<u>\$ 66,070</u>	<u>\$ 66,499</u>

11. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2025, is as follows (in thousands):

	*Restated Beginning Balance July 1, 2024	Additions	Reductions	Ending Balance June 30, 2025	Amounts Due Within One Year
Governmental Activities:					
Bonds, Notes, and Other Payables:					
Notes/Loans Payable	\$ 1,525	\$ -	\$ (1,525)	\$ -	\$ -
Leases Payable (See Note 8.)	896	-	(442)	454	396
Subscriptions Payable (See Note 9.)	19,020	28,963	(19,237)	28,746	10,900
Capital Outlay Bond Issues	2,910	-	(424)	2,486	450
Certificates of Participation	1,413,830	275,425	(413,045)	1,276,210	155,160
	<u>1,438,181</u>	<u>304,388</u>	<u>(434,673)</u>	<u>1,307,896</u>	<u>166,906</u>
Plus Issuance Premium	115,886	19,148	(32,711)	102,323	-
Total Bonds, Notes, and Other Payables	<u>1,554,067</u>	<u>323,536</u>	<u>(467,384)</u>	<u>1,410,219</u>	<u>166,906</u>
Other Liabilities:					
Compensated Absences*	251,079	8,393	-	259,472	49,149
Self-Insurance					
Claims and Judgments (See Note 10.)	66,070	267,344	(266,915)	66,499	29,120
Arbitrage Rebate Liability	2,964	2,134	(612)	4,486	-
Net OPEB Liability (See Note 13.)	103,828	5,436	-	109,264	3,793
Net Pension Liability (See Note 12.)	1,509,594	-	(81,436)	1,428,158	-
	<u>1,933,535</u>	<u>283,307</u>	<u>(348,963)</u>	<u>1,867,879</u>	<u>82,062</u>
Total Other Liabilities	<u>1,933,535</u>	<u>283,307</u>	<u>(348,963)</u>	<u>1,867,879</u>	<u>82,062</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 3,487,602</u>	<u>\$ 606,843</u>	<u>\$ (816,347)</u>	<u>\$ 3,278,098</u>	<u>\$ 248,968</u>

*Beginning balance restated for GASB Statement No. 101, *Compensated Absences*. Addition shown is net change in liability.

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 September 6, 2019, the District entered into a 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 5 years and matured on August 1, 2024.

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

<u>Equipment Loans</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, 2024</u>	<u>Debt Redeemed</u>	<u>Debt Outstanding June 30, 2025</u>
2019	09/06/19	\$ 14,700	0.000%	08/01/24	\$ 1,525	\$ 1,525	\$ -

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, 2025, the District has no direct borrowings 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.

State Board of Education Capital Outlay Bond Issues

State Board of Education (SBE) 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 (SBA) determines the annual sinking fund requirements. The amounts necessary to retire bonds and interest payable are withheld from the entitlement to the District. The interest rate on the COBI bonds is 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 (in thousands):

Capital Outlay Bond Issues	Date of Issue	Amount Issued	Remaining Interest Rates (Percent)	Final Maturity Date	Debt Outstanding June 30, 2024	Debt Redeemed	Debt Outstanding June 30, 2025
COBI 2020-A	01/14/20	\$ 4,918	5.00%	01/01/30	\$ 2,910	\$ 424	\$ 2,486

The debt service requirements through maturity to the holders of the COBI are as follows (in thousands):

Year Ended June 30	Principal	Interest	Total Principal and Interest
2026	\$ 450	\$ 124	\$ 574
2027	472	102	574
2028	493	78	571
2029	521	54	575
2030	550	27	577
Total	\$ 2,486	\$ 385	\$ 2,871

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 \$3.7 million subsidy as interest expense.

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, Series 2022A, Series 2022B, Series 2023A, Series 2024A, Series 2025A, 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, 2024	Debt Issued	Debt Matured	Debt Refunded/Deceased	Debt Outstanding June 30, 2025	Ground Lease Term
2010A QSCB	11/15/2010	\$ 67,665	5.40%	* 08/01/2025	\$ 67,665	\$ -	\$ -	\$ -	\$ 67,665	08/01/2032
2014B (1)	06/27/2014	166,010	5.00%	08/01/2025	39,510	-	19,325	-	20,185	08/01/2025
2015B (2)	01/14/2015	145,535	0.00%	08/01/2031	90,625	-	9,490	81,135	-	08/01/2031
2015C (3)	10/28/2015	62,970	0.00%	08/01/2032	62,970	-	-	62,970	-	08/01/2032
2015D (4)	04/30/2015	221,640	0.00%	08/01/2032	173,585	-	6,735	166,850	-	08/01/2032
2017A (5)	10/11/2017	147,850	5.00%	08/01/2027	112,295	-	15,830	-	96,465	08/01/2027
2017B (6)	12/26/2017	41,945	5.00%	08/01/2028	29,245	-	6,690	-	22,555	08/01/2032
2018A (7)	02/13/2018	114,770	5.00%	08/01/2027	55,635	-	12,965	-	42,670	08/01/2027
2018B (8)	02/28/2018	103,955	5.00%	08/01/2028	80,995	-	7,065	-	73,930	08/01/2028
2018C (9)	02/28/2018	120,790	5.00%	08/01/2029	102,235	-	7,145	-	95,090	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 (10)	05/20/2022	39,610	1.37%	** 08/01/2029	34,180	-	5,505	-	28,675	08/01/2029
2022B	09/15/2022	185,900	5.00-5.25%	08/01/2040	174,660	-	11,340	-	163,320	08/01/2045
2023A	12/11/2023	140,750	5.00%	08/01/2040	140,750	-	-	-	140,750	08/01/2045
2024A (11)	05/06/2024	33,820	1.37%	** 08/01/2031	33,820	-	-	-	33,820	08/01/2031
2025A (12)	06/03/2025	275,425	5.00%	08/01/2032	-	275,425	-	-	275,425	08/01/2032
		<u>\$ 2,084,295</u>			<u>\$ 1,413,830</u>	<u>\$ 275,425</u>	<u>\$ 102,090</u>	<u>\$ 310,955</u>	<u>\$ 1,276,210</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 a portion of Series 2011 B Certificates of Participation, (which previously refunded Series 2001B Certificates of Participation).
- (2) Issued to advance refund and defease a portion of Series 2006A Certificates of Participation.**
- (3) Issued to advance refund and defease portions of Series 2011A Certificates of Participation (which previously refunded Series 2007B Certificates of Participation). **

