

STATE OF FLORIDA AUDITOR GENERAL

Financial and Federal Single Audit

Report No. 2024-189
March 2024

**BAY COUNTY
DISTRICT SCHOOL BOARD**

For the Fiscal Year Ended
June 30, 2023



Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2022-23 fiscal year, William V. Husfelt III served as Superintendent of the Bay County Schools and the following individuals served as School Board Members:

	<u>District No.</u>
Jerry Register, Vice Chair	1
Ann Leonard from 11-22-22	2
Brenda Ruthven through 11-21-22	2
Christopher Moore from 11-22-22	3
Pamm Chapman through 11-21-22, Chair	3
Winston Chester	4
Steve T. Moss, Chair from 11-22-22	5

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 Suracha Mahawongsanun, CPA, and the audit was supervised by Shelly G. Curti, 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 Bay 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 2023-001: District procedures did not always limit expenditures to budgeted amounts, contrary to State law, State Board of Education rules, and Board policies.

SUMMARY OF REPORT ON FEDERAL AWARDS

We audited the District's compliance with applicable Federal awards requirements. The Child Nutrition Cluster and Education Stabilization Fund 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 actions were taken for findings included in the prior audit report.

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

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Bay County District School Board, as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Bay County District School Board, as of June 30, 2023, 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 as of June 30, 2023. 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 financial statements of the aggregate discretely presented component units, is based solely on the reports of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*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 and Major Special Revenue Funds**, **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 28, 2024, 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 28, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Bay County District School Board has prepared the following discussion and analysis to (a) assist the reader in focusing on significant financial issues, (2) provide an overview and analysis of the District's financial activities, (c) identify changes in the District's financial position, (d) identify material deviations from the approved budget, and (e) highlight significant issues in individual funds.

Because the information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the District's financial statements and notes to financial statements.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2022-23 fiscal year are as follows:

- The District's total net position increased by \$38,320,654, or 12.01 percent. The increase is mainly due to increases in capital assets and fluctuations in pension expense.
- During the current year, General Fund expenditures and other financing uses exceeded revenues and other financing sources by \$7,158,080. Expenditures increased by \$20,996,676, or 8.80 percent. This may be compared to last year's results in which General Fund expenditures exceeded revenues by \$2,211,854.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$30,907,176, or 11.91 percent of the General Fund expenditures, compared to the previous year's unassigned fund balance of \$31,205,299, or 13.09 percent of the General Fund expenditures.
- The total debt increased by \$56,038,192, or 49.63 percent, mainly because the District issued certificates of participation (COPS), Series 2022A, during the current fiscal year.

NON-FINANCIAL EVENTS

The District continues to grow as more and more students enroll. Currently, student enrollment is up by approximately 600 students. Hurricane Michael recovery continues but attention and focus have now shifted to expansion and new construction. Several campuses are undergoing renovations and new classroom buildings are currently under construction, or in the planning phase, at a handful of schools in areas of the county that are experiencing exponential growth. Grade-level expansion continues at Oscar Patterson Academy and A. Gary Walsingham Academy, and both schools are on track to become fully functioning K-5 schools in the next two years. The District's facilities team, in conjunction with the Superintendent, continues to scout sites for new schools in response to the county's expansion as well.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of three components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to financial statements. This report also includes supplementary information intended to furnish additional details to support the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the District's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net position and a statement of activities that are designed to provide consolidated financial information about the governmental and business-type activities of the District presented on the accrual basis of accounting. The statement of net position provides information about the District's financial position, its assets, liabilities, and deferred inflows/outflows of resources, using an economic resources measurement focus. Assets plus deferred outflows of resources, less liabilities and deferred inflows of resources, equals net position, which is a measure of the District's financial health. The statement of activities presents information about the change in the District's net position, the results of operations, during the fiscal year. An increase or decrease in net position is an indication of whether the District's financial health is improving or deteriorating.

The government-wide statements present the District's activities in the following categories:

- Governmental activities – This represents most of the District's services, including its educational programs such as basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.
- Business-type activities – These activities account for the financial resources of the Beacon Learning Center which provides services predominately for other school districts.
- Component units – The District presents 12 charter schools and the Bay Education Foundation, Inc. (Foundation) in this report. The District's charter schools and the Foundation are reported as discretely presented component units. Although legally separate organizations, the component units are included in this report because they meet the criteria for inclusion provided by generally accepted accounting principles.

The Bay County Educational Facilities Finance Corporation (Corporation), although also a legally separate entity, was formed to facilitate financing for the acquisition of facilities and equipment for the District. Due to the substantive economic relationship between the District and the Corporation, the financial activities of the Corporation are included in the District's financial statements as an integral part of the primary government.

Over a period of time, changes in the District's net position are an indication of improving or deteriorating financial condition. This information should be evaluated in conjunction with other non-financial factors, such as changes in the District's property tax base, student enrollment, and the condition of the District's capital assets including its school buildings and administrative facilities.

Fund Financial Statements

Fund financial statements are one of the components of the basic financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and prudent fiscal management. Certain funds are established by law while others are created by legal agreements, such as bond covenants. Fund financial statements provide more detailed information about the District's financial activities, focusing on its most significant or "major" funds rather than fund types. This is in contrast to the entitywide perspective contained in the government-wide statements.

All of the District's funds may be classified within one of the broad categories discussed below.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. This financial resource measurement focus allows the governmental fund statement to provide information on near-term inflows and outflows of spendable resources as well as balances of spendable resources available at the end of the fiscal year. Consequently, the governmental fund statements provide a detailed short-term view that may be used to evaluate the District's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the government-wide financial statements. To facilitate this comparison, both the governmental balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation of governmental funds to governmental activities.

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the District's most significant funds. The District's major funds are the General Fund, Special Revenue – Federal Education Stabilization Fund, Debt Service – Other Fund, Capital Projects – Local Capital Improvement Fund, and Capital Projects – Other Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

The District adopts an annual appropriated budget for its governmental funds. A budgetary comparison schedule has been provided for the General and major Special Revenue Funds to demonstrate compliance with the budget.

Proprietary Funds: Proprietary funds may be established to account for activities in which a fee is charged for services. Two types of proprietary funds are maintained:

- Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements. The District uses the enterprise fund to account for financial activities of the Beacon Learning Center which provides educational services for a fee to individuals, public and private entities, and district school boards.
- Internal service funds are used to report activities that provide goods and services to support the District's other programs and functions through user charges. The District uses the internal service funds to account for its self-insurance programs. Since these services predominantly benefit governmental rather than business-type functions, the internal service funds have been included within governmental activities in the government-wide financial statements.

Notes to Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the District's total other postemployment benefits (OPEB) and net pension liabilities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position over time may serve as a useful indicator of a government’s financial health. The following is a summary of the District’s net position as of June 30, 2023, compared to net position as of June 30, 2022:

Net Position, End of Year

	Governmental Activities		Business-Type Activities		Total	
	6-30-23	6-30-22	6-30-23	6-30-22	6-30-23	6-30-22
Current and Other Assets	\$ 297,815,120	\$ 226,844,123	\$ 5,032,136	\$ 4,662,088	\$ 302,847,256	\$ 231,506,211
Capital Assets	379,318,812	355,592,430	10,597	14,917	379,329,409	355,607,347
Total Assets	677,133,932	582,436,553	5,042,733	4,677,005	682,176,665	587,113,558
Deferred Outflows of Resources	57,661,808	52,113,252	455,917	408,113	58,117,725	52,521,365
Long-Term Liabilities	340,385,975	208,686,664	1,251,702	773,990	341,637,677	209,460,654
Other Liabilities	26,197,856	24,064,346	272,795	297,807	26,470,651	24,362,153
Total Liabilities	366,583,831	232,751,010	1,524,497	1,071,797	368,108,328	233,822,807
Deferred Inflows of Resources	14,697,153	86,061,092	120,019	702,788	14,817,172	86,763,880
Net Position:						
Net Investment in Capital Assets	269,107,906	240,920,565	10,597	14,917	269,118,503	240,935,482
Restricted	107,879,954	82,986,563	-	-	107,879,954	82,986,563
Unrestricted (Deficit)	(23,473,104)	(8,169,425)	3,843,537	3,295,616	(19,629,567)	(4,873,809)
Total Net Position	\$ 353,514,756	\$ 315,737,703	\$ 3,854,134	\$ 3,310,533	\$ 357,368,890	\$ 319,048,236

The largest portion of the District’s net position reflects its investment in capital assets (e.g., land; construction in progress; and buildings and fixed equipment), less any related debt still outstanding, net of unspent proceeds. The District uses these capital assets to provide services to students of Bay County, Florida; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, the resources used to repay the debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

The restricted portion of the District’s net position represents resources that are subject to external restrictions on how they may be used. The deficit unrestricted net position was primarily the result of accruing \$142,409,744 in net pension liability.