- (4) Issued to advance refund and defease a portion of Series 2007A Certificates of Participation and 2007E Certificates of Participation.**
- (5) Issued to advance refund and defease a portion of Series 2007C Certificates of Participation (which previously refunded Series 2001A Certificates of Participation and 2002C Certificates of Participation).**
- (6) Issued to advance refund and defease Series 2011A Certificates of Participation and 2012A Certificates of Participation (which previously refunded Series 2007B Certificates of Participation and 2002D Certificates of Participation).**
- (7) Issued to advance refund and defease Series 2014A Certificates of Participation and terminate the 2002B Certificates of Participation SWAP. **
- (8) Issued to advance refund and defease Series 2012B Certificates of Participation (which previously refunded Series 2002D Certificates of Participation) and terminate the 2002D Certificates of Participation SWAP. **
- (9) Issued to advance refund and defease Series 2003B Certificates of Participation. **
- (10) Issued to refund and defease Series 2012C Certificates of Participation.**
- (11) Issued to refund and defease Series 2014C (which previously refunded Series 2007A Certificates of Participation).**
- (12) Issued to refund and defease Series 2015B Certificates of Participation (which previously refunded a portion of Series 2006A Certificates of Participation), 2015C Certificates of Participation (which previously refunded portions of Series 2011A Certificates of Participation), and 2015D Certificates of Participation (which previously refunded portions of Series 2007A Certificates of Participation and 2007E 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 fiscal year ended June 30, 2025, \$71.3 million was expended for capital outlay in the COPs 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, 2025, the District has two direct placements with \$62.5 million outstanding under the COP Master Lease.

Events of default related to COPs 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, 2025, the arbitrage and yield restriction liability was \$4.5 million.

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

Year Ended June 30	Series 2014B	Series 2017A	Series 2017B	Series 2018A	Series 2018B	Series 2018C
2026	\$ 20,185	\$ 16,740	\$ 5,625	\$ 13,535	\$ 7,205	\$ 9,115
2027	-	38,730	-	14,225	7,575	4,070
2028	-	40,995	-	14,910	7,860	4,065
2029	-	-	16,930	-	51,290	2,995
2030	-	-	-	-	-	74,845
2031-2035	-	-	-	-	-	-
2036-2040	-	-	-	-	-	-
2041	-	-	-	-	-	-
Total	<u>\$ 20,185</u>	<u>\$ 96,465</u>	<u>\$ 22,555</u>	<u>\$ 42,670</u>	<u>\$ 73,930</u>	<u>\$ 95,090</u>

Year Ended June 30	Series 2020A	Series 2021A	Series 2021B	Series 2022A	Series 2022B	Series 2023A
2026	\$ -	\$ -	\$ -	\$ 5,580	\$ 9,190	\$ -
2027	-	-	-	5,655	9,860	-
2028	-	-	-	5,735	10,345	-
2029	-	-	-	5,815	10,870	-
2030	-	-	-	5,890	11,340	-
2031-2035	103,820	-	-	-	-	1,850
2036-2040	-	80,965	9,935	-	90,635	112,835
2041	-	20,940	-	-	21,080	26,065
Total	<u>\$ 103,820</u>	<u>\$ 101,905</u>	<u>\$ 9,935</u>	<u>\$ 28,675</u>	<u>\$ 163,320</u>	<u>\$ 140,750</u>

Year Ended June 30	Series 2024A	Series 2010A QSCB	Series 2025A	Total Lease Payment	Total Interest	Total Lease and Payment Interest
2026	\$ 320	\$ 67,665	\$ -	\$ 155,160	\$ 53,274	\$ 208,434
2027	325	-	35,635	116,075	51,241	167,316
2028	330	-	37,420	121,660	45,516	167,176
2029	8,225	-	31,400	127,525	39,651	167,176
2030	8,335	-	32,980	133,390	33,641	167,031
2031-2035	16,285	-	137,990	259,945	120,976	380,921
2036-2040	-	-	-	294,370	55,981	350,351
2041	-	-	-	68,085	1,729	69,814
Total	<u>\$ 33,820</u>	<u>\$ 67,665</u>	<u>\$ 275,425</u>	<u>\$ 1,276,210</u>	<u>\$ 402,009</u>	<u>\$ 1,678,219</u>

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 \$148.1 million and \$19.9 million based on Board policy which recommends no more than 50 percent of capital millage levy be used for COP debt service. During the 2024-25 fiscal year, debt service payments remained in compliance at 37.7 percent of capital millage proceeds.

Refunding and In-Substance Defeasance of Debt with Existing Resources

On June 3, 2025, the District issued COP Series 2025A in the amount of \$275.4 million with an interest rate of 5.0 percent and maturity of August 2032. The Series 2025A is a tax-exempt instrument and was issued to refund Series 2015C and portions of Series 2015B and 2015D. The District made a payment of \$293.2 million recorded in the fund level financial statements as a payment to escrow agent. As a result of the refunding, the District achieved an economic gain of \$19 million, or 6.1 percent of the principal amount being refunded and the difference in cash flows between the new debt and the old debt is a savings of \$22 million. The liability for the refunded certificates was removed from the District's financial statements in the current year.

On June 3, 2025, the District placed resources other than proceeds of the refunding debt in an escrow account for the purpose of extinguishing principal payments totaling \$17.7 million related to August 1, 2025, principal payments for Series 2015B and 2015D, which were not callable. As a result of this transaction, this portion of the Series 2015B and 2015D are considered to be defeased in substance and the liability has been removed from the District's financial statements in the current year. The \$17.7 million was recorded as debt service expenditures in the current year.

As of June 30, 2025, the total amount of refunded and defeased debt outstanding but removed from the District's financial statements totaled \$311 million.

<u>Series</u>	<u>Maturities</u>	<u>Outstanding (in thousands)</u>	<u>Call Date for Refunded Portion</u>	<u>Refunded</u>	<u>Defeased*</u>	<u>Total Refunded and Defeased</u>
2015B	8/1/2031	\$ 81,135	8/1/2025	\$ 71,170	\$ 9,965	\$ 81,135
2015C	8/1/2032	62,970	8/1/2025	62,970	-	62,970
2015D	8/1/2032	166,850	8/1/2025	159,070	7,780	166,850
		<u>\$ 310,955</u>		<u>\$ 293,210</u>	<u>\$ 17,745</u>	<u>\$ 310,955</u>

*The defeased amount is recorded as principal payment in the Governmental Funds.

12. RETIREMENT PLANS

General Information about the FRS

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option

Program (DROP) 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 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 Outflow/Inflow 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):

	Net Pension Liability	Deferred Outflow of Resources	Deferred Inflow of Resources	Pension Expense/ Credit
District's Proportion of the FRS Pension Plan	\$ 937,921	\$ 389,219	\$ 98,865	\$ 83
District's Proportion of the HIS Pension Plan	490,237	49,898	74,627	(8,239)
Total	\$ 1,428,158	\$ 439,117	\$ 173,492	\$ (8,156)

FRS Pension Plan – Defined Benefit

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

- *Regular* – Members of the FRS who do not qualify for membership in the other classes.
- *Elected County Officers* – Members who hold specified elective 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 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 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. Employees enrolled in 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 participating employer. An employee may participate in DROP for a period not to exceed 96 months after electing to participate, except that certain instructional personnel may participate for up to 120 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 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 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 table 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 was initially enrolled in the Plan 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 was initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 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 2024-25 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	13.63
FRS, Elected County Officers	3.00	58.68
FRS, Senior Management Service	3.00	34.52
FRS, Special Risk Regular	3.00	32.79
DROP – Applicable to Members from All of the Above Classes	0.00	21.13
FRS, Reemployed Retiree	(2)	(2)

(1) Employer rates include 2 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.06 percent for administrative costs of the Investment Plan.

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

The District’s contributions to the Plan totaled \$146.4 million for the fiscal year ended June 30, 2025. 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, 2025, the District reported a liability of \$937.9 million for its proportionate share of the Plan’s net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024. The District’s proportionate share of the net pension liability was based on the District’s 2023-24 fiscal year contributions relative to the total 2023-24 fiscal year contributions of all participating members. At June 30, 2024, the District’s proportionate share was 2.4245 percent, which was a decrease of 0.056 from its proportionate share measured as of June 30, 2023.

For the fiscal year ended June 30, 2025, the District recognized a Plan pension expense of \$146.4 million. 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	\$ 94,755	\$ -
Change of Assumptions	128,551	-
Net Difference Between Projected and Actual Earnings on FRS Pension Plan Investments	-	62,339
Changes in Proportion and Differences Between District FRS Contributions and Proportionate Share of Contributions	19,562	36,526
District FRS Contributions Subsequent to the Measurement Date	146,351	-
Total	\$ 389,219	\$ 98,865

The deferred outflows of resources related to pensions resulting from District contributions to the Plan subsequent to the measurement date, totaling \$146.4 million, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2026. 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>
2026	\$ (20,348)
2027	150,381
2028	3,821
2029	(2,379)
2030	10,160
Thereafter	2,368
Total	\$ 144,003

Actuarial Assumptions. The total pension liability in the July 1, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary Increases	3.50 percent, average, including inflation
Investment Rate of Return	6.70 percent, net of pension plan investment expense, including inflation

Salary increases were changed from 3.25 percent in the previous valuation to 3.50 percent.

Mortality rates were based on the PUB-2010 base table, projected generationally with Scale MP-2021. This is a change from the previous valuation in which the mortality rates were based on the PUB-2010 base table, projected generationally with Scale MP-2018.

The actuarial assumptions used in the July 1, 2024, valuation were based on the results of an actuarial experience study for the period July 1, 2018, through June 30, 2023.

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:

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	3.3%	3.3%	1.1%
Fixed Income	29.0%	5.7%	5.6%	3.9%
Global Equity	45.0%	8.6%	7.0%	18.2%
Real Estate	12.0%	8.1%	6.8%	16.6%
Private Equity	11.0%	12.4%	8.8%	28.4%
Strategic Investments	2.0%	6.6%	6.2%	8.7%
Total	100%			
Assumed inflation - Mean			2.4%	1.5%

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

Discount Rate. The discount rate used to measure the total pension liability was 6.7 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The discount rate used in the 2024 valuation was unchanged from the previous valuation.

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 6.7 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 (5.7 percent) or 1 percentage point higher (7.7 percent) than the current rate (in thousands):

	1% Decrease (5.7%)	Current Discount Rate (6.7%)	1% Increase (7.7%)
District's Proportionate Share of the Net Pension Liability	\$ 1,649,770	\$ 937,921	\$ 341,596

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, 2025, the District reported a payable of \$27.8 million for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2025.

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 Florida Department of Management Services, Division of Retirement.

Benefits Provided. For the fiscal year ended June 30, 2025, eligible retirees and beneficiaries received a monthly HIS payment of \$7.50 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$45 and a maximum HIS payment of \$225 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, 2025, the contribution rate was 2 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 3 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 \$27.8 million for the fiscal year ended June 30, 2025.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2025, the District reported a net pension liability of \$490.2 million for its proportionate share of the HIS Plan's net pension liability. The current portion of the net pension liability is the District's proportionate share of benefit payments expected to be paid within 1 year, net of the District's proportionate share of the HIS Plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024. The District's proportionate share of the net pension liability was based on the District's 2023-24 fiscal year contributions relative to the total 2023-24 fiscal year contributions of all participating members. At June 30, 2024, the District's proportionate share was 3.268 percent, which was a decrease of 0.013 from its proportionate share measured as of June 30, 2023.