Current and other assets increased primarily due to unspent proceeds of the COPS, Series 2022A, issued during the current fiscal year. Capital assets increased primarily due to expansion and new construction. Long-term liabilities increased, in part, and deferred inflows of resources decreased due to the District recognizing its proportionate share of the Florida Retirement System’s net pension liability and deferred inflows of resources.

The key elements of the changes in the District’s net position for the fiscal years ended June 30, 2023, and June 30, 2022, are as follows:

Operating Results for the Fiscal Year Ended

	Governmental		Business-Type		Total	
	Activities		Activities			
	6-30-23	6-30-22	6-30-23	6-30-22	6-30-23	6-30-22
Program Revenues:						
Charges for Services	\$ 5,555,177	\$ 12,137,098	\$1,897,794	\$1,981,712	\$ 7,452,971	\$ 14,118,810
Operating Grants and Contributions	12,569,257	12,007,159	-	-	12,569,257	12,007,159
Capital Grants and Contributions	11,220,248	3,656,723	-	-	11,220,248	3,656,723
General Revenues:						
Property Taxes, Levied for Operational Purposes	98,751,325	88,454,594	-	-	98,751,325	88,454,594
Property Taxes, Levied for Capital Projects	36,994,752	30,522,634	-	-	36,994,752	30,522,634
Local Sales Taxes	33,480,189	31,871,765	-	-	33,480,189	31,871,765
Grants and Contributions Not Restricted to Specific Programs	185,121,455	188,701,313	-	-	185,121,455	188,701,313
Unrestricted Investment Earnings	8,651,472	435,518	134,916	10,610	8,786,388	446,128
Miscellaneous	9,361,078	11,200,831	-	-	9,361,078	11,200,831
Total Revenues	401,704,953	378,987,635	2,032,710	1,992,322	403,737,663	380,979,957
Functions/Program Expenses:						
Instruction	196,437,866	167,711,555	-	-	196,437,866	167,711,555
Student Support Services	17,533,477	16,610,648	-	-	17,533,477	16,610,648
Instructional Media Services	2,627,004	2,664,473	-	-	2,627,004	2,664,473
Instruction and Curriculum Development Services	6,863,970	6,529,443	-	-	6,863,970	6,529,443
Instructional Staff Training	4,067,841	2,870,912	-	-	4,067,841	2,870,912
Instruction-Related Technology	187,212	1,196,606	-	-	187,212	1,196,606
Board	990,108	941,203	-	-	990,108	941,203
General Administration	2,622,408	1,164,074	-	-	2,622,408	1,164,074
School Administration	16,116,882	14,339,023	-	-	16,116,882	14,339,023
Facilities Acquisition and Construction	19,249,485	14,495,942	-	-	19,249,485	14,495,942
Fiscal Services	2,154,893	1,936,137	-	-	2,154,893	1,936,137
Food Services	10,690,746	9,939,064	-	-	10,690,746	9,939,064
Central Services	7,528,233	9,698,907	-	-	7,528,233	9,698,907
Student Transportation Services	7,520,347	10,295,009	-	-	7,520,347	10,295,009
Operation of Plant	20,451,916	18,144,339	-	-	20,451,916	18,144,339
Maintenance of Plant	5,769,630	5,259,828	-	-	5,769,630	5,259,828
Administrative Technology Services	4,038,502	3,481,568	-	-	4,038,502	3,481,568
Community Services	2,916,957	4,846,899	-	-	2,916,957	4,846,899
Unallocated Interest on Long-Term Debt	6,369,938	3,326,852	-	-	6,369,938	3,326,852
Unallocated Depreciation/Amortization Expense	29,790,485	23,032,560	-	-	29,790,485	23,032,560
Beacon Learning Center	-	-	1,489,109	1,411,764	1,489,109	1,411,764
Loss on Disposal of Assets	-	929,710	-	-	-	929,710
Total Functions/Program Expenses	363,927,900	319,414,752	1,489,109	1,411,764	365,417,009	320,826,516
Change in Net Position	37,777,053	59,572,883	543,601	580,558	38,320,654	60,153,441
Net Position - Beginning	315,737,703	256,164,820	3,310,533	2,729,975	319,048,236	258,894,795
Net Position - Ending	\$353,514,756	\$315,737,703	\$3,854,134	\$3,310,533	\$357,368,890	\$319,048,236

The increase in revenues of \$22,757,706 or 5.97 percent is due mainly to increase in Public Education Capital Outlay funding, increases in property values, and increases in interest rates funding proceeds from the issue of Certificates of Participation.

Instruction expenses represent 53.98 percent of total governmental expenses in the 2022-23 fiscal year. Instruction expenses increased by \$28,726,311, or 17.13 percent, over the previous fiscal year due mainly to increased staff and salary increases (specifically beginning teacher pay).

The increase in net position for the business-type activities resulted as charges for services continue to exceed expenses.

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. Specifically, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as it represents the portion of fund balance that has not been limited to a particular purpose by an external party, the District, or a group or individual delegated authority by the Board to assign resources for particular purposes.

The total fund balances of governmental funds increased by \$68,222,874 during the fiscal year to \$232,493,217 at June 30, 2023. Of the total fund balance, \$30,907,176, or 13.29 percent, is unassigned fund balance, which is available for spending at the District's discretion; \$1,228,770 is nonspendable; \$160,608,437 is restricted; and \$39,748,834 is assigned.

Major Governmental Funds

The General Fund is the District's chief operating fund. At the end of the current fiscal year, unassigned fund balance is \$30,907,176, while the total fund balance is \$79,137,071. As a measure of the General Fund's liquidity, it may be useful to compare the total assigned and unassigned fund balances to General Fund total revenues. The total assigned and unassigned fund balance is 28.43 percent of the total General Fund revenues, while total fund balance represents 31.85 percent of total General Fund revenues. Total fund balance decreased by \$7,158,080 during the fiscal year. Key factors impacting the change in fund balance are as follows:

- Increase in State revenues, primarily due to an increase in FEFP revenues due to increasing student enrollment.
- Increase in the property values resulted in increased tax revenues of \$10,397,439.
- Total expenditures increased by \$20,996,676, or 8.80 percent, due mainly to an increase in the number of staff and staff raises.

The Special Revenue – Federal Education Stabilization Fund has total revenues and expenditures of \$23,607,968 each and the funding was mainly used for grant-related expenditures. Because grant revenues are not recognized until expenditures are incurred, this fund generally does not accumulate a fund balance.

The Debt Service – Other Fund accounts for the principal and interest payments on District debt. The fund balance at June 30, 2023, was \$12,708.

The Capital Projects – Local Capital Improvement Fund has a total fund balance of \$17,188,642, generated by the local capital improvement tax levy which are restricted for Board-advertised construction and renovation, remodeling projects. The fund balance increased by \$1,390,820 in the current fiscal year due to an increase in property values.

The Capital Projects – Other Fund accounts for the local sales tax levy, proceeds from certificates of participation, and other revenue sources for capital projects. The \$69,383,647 increase in fund balance primarily relates to proceeds from certificates of participation received during the current fiscal year.