For the fiscal year ended June 30, 2025, the District recognized the HIS Plan pension expense of \$19.5 million. 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	\$ 4,734	\$ 941
Change of Assumptions	8,676	58,038
Net Difference Between Projected and Actual Earnings on HIS Pension Plan Investments	-	177
Changes in Proportion and Differences Between District HIS Contributions and Proportionate Share of Contributions	8,699	15,471
District HIS Contributions Subsequent to the Measurement Date	27,789	-
Total	\$ 49,898	\$ 74,627

The deferred outflows of resources related to pensions resulting from District contributions to the HIS Plan subsequent to the measurement date, totaling \$27.8 million, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2026. 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>
2026	\$ (8,216)
2027	(9,637)
2028	(15,034)
2029	(11,717)
2030	(6,392)
Thereafter	(1,522)
Total	\$ (52,518)

Actuarial Assumptions. The total pension liability in the July 1, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary Increases	3.50 percent, average, including inflation
Municipal Bond Rate	3.93 percent

Salary increases were changed from 3.25 percent in the previous valuation to 3.50 percent.

Mortality rates were based on the PUB-2010 base table, projected generationally with Scale MP-2021. This is a change from the previous valuation in which the mortality rates were based on the PUB-2010 base table, projected generationally with 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 3.93 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent

to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The discount rate changed from 3.65 percent to 3.93 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 3.93 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.93 percent) or 1 percentage point higher (4.93 percent) than the current rate (in thousands):

	1% Decrease (2.93%)	Current Discount Rate (3.93%)	1% Increase (4.93%)
District's Proportionate Share of the Net Pension Liability	\$ 558,072	\$ 490,237	\$ 433,923

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, 2025, the District reported a payable of \$5 million for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2025.

FRS – Defined Contribution Pension Plan

The SBA administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA's annual financial statements and in the State's Annual Comprehensive Financial Report.

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. Retirement benefits are based upon the value of the member's account upon retirement. 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, 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. 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. Allocations to the Investment Plan member accounts during the 2024-25 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Compensation</u>
FRS, Regular	11.30
FRS, Elected County Officers	16.34
FRS, Senior Management Service	12.67
FRS, Special Risk Regular	19.00

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, regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 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. For the fiscal year ended June 30, 2025, 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 in which 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 contribution to the Investment Plan totaled \$30.1 million for the fiscal year ended June 30, 2025. This excludes the HIS defined benefit pension plan contributions.

Payables to the Investment Plan. At June 30, 2025, the District reported a payable of \$5.8 million for the outstanding amount of contributions to the Investment Plan required for the fiscal year ended June 30, 2025.

13. Other Postemployment Benefit Obligations

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, 2025.

Plan Description. The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the District that provides OPEB for all employees who satisfy the District's retirement eligibility provisions. 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 Statement No. 75.

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

Employees Covered by Benefit Terms. At June 30, 2025, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	20,734
Active Employees	<u>348</u>
Total	<u>21,082</u>

Total OPEB Liability. The District's total OPEB liability of \$109.3 million was measured as of June 30, 2025, and was determined by an actuarial valuation as of June 30, 2025.

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	5.20 percent
Salary Increase Rate	3.50 percent per annum
Inflation	2.60 percent per annum
Census Data	Provided by the District as of June 2025
Marriage Rate	The assumed number of eligible dependents is based on the current proportions of employees with spouses reported in the census provided.
Spouse Age	Spouse dates of birth were provided by the District. Where this information is missing, male spouses are assumed to be 3 years older than female spouses.
Medicare Eligibility	All current and future retirees are assumed to be eligible for Medicare at age 65.
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 17.5 years starting the current fiscal year, equal to the average remaining service of active and inactive plan members (who have no future service).
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 40 percent of all employees and their dependents who are eligible for early retiree benefits will participate in the retiree medical plan. This assumes that a one-time irrevocable election to participate is made at retirement. The assumption is based on the actual participation experience covering calendar years ending 2018 through 2022.

Mortality Rates	PUB-2010 headcount weighted base mortality table, projected generationally using Scale MP-2021, applied on a gender-specific and job class basis (teacher, safety, or general, as applicable).									
Healthcare Cost Trend Rate	The health care cost trend assumptions are used to project the cost of health care in future years. The following annual trends are applied on a select and ultimate basis. Select trends are reduced 0.39 percent each year for 9 years, and 0.10 percent thereafter until reaching the ultimate trend rate.									
	<table border="0" style="width: 100%;"> <thead> <tr> <th style="text-align: left;"><u>Expense Type</u></th> <th style="text-align: right;"><u>Select</u></th> <th style="text-align: right;"><u>Ultimate</u></th> </tr> </thead> <tbody> <tr> <td>Pre-Medicare Medical and Rx Benefits</td> <td style="text-align: right;">8.50%</td> <td style="text-align: right;">4.0%</td> </tr> <tr> <td>Administrative Fees</td> <td style="text-align: right;">4.0%</td> <td style="text-align: right;">4.0%</td> </tr> </tbody> </table>	<u>Expense Type</u>	<u>Select</u>	<u>Ultimate</u>	Pre-Medicare Medical and Rx Benefits	8.50%	4.0%	Administrative Fees	4.0%	4.0%
<u>Expense Type</u>	<u>Select</u>	<u>Ultimate</u>								
Pre-Medicare Medical and Rx Benefits	8.50%	4.0%								
Administrative Fees	4.0%	4.0%								
Per-Capita Health Claim Cost	Per capita claim costs were developed using 24 months of historical claim experience through April 2025.									
Non-Claim Expenses	Non-claim expenses are based on the current amounts charged per retired employee. Expenses during the 2025 fiscal year is \$50.53 PEPM.									
Plan Election Percentage	Based on current retiree plan elections, future retirees are assumed to elect plan coverage at the rates below.									
	<table border="0" style="width: 100%;"> <thead> <tr> <th style="text-align: left;">Plan Name</th> <th style="text-align: right;">Election Rate</th> </tr> </thead> <tbody> <tr> <td>EPO</td> <td style="text-align: right;">35%</td> </tr> <tr> <td>HMO</td> <td style="text-align: right;">63%</td> </tr> <tr> <td>CDHP</td> <td style="text-align: right;">2%</td> </tr> </tbody> </table>	Plan Name	Election Rate	EPO	35%	HMO	63%	CDHP	2%	
Plan Name	Election Rate									
EPO	35%									
HMO	63%									
CDHP	2%									
Termination	The rate of withdrawal is based on the withdrawal assumption used in the Florida Retirement System Actuarial Valuation as of July 1, 2024. The rate of withdrawal for reasons other than death and retirement is dependent on an employee's job class, gender, age, and years of service.									
Retirement Age	Values are based on the 2024 FRS Actuarial Valuation retirement assumptions for regular non K-12 school instructional employees and regular K-12 instructional employees.									

The discount rate was based on the daily rate of Bond Buyer 20-Bond General Obligation Index closest to but not later than the measurement date.

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 health care 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.

	<u>Amount</u>
Balance at June 30, 2024	<u>\$ 103,828</u>
Changes for the year:	
Service Cost	5,453
Interest	4,236
Differences Between Expected and Actual Experience	(18,662)
Changes of Assumptions or Other Inputs	17,413
Benefit Payments	<u>(3,004)</u>
Net Changes	<u>5,436</u>
Balance at June 30, 2025	<u>\$ 109,264</u>

The valuation incorporates the following assumption changes from the prior valuation:

- The discount rate was updated from 3.93 percent to 5.20 percent.
- The trend rates were updated to an initial rate of 8.50 percent (7.50 percent for Post-65) grading down to an ultimate rate of 4.00 percent. The select trend rates are updated to reflect the higher than anticipated rising health care costs environment.
- The retirement and termination rates were updated to the rates from the 2024 Florida Retirement System (FRS) Actuarial Valuation.
- The salary increase assumption was updated from 3.25 percent to 3.50 percent based on the 2024 FRS Valuation's payroll growth assumption.
- The inflation assumption increased from 2.5 percent to 2.6 percent per annum.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following table 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 (4.2 percent) or 1 percentage point higher (6.2 percent) than the current rate (in thousands):

	<u>1% Decrease (4.2%)</u>	<u>Current Discount Rate (5.2%)</u>	<u>1% Increase (6.2%)</u>
Total OPEB Liability	\$ 119,146	\$ 109,264	\$ 100,346

Sensitivity of the Total OPEB Liability to Changes in the Health care Cost Trend Rates. The following table 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 health care cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current health care cost trend rates (in thousands):

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 96,788	\$ 109,264	\$ 124,016

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the fiscal year ended June 30, 2025, the District recognized OPEB expense of \$10.5 million. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB 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	\$ 10,272	\$ 51,187
Changes of Assumptions or Other Inputs	71,022	14,577
Total	\$ 81,294	\$ 65,764

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>
2026	\$ 779
2027	779
2028	779
2029	779
2030	816
Thereafter	11,598
Total	\$ 15,530

14. 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 \$91 million or 3.4 percent of general fund total expenditures.

The following table shows the District's fund balance classification on June 30, 2025, (in thousands):

	Major Funds			Other Nonmajor Governmental	Total Governmental
	General	Capital Improvement	Sales Tax		
Fund Balances					
<u>Nonspendable:</u>					
<u>Inventory:</u>					
Child Nutrition	\$ -	\$ -	\$ -	\$ 4,997	\$ 4,997
Transportation	692	-	-	-	692
Warehouse	1,602	-	-	-	1,602
Other	387	-	-	-	387
Total Nonspendable	<u>2,681</u>	<u>-</u>	<u>-</u>	<u>4,997</u>	<u>7,678</u>
<u>Restricted for:</u>					
Categorical Carryover Programs	11,878	-	-	-	11,878
IB, AP, AICE, & Industry Cert. Prog.	26,445	-	-	-	26,445
Industry Certification	12,075	-	-	-	12,075
School Improvement	1,979	-	-	-	1,979
Local Sales Tax Projects	-	-	652,897	-	652,897
Workforce Development	7,437	-	-	-	7,437
Referendum	8,681	-	-	-	8,681
Grant Funds	-	-	-	81	81
Child Nutrition	-	-	-	13,447	13,447
Debt Service	-	-	-	181,264	181,264
Capital Projects	-	646,602	-	134,359	780,961
Total Restricted	<u>68,495</u>	<u>646,602</u>	<u>652,897</u>	<u>329,151</u>	<u>1,697,145</u>
<u>Committed to:</u>					
The Education Network Program	-	-	-	13	13
<u>Assigned to:</u>					
<u>School Operations:</u>					
School Support	51,345	-	-	-	51,345
Instructional Materials	18,640	-	-	-	18,640
Instruction and Instructional Support	450	-	-	-	450
General & School Administration	275	-	-	-	275
Central Services and Capital Outlay	30	-	-	-	30
Operation and Maintenance of Plant	4,419	-	-	-	4,419
<u>Community Services:</u>					
After Care/Summer Camp	19,012	-	-	-	19,012
Pre-K/VPK Fee Based Activities	4,655	-	-	-	4,655
Community Schools	1,100	-	-	-	1,100
Other	227	-	-	-	227
Capital Projects	-	-	-	5,059	5,059
BP Oil and JUUL Settlement	18,300	-	-	-	18,300
Spectrum Lease	5,504	-	-	-	5,504
Carryover - One-Time Funds	555	-	-	-	555
Misc Local Grants/Donations	6,926	-	-	-	6,926
Assigned for Other Purposes	50	-	-	2,931	2,981
Next Year Budget Appropriations	160,373	-	-	-	160,373
Total Assigned	<u>291,861</u>	<u>-</u>	<u>-</u>	<u>7,990</u>	<u>299,851</u>
Unassigned	<u>91,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>91,000</u>
Total Fund Balances	<u>\$ 454,037</u>	<u>\$ 646,602</u>	<u>\$ 652,897</u>	<u>\$ 342,151</u>	<u>\$ 2,095,687</u>

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 conditions specified in the grant agreements are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the District.