Proprietary Funds

The District's proprietary funds provide the same type of information reported in the government-wide financial statements, but in more detail. Unrestricted net position of the Beacon Learning Center Enterprise Fund increased by \$543,601 during the 2022-23 fiscal year to \$3,854,134 at June 30, 2023. This increase resulted as charges for services continue to exceed expenses. Unrestricted net position of internal service funds increased by \$1,578,222 during the current fiscal year to \$20,303,564 at June 30, 2023. This increase occurred primarily because of the increase in Board contributions.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's budgets are prepared and amended according to Florida law. The most significant budgeted fund is the General Fund. During the 2022-23 fiscal year, the District amended its General Fund budget several times, which resulted in an increase in total budgeted revenues of \$17,238,317, or 7.68 percent. At the same time, final appropriations are more than the original budgeted amounts by \$16,718,588. Budget revisions occurred primarily from changes in estimated State funding levels and corresponding adjustments to planned expenditures to ensure maintenance of an adequate fund balance.

Actual revenues and other financing sources were \$7,332,578 more than the final budgeted amounts, while actual expenditures were \$58,586,818 less than the final budgeted amounts. Positive budget variances occurred in several functions, including instruction, student support services, facilities acquisition and construction, and operation of plant. The ending fund balance exceeded the estimated fund balance contained in the final amended budget by \$65,919,396 due to timing of hurricane repairs, inflated number of vacancies, and carryover of several restricted projects.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2023, is \$379,318,812 (net of accumulated depreciation). This investment in capital assets includes land; construction in progress; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; lease assets; and audio visual materials and computer software.

Additional information on the District's capital assets can be found in Notes I.F.4., II.C., and II.F. to the financial statements.

Long-Term Debt

At June 30, 2023, the District had total long-term debt outstanding of \$168,954,768, consisting of certificates of participation.

Additional information on the District's long-term debt can be found in Notes I.F.7. and II.H. to the financial statements.

REQUESTS FOR INFORMATION

This report is designed to provide a general overview of the Bay District School Board's finances. Questions concerning any of the information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Finance Officer, Bay County District School Board, 1311 Balboa Avenue, Panama City, Florida 32401.

BASIC FINANCIAL STATEMENTS

Bay County District School Board Statement of Net Position June 30, 2023

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and Cash Equivalents	\$ 192,944,971.56	\$ 5,121,831.23	\$ 198,066,802.79	\$ 26,512,133.00
Cash Equivalents with Fiscal Agent	85,559,148.15	-	85,559,148.15	-
Investments	-	-	-	1,652,474.00
Restricted Investments	-	-	-	4,376,285.00
Accounts Receivable	312,690.06	-	312,690.06	1,894,207.00
Internal Balances	90,220.31	(90,220.31)	-	-
Due from Other Agencies	12,328,656.89	525.00	12,329,181.89	646,462.00
Prepaid Items	5,350,661.90	-	5,350,661.90	1,378,548.00
Inventories	1,228,770.60	-	1,228,770.60	9,788.00
Other	-	-	-	11,426.00
Capital Assets:				
Nondepreciable Capital Assets	71,895,139.28	-	71,895,139.28	8,885,279.00
Depreciable Capital Assets, Net	307,423,673.00	10,597.38	307,434,270.38	70,597,974.00
TOTAL ASSETS	677,133,931.75	5,042,733.30	682,176,665.05	115,964,576.00
DEFERRED OUTFLOWS OF RESOURCES				
Pensions	55,463,361.00	452,922.00	55,916,283.00	9,912,944.00
OPEB	366,725.00	2,995.00	369,720.00	-
Net Carrying Amount of Debt Refunding	1,831,722.00	-	1,831,722.00	93,830.00
TOTAL DEFERRED OUTFLOWS OF RESOURCES	57,661,808.00	455,917.00	58,117,725.00	10,006,774.00
LIABILITIES				
Accrued Salaries and Benefits	-	-	-	714,417.00
Payroll Deductions and Withholdings	2,179,353.28	1,655.58	2,181,008.86	-
Accounts Payable	6,844,125.70	59,125.69	6,903,251.39	2,811,035.00
Sales Tax Payable	9.84	-	9.84	-
Construction Contracts Payable	2,201,058.35	-	2,201,058.35	-
Construction Contracts Payable - Retained Percentage	1,244,233.84	-	1,244,233.84	500,333.00
Due to Other Agencies	340,151.16	-	340,151.16	471,579.00
Matured Bonds Payable	9,720,600.00	-	9,720,600.00	-
Matured Interest Payable	3,161,417.88	-	3,161,417.88	511,073.00
Unearned Revenue	506,905.69	212,013.50	718,919.19	574,932.00
Long-Term Liabilities:				
Portion Due Within 1 Year	20,168,486.44	14,482.91	20,182,969.35	1,482,035.00
Portion Due After 1 Year	320,217,488.50	1,237,219.15	321,454,707.65	71,105,044.00
TOTAL LIABILITIES	366,583,830.68	1,524,496.83	368,108,327.51	78,170,448.00
DEFERRED INFLOWS OF RESOURCES				
Pensions	13,115,625.00	107,104.00	13,222,729.00	1,781,397.00
OPEB	1,581,528.00	12,915.00	1,594,443.00	-
TOTAL DEFERRED INFLOWS OF RESOURCES	14,697,153.00	120,019.00	14,817,172.00	1,781,397.00
NET POSITION				
Net Investment in Capital Assets	269,107,905.62	10,597.38	269,118,503.00	31,293,668.00
Restricted for:				
State Required Carryover Programs	7,485,377.92	-	7,485,377.92	-
Debt Service	9,733,307.71	-	9,733,307.71	-
Capital Projects	78,174,421.90	-	78,174,421.90	-
Food Service	8,014,840.92	-	8,014,840.92	-
Other Purposes	4,472,006.26	-	4,472,006.26	6,264,140.00
Unrestricted	(23,473,104.26)	3,843,537.09	(19,629,567.17)	8,461,697.00
TOTAL NET POSITION	\$ 353,514,756.07	\$ 3,854,134.47	\$ 357,368,890.54	\$ 46,019,505.00

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

**Bay County District School Board
Statement of Activities
For the Fiscal Year Ended June 30, 2023**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 196,437,866.39	\$ 1,340,068.60	\$ -	\$ -
Student Support Services	17,533,477.30	-	-	-
Instructional Media Services	2,627,003.92	-	-	-
Instruction and Curriculum Development Services	6,863,969.69	-	-	-
Instructional Staff Training Services	4,067,841.13	-	-	-
Instruction-Related Technology	187,211.79	-	-	-
Board	990,107.81	-	-	-
General Administration	2,622,407.85	-	-	-
School Administration	16,116,882.37	-	-	-
Facilities Acquisition and Construction	19,249,484.59	38,431.45	-	11,220,248.30
Fiscal Services	2,154,893.28	-	-	-
Food Services	10,690,745.95	1,018,088.98	12,569,256.55	-
Central Services	7,528,233.17	-	-	-
Student Transportation Services	7,520,347.46	221,503.81	-	-
Operation of Plant	20,451,915.82	-	-	-
Maintenance of Plant	5,769,630.29	-	-	-
Administrative Technology Services	4,038,501.73	-	-	-
Community Services	2,916,956.61	2,937,083.82	-	-
Unallocated Interest on Long-Term Debt	6,369,937.82	-	-	-
Unallocated Depreciation Expense	29,790,485.24	-	-	-
Total Governmental Activities	363,927,900.21	5,555,176.66	12,569,256.55	11,220,248.30
Business-Type Activities:				
Beacon Learning Center	1,489,109.17	1,897,794.03	-	-
Total Primary Government	\$ 365,417,009.38	\$ 7,452,970.69	\$ 12,569,256.55	\$ 11,220,248.30
Component Units				
Charter Schools/Education Foundation	\$ 53,912,562.00	\$ 2,787,614.00	\$ 2,723,192.00	\$ 888,250.00