The District is 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 \$309.1 million and other encumbrances of \$10.5 million as of June 30, 2025, and are shown below (in thousands):

	<u>Encumbrances</u>	<u>Construction Commitments</u>	<u>Total</u>
General Fund	\$ 5,400	\$ -	\$ 5,400
Capital Improvement	-	116,586	116,586
Sales Tax	-	122,741	122,741
Other Nonmajor Governmental	5,079	69,749	74,828
Total Commitments	<u>\$ 10,479</u>	<u>\$ 309,076</u>	<u>\$ 319,555</u>

OTHER REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule General Fund For the Fiscal Year Ended June 30, 2025 (amounts expressed in thousands)

	Budgeted Amounts		Actual (Budgetary Basis)	Variances -	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
REVENUES					
Local Sources	\$ 1,711,115	\$ 1,775,178	\$ 1,775,178	\$ 64,063	\$ -
State Sources	725,901	746,256	746,381	20,355	125
Federal Sources	5,804	8,123	8,123	2,319	-
TOTAL REVENUES	<u>2,442,820</u>	<u>2,529,557</u>	<u>2,529,682</u>	<u>86,737</u>	<u>125</u>
EXPENDITURES					
Instruction	1,984,262	2,027,880	1,783,260	(43,618)	244,620
Instructional Support Services	218,899	222,315	208,060	(3,416)	14,255
Board	13,078	13,451	9,761	(373)	3,690
General Administration	13,285	14,074	14,070	(789)	4
School Administration	140,170	145,205	145,190	(5,035)	15
Facilities Acquisition and Construction	17,500	27,524	12,749	(10,024)	14,775
Fiscal Services	8,937	9,599	9,489	(662)	110
Food Services	88	231	177	(143)	54
Central Services	49,396	60,152	57,983	(10,756)	2,169
Student Transportation Services	64,617	67,904	65,056	(3,287)	2,848
Operation of Plant	251,373	253,355	213,735	(1,982)	39,620
Maintenance of Plant	156,509	133,529	120,284	22,980	13,245
Administrative Technology Services	6,919	7,132	7,041	(213)	91
Community Services	63,945	72,185	50,169	(8,240)	22,016
Debt Service	-	19,679	19,679	(19,679)	-
TOTAL EXPENDITURES	<u>2,988,978</u>	<u>3,074,215</u>	<u>2,716,703</u>	<u>(85,237)</u>	<u>357,512</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(546,158)</u>	<u>(544,658)</u>	<u>(187,021)</u>	<u>1,500</u>	<u>357,637</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	194,332	163,869	163,869	(30,463)	-
Transfers Out	-	-	-	-	-
Issuance of Debt - Leases	-	-	-	-	-
Issuance of Debt - SBITA	-	28,963	28,963	28,963	-
Sale of capital assets	-	-	-	-	-
Proceeds from loss recoveries	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>194,332</u>	<u>192,832</u>	<u>192,832</u>	<u>(1,500)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (351,826)</u>	<u>\$ (351,826)</u>	<u>5,811</u>	<u>\$ -</u>	<u>\$ 357,637</u>
FUND BALANCE, JULY 1, 2024 (GAAP BASIS)			<u>442,826</u>		
FUND BALANCE, JUNE 30, 2025 (BUDGETARY BASIS)			<u>448,637</u>		
Adjustment To Conform With GAAP:					
Elimination of Encumbrances			<u>5,400</u>		
FUND BALANCE, JUNE 30, 2025 (GAAP BASIS)			<u>\$ 454,037</u>		

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Total OPEB Liability					
Service Cost	\$ 5,453	\$ 5,247	\$ 3,509	\$ 4,439	\$ 8,911
Interest	4,236	3,827	2,296	1,527	4,583
Changes of Benefit Terms	-	-	-	-	(110,639)
Differences Between Expected and Actual Experience	(18,662)	-	12,249	-	(43,937)
Changes of Assumptions or Other Inputs	17,413	(2,539)	24,395	(8,316)	10,565
Benefit Payments	(3,004)	(4,646)	(3,728)	(1,382)	(1,962)
Net Change in Total OPEB Liability	<u>5,436</u>	<u>1,889</u>	<u>38,721</u>	<u>(3,732)</u>	<u>(132,479)</u>
Total OPEB Liability - Beginning	<u>103,828</u>	<u>101,939</u>	<u>63,218</u>	<u>66,950</u>	<u>199,429</u>
Total OPEB Liability - Ending	<u>\$ 109,264</u>	<u>\$ 103,828</u>	<u>\$ 101,939</u>	<u>\$ 63,218</u>	<u>\$ 66,950</u>
Covered-Employee Payroll	\$ 1,176,716	\$ 1,112,084	\$ 1,077,078	\$ 1,033,963	\$ 1,003,847
Total OPEB Liability as a Percentage of Covered-Employee Payroll	9.29%	9.34%	9.46%	6.11%	6.67%
	<u>2020</u>	<u>2019</u>	<u>2018</u>		
Total OPEB Liability					
Service Cost	\$ 7,678	\$ 7,418	\$ 7,142		
Interest	5,688	5,591	5,546		
Changes of Benefit Terms	-	-	-		
Differences Between Expected and Actual Experience	-	(3,464)	-		
Changes of Assumptions or Other Inputs	34,006	14,398	(7,413)		
Benefit Payments	(5,594)	(4,455)	(6,557)		
Net Change in Total OPEB Liability	<u>41,778</u>	<u>19,488</u>	<u>(1,282)</u>		
Total OPEB Liability - Beginning	<u>157,651</u>	<u>138,163</u>	<u>139,445</u>		
Total OPEB Liability - Ending	<u>\$ 199,429</u>	<u>\$ 157,651</u>	<u>\$ 138,163</u>		
Covered-Employee Payroll	\$ 989,952	\$ 956,475	\$ 1,036,539		
Total OPEB Liability as a Percentage of Covered-Employee Payroll	20.15%	16.48%	13.33%		

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

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
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%
2022	2.5971%	966,322	1,238,673	78.01%	82.89%
2023	2.4808%	988,526	1,298,140	76.15%	82.38%
2024	2.4245%	937,921	1,397,285	67.12%	83.70%