General Revenues:

Taxes:

Property Taxes, Levied for Operational Purposes

Property Taxes, Levied for Capital Projects

Local Sales Taxes

Grants and Contributions Not Restricted to Specific Programs

Restricted Funding

Unrestricted 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	Business-Type Activities	Total	Component Units
\$ (195,097,797.79)	\$ -	\$ (195,097,797.79)	\$ -
(17,533,477.30)	-	(17,533,477.30)	-
(2,627,003.92)	-	(2,627,003.92)	-
(6,863,969.69)	-	(6,863,969.69)	-
(4,067,841.13)	-	(4,067,841.13)	-
(187,211.79)	-	(187,211.79)	-
(990,107.81)	-	(990,107.81)	-
(2,622,407.85)	-	(2,622,407.85)	-
(16,116,882.37)	-	(16,116,882.37)	-
(7,990,804.84)	-	(7,990,804.84)	-
(2,154,893.28)	-	(2,154,893.28)	-
2,896,599.58	-	2,896,599.58	-
(7,528,233.17)	-	(7,528,233.17)	-
(7,298,843.65)	-	(7,298,843.65)	-
(20,451,915.82)	-	(20,451,915.82)	-
(5,769,630.29)	-	(5,769,630.29)	-
(4,038,501.73)	-	(4,038,501.73)	-
20,127.21	-	20,127.21	-
(6,369,937.82)	-	(6,369,937.82)	-
(29,790,485.24)	-	(29,790,485.24)	-
<u>(334,583,218.70)</u>	<u>-</u>	<u>(334,583,218.70)</u>	<u>-</u>
-	408,684.86	408,684.86	-
<u>(334,583,218.70)</u>	<u>408,684.86</u>	<u>(334,174,533.84)</u>	<u>-</u>
-	-	-	(47,513,506.00)
98,751,325.05	-	98,751,325.05	-
36,994,752.20	-	36,994,752.20	-
33,480,189.49	-	33,480,189.49	-
185,121,454.64	-	185,121,454.64	47,766,746.00
-	-	-	235,393.00
8,651,472.40	134,916.22	8,786,388.62	140,281.00
9,361,077.99	-	9,361,077.99	500,016.00
<u>372,360,271.77</u>	<u>134,916.22</u>	<u>372,495,187.99</u>	<u>48,642,436.00</u>
37,777,053.07	543,601.08	38,320,654.15	1,128,930.00
315,737,703.00	3,310,533.39	319,048,236.39	44,896,934.00
-	-	-	(6,359.00)
<u>315,737,703.00</u>	<u>3,310,533.39</u>	<u>319,048,236.39</u>	<u>44,890,575.00</u>
<u>\$ 353,514,756.07</u>	<u>\$ 3,854,134.47</u>	<u>\$ 357,368,890.54</u>	<u>\$ 46,019,505.00</u>

**Bay County District School Board
Balance Sheet – Governmental Funds
June 30, 2023**

	<u>General Fund</u>	<u>Special Revenue - Federal Education Stabilization Fund</u>	<u>Debt Service - Other Fund</u>
ASSETS			
Cash and Cash Equivalents	\$ 77,903,375.18	\$ 1,248,267.31	\$ 12,671.16
Cash Equivalents with Fiscal Agent	-	-	12,882,054.43
Accounts Receivable	1,261.69	-	-
Due from Other Funds	4,361,795.46	1,046,324.50	-
Due from Other Agencies	2,747,026.71	1,522,874.88	-
Inventories	995,683.93	-	-
TOTAL ASSETS	\$ 86,009,142.97	\$ 3,817,466.69	\$ 12,894,725.59
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Payroll Deductions and Withholdings	\$ 2,045,544.89	\$ 47,808.92	\$ -
Accounts Payable	4,315,990.94	197,751.95	-
Sales Tax Payable	-	-	-
Construction Contracts Payable	-	-	-
Construction Contracts Payable - Retained Percentage	66,318.78	32,908.43	-
Due to Other Funds	444,217.20	3,494,657.80	-
Due to Other Agencies	-	-	-
Matured Bonds Payable	-	-	9,720,600.00
Matured Interest Payable	-	-	3,161,417.88
Unearned Revenue	-	44,339.59	-
Total Liabilities	6,872,071.81	3,817,466.69	12,882,017.88
Deferred Inflows of Resources:			
Unavailable Revenue - State Capital Outlay	-	-	-
Fund Balances:			
Nonspendable:			
Inventories	995,683.93	-	-
Restricted for:			
State Required Carryover Programs	7,485,377.92	-	-
Debt Service	-	-	12,707.71
Capital Projects	-	-	-
Food Service	-	-	-
Other Purposes	-	-	-
Total Restricted Fund Balance	7,485,377.92	-	12,707.71
Assigned for:			
Purchases on Order	9,768,051.69	-	-
Hurricane Repairs and Carryover Projects	29,980,782.08	-	-
Total Assigned Fund Balance	39,748,833.77	-	-
Unassigned Fund Balance	30,907,175.54	-	-
Total Fund Balances	79,137,071.16	-	12,707.71
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 86,009,142.97	\$ 3,817,466.69	\$ 12,894,725.59

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

Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
\$ 18,922,070.59	\$ 48,099,190.58	\$ 18,274,748.14	\$ 164,460,322.96
50,576,624.62	22,100,469.10	-	85,559,148.15
-	-	311,428.37	312,690.06
-	50,576,624.62	1,573,296.45	57,558,041.03
927,559.07	5,935,593.78	740,624.06	11,873,678.50
-	-	233,086.67	1,228,770.60
<u>\$ 70,426,254.28</u>	<u>\$ 126,711,878.08</u>	<u>\$ 21,133,183.69</u>	<u>\$ 320,992,651.30</u>
\$ -	\$ -	\$ 85,294.20	\$ 2,178,648.01
955,166.10	608,387.39	672,701.70	6,749,998.08
-	-	9.84	9.84
1,236,628.10	964,430.25	-	2,201,058.35
111,206.39	1,033,800.24	-	1,244,233.84
50,934,611.70	-	2,595,000.02	57,468,486.72
-	-	340,151.16	340,151.16
-	-	-	9,720,600.00
-	-	-	3,161,417.88
-	181,400.00	281,166.10	506,905.69
<u>53,237,612.29</u>	<u>2,788,017.88</u>	<u>3,974,323.02</u>	<u>83,571,509.57</u>
-	4,927,924.63	-	4,927,924.63
-	-	233,086.67	1,228,770.60
-	-	-	7,485,377.92
-	-	-	12,707.71
17,188,641.99	118,995,935.57	4,525,451.63	140,710,029.19
-	-	7,928,316.11	7,928,316.11
-	-	4,472,006.26	4,472,006.26
<u>17,188,641.99</u>	<u>118,995,935.57</u>	<u>16,925,774.00</u>	<u>160,608,437.19</u>
-	-	-	9,768,051.69
-	-	-	29,980,782.08
-	-	-	39,748,833.77
-	-	-	30,907,175.54
<u>17,188,641.99</u>	<u>118,995,935.57</u>	<u>17,158,860.67</u>	<u>232,493,217.10</u>
<u>\$ 70,426,254.28</u>	<u>\$ 126,711,878.08</u>	<u>\$ 21,133,183.69</u>	<u>\$ 320,992,651.30</u>

**Bay County District School Board
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2023**

Total Fund Balances - Governmental Funds \$ 232,493,217.10

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

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 379,318,812.28

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The internal service funds net position is \$20,303,564.30 and includes \$8,662.91 in compensated absences, \$387,646 in net pension liability, \$10,899 in total OPEB liability, and \$111,966 in net related deferred outflows/inflows of 20,598,806.21

The deferred loss on debt funding is not expensed in the government-wide statements but is reported as deferred outflows of resources and amortized over the life of the debt. 1,831,722.00

Certain funding is not available to pay for current period expenditures and, therefore, is reported as unavailable revenue on the governmental fund statements. However, under full accrual, this amount increases net position in the statement of net position. 4,927,924.63

The deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits (OPEB) are applicable to future periods and, therefore, are not reported in the governmental funds.