(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)**
(amounts expressed in thousands)

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
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	83,249	(83,249)	-	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%
2023	119,343	(119,343)	-	1,298,140	9.19%
2024	137,292	(137,292)	-	1,397,285	9.83%
2025	146,351	(146,351)	-	1,455,570	10.05%

(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)**
(amounts expressed in thousands)

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
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%
2022	3.3912%	359,183	1,238,673	29.00%	4.81%
2023	3.2810%	521,068	1,298,140	40.14%	4.12%
2024	3.2680%	490,237	1,397,285	35.08%	4.80%

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

**Schedule of District Contributions –
Health Insurance Subsidy Pension Plan (1)**
(amounts expressed in thousands)

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
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%
2023	21,583	(21,583)	-	1,298,140	1.66%
2024	27,688	(27,688)	-	1,397,285	1.98%
2025	27,789	(27,789)	-	1,455,570	1.91%

Change in Assumption:

The discount rate was changed from 3.65 percent as of June 30, 2023 to 3.93 percent as of June 30, 2024.

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

Budgetary Basis of Accounting

The Board follows procedures established by State law and State Board of Education (SBE) rules in establishing budget balances for governmental funds, as described below:

- Budgets are prepared, public hearings are held, and original budgets are adopted annually for all governmental fund types in accordance with procedures and time intervals prescribed by State law and SBE rules.
- Appropriations are controlled at the object level (e.g., salaries, purchased services, and capital outlay) within each activity (e.g., instruction, student transportation services, and school administration) and may be amended by resolution at any Board meeting prior to the due date for the annual financial report.
- Budgets are prepared using the same modified accrual basis as is used to account for governmental funds, except that no budget appropriation is made for leases in the year of inception.
- Budgetary information is integrated into the accounting system and, to facilitate budget control, budget balances are encumbered when purchase orders are issued. Appropriations lapse at fiscal year end and encumbrances outstanding are honored from the subsequent year's appropriations.

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

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

Changes of Assumptions. In 2025, the discount rate was changed from 3.93 percent to 5.20 percent; the trend rates were updated to an initial rate of 8.50 percent (7.50 percent for Post-65) grading down to an ultimate rate of 4.00 percent; the retirement and termination rates were updated to the rates from the 2024 FRS actuarial valuation; the salary increase assumption was updated from 3.25 percent to 3.50 percent based on the 2024 FRS valuation's payroll growth assumption; and the inflation assumption increased from 2.5 percent to 2.6 percent per annum.

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

Changes of Assumptions. In 2024, salary increases including inflation increased from 3.25 percent to 3.5 percent and the mortality assumptions were updated.

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

Changes of Assumptions. In 2024, the municipal bond rate used to determine total pension liability was increased from 3.65 percent to 3.93 percent and the demographic and coverage election assumptions were updated.

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, 2025

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:				
School Breakfast Program	10.553	25002	\$ -	\$ 23,292,160
National School Lunch Program	10.555	25001, 25003	-	93,247,057
Summer Food Service Program for Children	10.559	24006, 24007, 25006, 25007	-	4,098,007
Fresh Fruit and Vegetable Program	10.582	25004	-	539,544
Total Child Nutrition Cluster			-	121,176,768
Special Education Cluster				
United States Department of Education:				
Florida Department of Education:				
Special Education - Grants to States	84.027	262, 263	3,287,306	47,730,673
Special Education - Preschool Grants	84.173	267	30,464	1,423,138
Total Special Education Cluster			3,317,770	49,153,811
Child Care and Development Fund Cluster				
United States Department of Health and Human Services:				
Florida Department of Early Learning:				
Child Care and Development Block Grant	COVID-19, 93.575	None	-	60,380
Head Start Cluster				
United States Department of Health and Human Services:				
Lutheran Services Florida, Inc.:				
Head Start	93.600	04CH011690	-	3,973,715
Not Clustered				
United States Department of Agriculture				
Florida Department of Health:				
Child and Adult Care Food Program	10.558	A-4576	-	5,869,769
Florida Department of Agriculture and Consumer Services:				
Farm to School Grant Program	10.575	None	-	6,678
Total United States Department of Agriculture			-	5,876,447
United States Department of Defense				
Reserve Officers Training Corps (ROTC)	12.UNK	N/A	-	1,650,237
United States Department of Justice				
STOP School Violence	16.839	N/A	-	808,247
Equitable Sharing Program	16.922	N/A	-	33,360
Total United States Department of Justice			-	841,607
United States Department of the Treasury				
City of Boynton Beach:				
Coronavirus State and Local Fiscal Recovery Funds	COVID-19, 21.027	None	-	136,751
United States General Services Administration				
Florida Department of Management Services:				
Donation of Federal Surplus Personal Property	39.003	None	-	119,205
United States Department of Education				
Impact Aid	84.041	N/A	-	23,530
School Safety National Activities	84.184	N/A	-	328,890

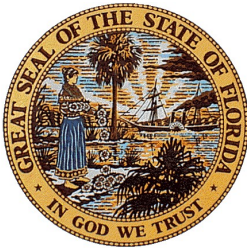
(Continued)

**Palm Beach County District School Board
Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2025**

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)				
Florida Department of Education:				
Adult Education - Basic Grants to States	84.002	191, 193	\$ -	\$ 3,586,451
Title I Grants to Local Educational Agencies	84.010	212, 223, 226	6,509,088	67,535,647
Migrant Education - State Grant Program	84.011	217	-	1,789,083
Career and Technical Education - Basic Grants to States	84.048	161	8,955	1,926,039
Education for Homeless Children and Youth	84.196	127	-	126,076
Charter Schools	84.282	298	-	-
Twenty-First Century Community Learning Centers	84.287	244	259,973	7,910,950
Rural Education	84.358	110		
English Language Acquisition State Grants	84.365	102	2,870	5,815,602
Supporting Effective Instruction State Grants	84.367	224	225,434	7,601,935
Student Support and Academic Enrichment Program:	84.424	241, 242	174,667	5,649,410
Education Stabilization Fund:	84.425			
American Rescue Plan - Elementary and Secondary School Emergency Relief Fund	COVID-19, 84.425U	121	5,666,261	18,145,796
American Rescue Plan - Elementary and Secondary School Emergency Relief Fund - Homeless Children & Youth Fund	COVID-19, 84.425W	122	-	279,513
Total Education Stabilization Fund	84.425		5,666,261	18,425,309
Total United States Department of Education			<u>12,847,248</u>	<u>120,718,922</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	-	519,577
Florida Department of Health: Children's Health Insurance Program	93.767	PB445	-	285,823
Total United States Department of Health and Human Services			<u>-</u>	<u>805,400</u>
United States Department of Homeland Security				
Florida Division of Emergency Management: Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	Z2137	-	80,759
Total Expenditures of Federal Awards			<u>\$ 16,165,018</u>	<u>\$ 304,594,002</u>

The accompanying notes 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, 2025. 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) Child Nutrition Cluster – Includes \$8,333,205 and \$1,301,676 of donated food received during the fiscal year for the National School Lunch Program and Summer Food Service Program, respectively. Donated foods are valued at fair value as determined at the time of donation.



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

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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 (*Government Auditing Standards*), 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, 2025, 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 26, 2026, 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 which is described as Finding AM 2025-001 on pages 94 and 95.

District's Response to Finding

The District's response to the additional matter identified in our audit is included as the District Response on page 95 in Finding AM 2025-001. 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.

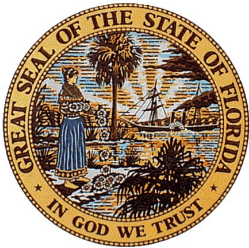
Purpose of this Report

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 26, 2026



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

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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, 2025. 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, 2025.

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; Imagine Schools Chancellor Campus; 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; 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, 2025. Our compliance audit, described in the ***Opinion on Each Major Federal Program*** section of our report, does not include the operations of these Charter Schools because 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 26, 2026

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:
84.002	Adult Education – Basic Grants to States
84.010	Title I Grants to Local Educational Agencies
84.424	Student Support and Academic Enrichment Program
93.600	Head Start
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	AM 2025-001
Opinion Unit	Aggregate Discretely Presented Component Units
Financial Statements Account Titles	Various
Fund Name	Not Applicable
Adjustment Amounts	Not Applicable
Statistically Valid Sample	N/A
Prior Year Findings	Auditor General Report No. 2020-189, AM 2019-001 Auditor General Report No. 2023-179, AM 2022-001

Finding District financial reporting procedures need improvement to ensure consistent, proper reporting of charter schools as discretely presented component units (DPCUs) pursuant to Florida Department of Education (FDOE) directives.

Criteria Section 1010.01, Florida Statutes, requires that the financial records and accounts of each school district be prepared and maintained as prescribed by law and rules of the FDOE and 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 The District sponsored and was therefore responsible for reporting 48, 47, and 47 charter schools as DPCUs on the District financial statements for the 2022-23, 2023-24, and 2024-25 fiscal years, respectively. However, for those fiscal years, the District did not report the charter schools as DPCUs on the financial statements presented for audit to its contracted certified public accounting firm, and the Annual Comprehensive Financial Reports (ACFRs) posted on the District Web site included the auditor's reports issued by the firm without the charter schools reported as DPCUs. In contrast, the District reported the charter schools as DPCUs in the financial statements presented to the Auditor General for the financial and Federal Single Audit.

Cause According to District personnel, because the District charter schools did not meet the Governmental Accounting Standards Board financial accountability criteria requiring a financial benefit or burden relationship to be present, the schools were not required to be reported as DPCUs in the District ACFRs. Notwithstanding this position, District personnel included charter school financial activities as DPCUs in the District financial statements presented to the Auditor General to audit.

Effect

The District did not consistently comply with FDOE directives for financial reporting. Excluding charter schools as DPCUs from the District's audited ACFR shown on the District Web site may cause financial statement users to misunderstand the reporting entity's financial activities in comparison with other Florida school districts, as virtually all other Florida school districts appropriately and consistently report applicable charter schools as DPCUs in their audited financial statements. In addition, the District's inconsistent reporting of charter schools between various financial reports thwarts the comparability of the reported financial information.

Recommendation

The District should improve financial reporting procedures to ensure consistent and proper reporting of DPCUs in the District financial statements pursuant to FDOE directives.

District Response

In response to Finding AM 2025-001, 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) Statements 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 thirteen 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. 76, 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 GAAP hierarchy is divided into two categories of authoritative resources:

1. Category A: Officially established accounting principles, consisting of Governmental Accounting Standards Board (GASB) Statements.
2. Category B: GASB Technical Bulletins, GASB Implementation Guides (Questions and Answers), and literature from AICPA specifically cleared by the GASB.

If an accounting treatment is not specified by a pronouncement in Category A or B, the government should consider accounting principles for similar transactions within those categories. If no similar transactions are found, the entity may then consult non-authoritative literature, such as GASB Concepts Statements, FASB pronouncements, or other professional practices.

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

District Management asserts in its response that the District's position is appropriate, that FDOE does not fall in the GAAP hierarchy, and that the matter does not warrant further action. Notwithstanding, the FDOE submitted a

memorandum to all school district finance officers in January 2014, after extensive consideration of applicable GASB pronouncements, establishing a well-documented determination that school districts are financially accountable for charter schools based on those pronouncements, and requiring charter schools to be reported as DPCUs. Of all Florida school districts, only Palm Beach and one other school district have failed to adopt this widely recognized and prevalent practice. Consequently, we continue to recommend that the District ensure consistent, proper reporting of charter schools as DPCUs on the District financial statements.

ADDITIONAL MATTER PRIOR AUDIT FOLLOW-UP

As discussed in Finding AM 2025-001, the District had not taken corrective action for the additional matter finding included in our report Nos. 2023-179 and 2020-189.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

The District did not have prior audit findings required to be reported under Title 2, Section 200.511, Code of Federal Regulations.