Deferred Outflows Related to Pensions	\$	55,463,361.00	
Deferred Outflows Related to OPEB		366,725.00	
Deferred Inflows Related to Pensions		(13,115,625.00)	
Deferred Inflows Related to OPEB		(1,581,528.00)	
		41,132,933.00	41,132,933.00

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:

Leases Payable	\$	(731,565.09)	
Certificates of Participation Payable		(168,954,768.38)	
Compensated Absences Payable		(10,688,491.68)	
Net Pension Liability		(142,409,744.00)	
Total OPEB Liability		(4,004,090.00)	(326,788,659.15)

Net Position - Governmental Activities \$ 353,514,756.07

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

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Bay County District School Board
Statement of Revenues, Expenditures, and Changes in
Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2023

	General Fund	Special Revenue - Federal Education Stabilization Fund	Debt Service - Other Fund
Revenues			
Intergovernmental:			
Federal Direct	\$ 1,754,301.67	\$ -	\$ -
Federal Through State and Local	8,330,011.42	23,607,967.98	-
State	129,996,040.35	-	-
Local:			
Property Taxes	98,751,325.05	-	-
Local Sales Taxes	-	-	-
Charges for Services	-	-	-
Miscellaneous	9,663,437.81	-	15,487.38
Total Local Revenues	<u>108,414,762.86</u>	<u>-</u>	<u>15,487.38</u>
Total Revenues	<u>248,495,116.30</u>	<u>23,607,967.98</u>	<u>15,487.38</u>
Expenditures			
Current - Education:			
Instruction	160,927,744.29	12,216,431.73	-
Student Support Services	9,004,756.34	6,141,394.86	-
Instructional Media Services	2,500,769.48	22,640.04	-
Instruction and Curriculum Development Services	2,971,947.73	803,971.11	-
Instructional Staff Training Services	1,358,959.54	719,440.56	-
Instruction-Related Technology	187,211.79	-	-
Board	991,595.85	-	-
General Administration	1,221,833.44	809,560.20	-
School Administration	15,935,866.09	199,375.72	-
Facilities Acquisition and Construction	4,857,996.66	550,205.81	-
Fiscal Services	2,159,234.35	-	-
Food Services	22,466.33	18,683.03	-
Central Services	2,110,027.96	7,764.79	-
Student Transportation Services	9,266,742.03	31,035.86	-
Operation of Plant	19,218,084.51	1,300,722.25	-
Maintenance of Plant	5,761,587.49	25,925.00	-
Administrative Technology Services	4,050,612.89	-	-
Community Services	2,901,386.93	10,131.68	-
Fixed Capital Outlay:			
Facilities Acquisition and Construction	13,182,858.60	740,720.27	-
Other Capital Outlay	609,858.26	9,965.07	-
Debt Service:			
Principal	218,198.42	-	10,773,600.00
Interest and Fiscal Charges	9,531.73	-	5,788,795.81
Total Expenditures	<u>259,469,270.71</u>	<u>23,607,967.98</u>	<u>16,562,395.81</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(10,974,154.41)</u>	<u>-</u>	<u>(16,546,908.43)</u>
Other Financing Sources (Uses)			
Transfers In	5,087,189.06	-	16,553,280.86
Inception of Lease Agreements	652,608.58	-	-
Proceeds of Certificates of Participation	-	-	-
Premium on Certificates of Participation	-	-	-
Sales of Capital Assets	-	-	-
Loss Recoveries	69,316.80	-	-
Transfers Out	(1,993,039.87)	-	-
Total Other Financing Sources (Uses)	<u>3,816,074.57</u>	<u>-</u>	<u>16,553,280.86</u>
Net Change in Fund Balances	(7,158,079.84)	-	6,372.43
Fund Balances, Beginning	86,295,151.00	-	6,335.28
Fund Balances, Ending	<u>\$ 79,137,071.16</u>	<u>\$ 0.00</u>	<u>\$ 12,707.71</u>

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

Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 1,754,301.67
-	-	33,822,079.43	65,760,058.83
57,546.13	2,558,491.58	3,849,576.30	136,461,654.36
36,994,752.20	-	-	135,746,077.25
-	33,480,189.49	-	33,480,189.49
-	-	1,018,088.98	1,018,088.98
934,554.71	3,863,053.95	5,990,050.38	20,466,584.23
<u>37,929,306.91</u>	<u>37,343,243.44</u>	<u>7,008,139.36</u>	<u>190,710,939.95</u>
<u>37,986,853.04</u>	<u>39,901,735.02</u>	<u>44,679,795.09</u>	<u>394,686,954.81</u>
-	-	18,248,744.37	191,392,920.39
-	-	2,385,660.68	17,531,811.88
-	-	109,585.49	2,632,995.01
-	-	3,085,936.96	6,861,855.80
-	-	1,985,252.18	4,063,652.28
-	-	-	187,211.79
-	-	-	991,595.85
-	-	593,978.26	2,625,371.90
-	-	14,994.13	16,150,235.94
8,317,546.90	5,771,180.93	3,386.00	19,500,316.30
-	-	-	2,159,234.35
-	-	10,596,879.67	10,638,029.03
-	-	8,712.21	2,126,504.96
-	-	33,231.39	9,331,009.28
-	-	-	20,518,806.76
-	-	-	5,787,512.49
-	-	-	4,050,612.89
-	-	-	2,911,518.61
7,895,083.02	23,951,249.77	72,168.41	45,842,080.07
2,097,900.46	2,892,877.19	213,548.52	5,824,149.50
-	-	-	10,991,798.42
-	688,354.98	1,190.34	6,487,872.86
<u>18,310,530.38</u>	<u>33,303,662.87</u>	<u>37,353,268.61</u>	<u>388,607,096.36</u>
<u>19,676,322.66</u>	<u>6,598,072.15</u>	<u>7,326,526.48</u>	<u>6,079,858.45</u>
-	-	-	21,640,469.92
-	-	-	652,608.58
-	64,810,000.00	-	64,810,000.00
-	2,730,300.80	-	2,730,300.80
-	-	22,272.01	22,272.01
-	-	-	69,316.80
<u>(18,285,502.67)</u>	<u>(4,754,726.38)</u>	<u>(2,748,684.00)</u>	<u>(27,781,952.92)</u>
<u>(18,285,502.67)</u>	<u>62,785,574.42</u>	<u>(2,726,411.99)</u>	<u>62,143,015.19</u>
1,390,819.99	69,383,646.57	4,600,114.49	68,222,873.64
15,797,822.00	49,612,289.00	12,558,746.18	164,270,343.46
<u>\$ 17,188,641.99</u>	<u>\$ 118,995,935.57</u>	<u>\$ 17,158,860.67</u>	<u>\$ 232,493,217.10</u>

Bay 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, 2023

Net Change in Fund Balances - Governmental Funds \$ 68,222,873.64

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 capital outlays in excess of depreciation expense in the current fiscal year. 22,606,902.16

Certain miscellaneous transactions involving capital assets (i.e., donations) are not reported in the governmental funds. 1,119,481.42

The deferred loss on refunding is reported in the governmental funds in the fiscal year the debt is issued but is deferred and amortized over the life of the debt in the government-wide statements. This is the amortization amount for the current fiscal year. (305,287.00)

Long-term debt proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which proceeds exceed repayments in the current fiscal year.

Debt Proceeds	\$ (64,810,000.00)	
Premium on Debt Issued	(2,730,300.80)	
Inception of Lease Agreements	(652,608.58)	
Debt Repayments	10,991,798.42	
Amortization of Debt Premiums	728,508.42	(56,472,602.54)

Certain funds due from other agencies are not available and, therefore are not recognized as revenue in the governmental fund statements. However, these funds are recognized as revenue under the full accrual basis of accounting in the statement of activities. 292,136.63

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. (34,019.95)

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences earned in excess of the amount paid in the current fiscal year. 1,260,401.32

Governmental funds report District OPEB contributions as expenditures. However, in the statement of activities, the cost of OPEB benefits earned net of employee contributions, as determined through an actuarial valuation, is reported as an OPEB expense.

Increase in Total OPEB Liability	\$ (269,701.00)	
Decrease in Deferred Outflows of Resources - OPEB	(183,362.00)	
Decrease in Deferred Inflows of Resources - OPEB	507,920.00	54,857.00

Governmental funds report District pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as a pension expense.

Increase in Net Pension Liability	\$ (77,456,146.00)	
Increase in Deferred Outflows of Resources - Pensions	6,037,205.00	
Decrease in Deferred Inflows of Resources - Pensions	70,856,019.00	(562,922.00)

Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The change in net position of the internal service funds, of \$1,578,222.30 is reported with governmental activities. This is the net revenue of the internal services funds after adjusting for the net change of \$17,010.09 reported above in compensated absences liability, net pension liability, total OPEB liability, and related deferred outflows/inflows of resources. 1,595,232.39

Change in Net Position - Governmental Activities **\$ 37,777,053.07**

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

Bay County District School Board
Statement of Net Position – Proprietary Funds
June 30, 2023

	Enterprise Fund	Internal Service
	Beacon Learning	Funds
	Center	Funds
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 5,121,831.23	\$ 28,484,648.60
Due from Other Funds	-	666.00
Due from Other Agencies	525.00	454,978.39
Prepaid Items	-	5,350,661.90
Total Current Assets	5,122,356.23	34,290,954.89
Noncurrent Assets:		
Depreciable Capital Assets, Net	10,597.38	-
TOTAL ASSETS	5,132,953.61	34,290,954.89
DEFERRED OUTFLOWS OF RESOURCES		
Pensions	452,922.00	150,974.00
OPEB	2,995.00	998.00
TOTAL DEFERRED OUTFLOWS OF RESOURCES	455,917.00	151,972.00
LIABILITIES		
Current Liabilities:		
Payroll Deductions and Withholdings	1,655.58	705.27
Accounts Payable	59,125.69	94,127.62
Due to Other Funds	90,220.31	-
Unearned Revenue	212,013.50	-
Estimated Liability for Self-Insurance Program	-	6,701,024.79
Compensated Absences Payable	11,213.21	-
Total OPEB Liability	3,269.70	-
Total Current Liabilities	377,497.99	6,795,857.68
Noncurrent Liabilities:		
Estimated Liability for Self-Insurance Program	-	6,896,291.00
Compensated Absences Payable	44,852.85	8,662.91
Net Pension Liability	1,162,939.00	387,646.00
Total OPEB Liability	29,427.30	10,899.00
Total Noncurrent Liabilities	1,237,219.15	7,303,498.91
TOTAL LIABILITIES	1,614,717.14	14,099,356.59
DEFERRED INFLOWS OF RESOURCES		
Pensions	107,104.00	35,701.00
OPEB	12,915.00	4,305.00
TOTAL DEFERRED INFLOWS OF RESOURCES	120,019.00	40,006.00
NET POSITION		
Investment in Capital Assets	10,597.38	-
Unrestricted	3,843,537.09	20,303,564.30
TOTAL NET POSITION	\$ 3,854,134.47	\$ 20,303,564.30

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

Bay County District School Board
Statement of Revenues, Expenses, and Changes in Fund
Net Position – Proprietary Funds
For the Fiscal Year Ended June 30, 2023

	<u>Enterprise Funds</u>	
	<u>Beacon Learning Center</u>	<u>Internal Service Funds</u>
OPERATING REVENUES		
Charges for Services	\$ 1,897,794.03	\$ -
Premiums	-	28,838,798.05
Other	-	57,020.00
Total Operating Revenues	<u>1,897,794.03</u>	<u>28,895,818.05</u>
OPERATING EXPENSES		
Salaries	628,624.94	277,795.59
Employee Benefits	238,060.32	110,031.23
Purchased Services	522,230.81	2,852,577.70
Materials and Supplies	8,341.77	2,381.26
Capital Outlay	1,499.51	15,025.18
Insurance Claims	-	23,257,219.96
Insurance Premiums	-	7,787,316.50
Other	86,032.72	28,714.94
Depreciation	4,319.10	-
Total Operating Expenses	<u>1,489,109.17</u>	<u>34,331,062.36</u>
Operating Income (Loss)	<u>408,684.86</u>	<u>(5,435,244.31)</u>
NONOPERATING REVENUES		
Investment Income	134,916.22	871,983.61
Income (Loss) Before Transfers	<u>543,601.08</u>	<u>(4,563,260.70)</u>
Transfers In	-	6,141,483.00
Change in Net Position	543,601.08	1,578,222.30
Total Net Position - Beginning	<u>3,310,533.39</u>	<u>18,725,342.00</u>
Total Net Position - Ending	<u>\$ 3,854,134.47</u>	<u>\$ 20,303,564.30</u>

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

**Bay County District School Board
Statement of Cash Flows – Proprietary Funds
For the Fiscal Year Ended June 30, 2023**

	<u>Enterprise Funds</u>	
	<u>Beacon Learning Center</u>	<u>Internal Service Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Board Funds and Participants	\$ -	\$ 28,383,819.66
Cash Received from Services	1,877,648.53	-
Cash Payments to Suppliers for Goods and Services	(562,423.90)	(12,140,705.86)
Cash Payments to Employees for Services	(1,017,890.62)	(404,131.64)
Cash Payments for Insurance Claims	-	(24,495,957.17)
Other Receipts	-	57,020.00
Net Cash Provided (Used) by Operating Activities	<u>297,334.01</u>	<u>(8,599,955.01)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfer from Other Funds	-	6,141,483.00
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income	134,916.22	871,983.61
Net Increase (Decrease) in Cash and Cash Equivalents	432,250.23	(1,586,488.40)
Cash and Cash Equivalents, Beginning	4,689,581.00	30,071,137.00
Cash and Cash Equivalents, Ending	<u>\$ 5,121,831.23</u>	<u>\$ 28,484,648.60</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$ 408,684.86	\$ (5,435,244.31)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation	4,319.10	-
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:		
Accounts Receivable	33,505.00	-
Accrued Expenses	(9,842.09)	(3,203.00)
Due from Other Agencies	(525.00)	(454,978.39)
Due from Other Funds	1,439.00	-
Due to Other Funds	27,783.31	(8.00)
Prepaid Items	-	(2,049,665.90)
Other current assets	-	892,674.00
Payroll Deductions and Withholdings	1,655.58	705.27
Accounts Payable	37,739.69	(294,487.38)
Unearned Revenue	(54,564.50)	-
Compensated Absences Payable	(157,007.94)	(18,392.09)
Estimated Liability for Self-Insurance Program	-	(1,238,737.21)
Net Pension Liability	632,518.00	210,839.00
Total OPEB Liability	2,202.00	734.00
Deferred Outflows of Resources Related to OPEB	1,497.00	499.00
Deferred Inflows of Resources Related to OPEB	(4,148.00)	(1,382.00)
Deferred Outflows of Resources Related to Pensions	(49,301.00)	(16,434.00)
Deferred Inflows of Resources Related to Pensions	(578,621.00)	(192,874.00)
Total Adjustments	<u>(111,350.85)</u>	<u>(3,164,710.70)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 297,334.01</u>	<u>\$ (8,599,955.01)</u>

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

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees charged to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Bay County School District's (District) governmental activities and for each segment of the business type activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function. Depreciation expense is not readily associated with a particular function and is reported as unallocated.

B. Reporting Entity

The Bay County District School Board (Board) has direct responsibility for operation, control, and supervision of District schools and is considered a primary government for financial reporting. The District is considered part of the Florida system of public education, operates under the general direction of the Florida Department of Education (FDOE), and is governed by State law and State Board of Education (SBE) rules. The governing body of the District is the Board, which is composed of five elected members. The elected Superintendent of Schools is the executive officer of the Board. Geographic boundaries of the District correspond with those of Bay County.

Criteria for determining if other entities are potential component units that should be reported within the District's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provides for identification of any legally separate entities for which the Board is financially accountable and other organizations for which the nature and significance of their relationship with the Board are such that exclusion would cause the District's basic financial statements to be misleading.

Based on the application of these criteria, the following component units are included within the District's reporting entity:

Blended Component Units. Blended component units are, in substance, part of the District's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the District. The Bay County Educational Facilities Finance Corporation (Corporation) was formed to facilitate financing for the acquisition of facilities and

equipment as further discussed in Note II.H.1. Due to the substantive economic relationship between the District and the Corporation, the financial activities of the Corporation are included in the accompanying basic financial statements. Separate financial statements for the Corporation are not published.

Discretely Presented Component Units. The component units columns in the government-wide financial statements include the financial data of the District's Foundation and 12 charter schools. A separate column is used to emphasize that they are legally separate from the District.

The Bay Education Foundation, Inc. (Foundation) is a separate Florida not-for-profit corporation organized and operated as a direct-support organization under Section 1001.453, Florida Statutes, to receive, hold, invest, and administer property and to make expenditures to and for the benefit of the District. Because of the nature and significance of its relationship with the District, the Foundation is considered a component unit.

The charter schools are the Bay Haven Charter Academy, Inc., d/b/a Bay Haven Charter Academy Elementary School, Bay Haven Charter Academy Middle School, North Bay Haven Charter Elementary School, North Bay Haven Charter Middle School, and North Bay Haven Charter Career Academy; Chautauqua Charter School, Inc.; Palm Bay Educational Group, Inc., d/b/a Palm Bay Preparatory Elementary Academy, Palm Bay Preparatory Academy, and Central High School; Community Charter Academy, Inc., d/b/a University Academy, Inc.; Rising Leaders Academy, Inc.; and AMIkids Panama City Marine Institute, d/b/a AMIkids Maritime Academy.

The District's charter schools are not-for-profit corporations organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 1002.33, Florida Statutes. The charter schools operate under charters approved by their sponsor, the Bay County District School Board. The charter schools are considered to be component units of the District because the District is financially accountable for the charter schools as the District established the charter schools by approval of the charter, which is tantamount to the initial appointment of the charter schools, and there is the potential for the charter schools to impose specific financial burdens on the District. In addition, pursuant to the Florida Constitution, the charter schools are public schools and the District is responsible for the operation, control, and supervision of public schools within the District.

The financial data reported on the accompanying statements was derived from the Foundation's and charter school's audited financial statements for the fiscal year ended June 30, 2023. The audit reports are filed in the District's administrative offices at 1311 Balboa Avenue, Panama City, Florida 32401.

C. Basis of Presentation: Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise fund. Separate financial statements are provided for governmental funds and proprietary funds, even though the latter are excluded from the government-wide financial statements.

The effects of interfund activity have been eliminated from the government-wide financial statements except for interfund services provided and used and net residual amounts between governmental and business-type activities.

D. Basis of Presentation: Fund Financial Statements

The fund financial statements provide information about the District's funds, including the blended component unit. Separate statements for each fund category – governmental and proprietary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue – Federal Education Stabilization Fund – to account for certain Federal grant program resources provided as emergency relief to address the impact of COVID-19 on elementary and secondary schools.
- Debt Service – Other Fund – to account for the accumulation of resources for, and the payment of, debt principal, interest, and related costs for the District's certificates of participation.
- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction, renovation and remodeling projects, new and replacement equipment, motor vehicle purchases, and debt service payments on certificates of participation.
- Capital Projects – Other Fund – to account for various financial resources generated by the issuance of certificates of participation and the discretionary sales tax to be used for educational capital outlay needs, including new construction and renovation and remodeling projects.

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

- Enterprise Fund – Beacon Learning Center – to account for the financial activities and account balances of the Beacon Learning Center which provides educational services for a fee to individuals, public and private entities, and district school boards.
- Internal Service Funds – to account for the District's individual self-insurance programs.

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at fiscal year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise fund) are eliminated so that only the net amount is included as internal balances in the business-type activities column. Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial

statements, these amounts are reported at gross amounts as transfers in and out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Revenues from grants, entitlements, and donations are recognized as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditures are generally recognized when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, claims and judgments, pension benefits, other postemployment benefits, and compensated absences, are only recorded when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under leases are reported as other financing sources. Allocations of cost, such as depreciation, are not recognized in governmental funds.

The proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting.

The Foundation is accounted for under the not-for-profit basis of accounting and uses the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

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

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The District's cash and cash equivalents and cash equivalents with fiscal agent are considered to be cash on hand, demand deposits, certificates of deposit, and short-term liquid investments with original maturities of 3 months or less from the date of acquisition. Investments classified as cash equivalents and cash equivalents with fiscal agent include amounts placed with the State Board of Administration (SBA) in Florida PRIME, money market funds, and certificates of deposit.

Cash deposits are held by banks qualified as public depositories under Florida law which complies the provisions of Section 218.415(23), Florida Statutes, and is therefore exempt from Florida's public deposits program pursuant to Section 280.03(3)(f), Florida Statutes. All deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes.

2. Investments

Investments consist of amounts placed with the SBA for participation in the Florida PRIME investment pool created by Section 218.405, Florida Statutes, money market funds held by a trustee pursuant to a trust agreement entered into and restricted as part of the financing agreement for the District certificates of participation, and certificates of deposit. The investment pool operates under investment guidelines established by Section 215.47, Florida Statutes.

The District's investment in Florida PRIME, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. This investment is reported at fair value, which is amortized cost.

The investments held by the trustee are reported at fair value.

Types and amounts of investments held at fiscal year end are described in a subsequent note.

3. Inventories and Prepaid Items

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at average cost, except that United States Department of Agriculture donated foods are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. The costs of inventories are recorded as expenditures when used rather than purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenses or expenditures when consumed rather than when purchased.

4. Capital Assets

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net position but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than \$1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation.

Capital assets are depreciated using the unweighted average composite method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Useful Lives</u>
Improvements Other Than Buildings	9 – 37.5 years
Buildings and Fixed Equipment	10 - 50 years
Furniture, Fixtures, and Equipment	3 - 15 years
Motor Vehicles	5 - 10 years
Audio Visual Materials and Computer Software	4 - 5 years

Current year information relative to changes in capital assets is described in a subsequent note.

5. Right to Use Lease Assets and Lease Liability

In the government-wide statement of net position, the District reports right to use lease assets and the related lease liability. Right to use lease assets are initially measured at an amount equal to the initial measurement of the related lease liability (reported with lease liability) plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. Right to use lease assets are amortized on a straight-line basis over the life of the related lease.

6. Pensions

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

The District's retirement plans and related amounts are described in a subsequent note.

7. Long-Term Liabilities

Long-term obligations that will be financed from resources to be received in the future by governmental funds are reported as liabilities in the government-wide statement of net position. Debt premiums are deferred and amortized over the life of the certificates of participation using the effective interest method. certificates of participation payable are reported net of the applicable premium.

In the governmental fund financial statements, bonds and other long-term obligations are not recognized as liabilities until due. Governmental fund types recognize debt premiums during the current period. The face amount of debt issued is reported as other financing sources, while premiums on debt issuances are reported as other financing sources.

Changes in long-term liabilities for the current year are reported in a subsequent note.

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports 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 and so will not be recognized as an outflow of resources (expense) until then. The District has three items that qualify for reporting in this category. The deferred loss on debt refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The deferred outflows of resources related to pensions and OPEB are discussed in subsequent notes.

In addition to liabilities, the statement of net position and the governmental funds balance sheet report 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 inflows of resources (revenue) until that time. The District has three items that qualify for reporting in this category. The first two items, deferred inflows of resources related to pensions and OPEB, are reported in the statement of net position and discussed in subsequent notes. The remaining item is reported in the governmental funds balance sheet as unavailable revenue related to State capital outlay. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

9. Net Position Flow Assumption

The District occasionally funds outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. To calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. Consequently, it is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

10. Fund Balance Flow Assumptions

The District may fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). To calculate the

amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

11. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. The District reported no committed fund balances at June 30, 2023.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board has, by approval of the annual financial report, authorized the assignment of fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

G. Revenues and Expenditures/Expenses

1. Program 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 or business segment is self-financing or draws from the general revenues of the District.

2. State Revenue Sources

Significant revenues from State sources for current operations include the Florida Education Finance Program administered by the FDOE under the provisions of Section 1011.62, Florida Statutes. In accordance with this law, the District determines and reports the number of full-time equivalent (FTE) students and related data to the FDOE. The FDOE performs certain edit checks on the reported number of FTE and related data and calculates the allocation of funds to the District. The District is permitted to amend its original reporting during specified time periods following the date of the original reporting. The FDOE may also adjust subsequent fiscal period allocations based upon an audit of the District's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the fiscal year when the adjustments are made.

The State provides financial assistance to administer certain educational programs. SBE rules require that revenue earmarked for certain 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 fiscal year to be expended for the same educational programs. The FDOE generally requires that these educational program revenues be accounted for in the General Fund. A portion of the fund balance of the General Fund is restricted in the governmental fund financial statements for the balance of categorical and earmarked educational program resources.

The State allocates gross receipts 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 the FDOE. Accordingly, the District recognizes the allocation of these funds as unearned revenue until such time as an encumbrance authorization is received.

A schedule of revenue from State sources for the current year is presented in a subsequent note.

3. District Property Taxes

The Board is authorized by State law to levy property taxes for district school operations, capital improvements, and debt service.

Property taxes consist of ad valorem taxes on real and personal property within the District. Property values are determined by the Bay County Property Appraiser, and property taxes are collected by the Bay County Tax Collector.

The Board adopted the 2022 tax levy on September 8, 2022. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

Taxes become a lien on the property on January 1 and are delinquent on April 1 of the year following the year of assessment. State law provides for enforcement of collection of personal property taxes by seizure of the property to satisfy unpaid taxes and for enforcement of collection of real property taxes by the sale of interest-bearing tax certificates to satisfy unpaid taxes. The

procedures result in the collection of essentially all taxes prior to June 30 of the year following the year of assessment.

Property tax revenues are recognized in the government-wide financial statements when the Board adopts the tax levy. Property tax revenues are recognized in the governmental fund financial statements when taxes are received by the District, except that revenue is accrued for taxes collected by the Bay County Tax Collector at fiscal year end but not yet remitted to the District.

Millages and taxes levied for the current year are presented in a subsequent note.

4. Capital Outlay Surtax

In August 2018, the voters of Bay County approved to renew a one-half cent school capital outlay surtax on sales in the County to pay construction costs of certain school facilities and related costs in accordance with Section 212.055(6), Florida Statutes. The expiration date of the surtax is December 31, 2030.

5. 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. The FDOE may require adjustments to subsequent fiscal period expenditures and related revenues based upon an audit of the District's compliance with applicable Federal awards requirements. Normally, such adjustments are treated as reductions of expenditures and related revenues in the fiscal year when the adjustments are made.

6. Compensated Absences

In the government-wide financial statements and proprietary fund statements, compensated absences (i.e., paid absences for employee vacation leave and sick leave) are accrued as liabilities to the extent that it is probable that the benefits will result in termination payments for sick leave, and accrued as a liability as the benefits are earned by employees for annual leave. A liability for these amounts is reported in the financial statements only if it has matured, such as for occurrences of employee resignations and retirements. The liability for compensated absences includes salary-related benefits, where applicable.

7. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The primary operating revenues of the District's enterprise fund are charges for online educational resources and professional development courses. Operating expenses include salaries, benefits, purchased services, materials and supplies, capital outlay, and depreciation related to the development of these online educational resources and professional development courses. The

principal operating revenues of the District’s internal service funds are charges for property casualty and workers’ compensation insurance, and employee health insurance premiums. Operating expenses include insurance claims, excess coverage premiums, and related operating costs. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash Deposits with Financial Institutions

Custodial Credit Risk. In the case of deposits, this is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District does not have a policy for custodial credit risk. All bank balances of the District are fully insured or collateralized as required by Chapter 280, Florida Statutes.

B. Investments

The District’s investments at June 30, 2023, are reported as follows:

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
SBA:		
Florida PRIME (1)	37 Days	\$ 96,991,435.70
Money Market Funds:		
Goldman Sachs Government Obligations Fund (2)	48 Days	85,559,148.15
Certificates of Deposit (1)	Various	<u>183,085.67</u>
Total Investments		<u>\$ 182,733,669.52</u>

- (1) These investments are reported as cash equivalents for financial statement reporting purposes.
- (2) These investments are reported as cash equivalents with fiscal agent and are held in trust in connection with District certificates of participation (See Note II.H.1).

Fair Value Measurement

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The District’s investments in Goldman Sachs Government Obligations are valued using Level 1 inputs.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Section 218.415(17), Florida Statutes, limits investment maturities to provide sufficient liquidity to pay obligations as they come due. The District’s investment policy limits investments as follows: (1) investments of short-term funds shall have maturities of no longer than 12 months, and (2) investments of bond reserves, construction funds, and other nonoperating funds shall have a term appropriate for the need for funds and in accordance with debt covenants, but in no event shall

exceed 5 years. Investment of construction funds that are proceeds of tax-exempt debt issues shall have maturities of no longer than 3 years.

Florida PRIME and money market funds use a weighted average days to maturity (WAM). A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes.

For Florida PRIME, with regard to redemption gates, Section 218.409(8)(a), Florida Statutes, states, "The principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the executive director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the board [State Board of Administration] can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the trustees, the Joint Legislative Auditing Committee, and the Investment Advisory Council. The trustees shall convene an emergency meeting as soon as practicable from the time the executive director has instituted such measures and review the necessity of those measures. If the trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the executive director until the trustees are able to meet to review the necessity for the moratorium. If the trustees agree with such measures, the trustees shall vote to continue the measures for up to an additional 15 days. The trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the trustees exceed 15 days." As of June 30, 2023, there were no redemption fees, maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100 percent of their account value.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Section 218.415(17), Florida Statutes, limits investments to the Local Government Surplus Funds Trust Fund [Florida PRIME], or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes, that is rated AAAM or AAAM-G or better by Standard & Poor's or the equivalent by another rating agency; specified United States Government Securities and Government Agency Securities; interest-bearing time deposits, savings accounts, or demand deposit accounts or savings accounts in Federal insured qualified public depositories; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; investments, securities, or other interest in any open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940, of which mutual funds must be rated AAAM or AAAM-G or better by Standard & Poor's, or the equivalent by another rating agency; general obligation, revenue bonds, and certificates of participation issued by State and local governments with rating requirements as follows: long-term investments must constitute prefunded obligations escrowed in the United States Treasury Securities or must have long-term debt ratings in one of the 3 highest rating categories by at least one of the nationally recognized credit rating agencies and short-term investments must be in the highest short-term rating category by at least

one of the nationally recognized rating agencies. Investment in the United States Government Enterprises and Instrumentalities, and other investments permitted by State statutes and not prohibited by Board policy, are only eligible if recommended by the Superintendent and approved in advance by the Board.

The District's investments in Florida PRIME and money market funds are rated AAAM by Standard & Poor's.

C. Changes in Capital Assets

Changes in capital assets are presented in the following table:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 20,138,936.00	\$ 159,949.73	\$ -	\$ 20,298,885.73
Construction in Progress	81,134,720.00	30,875,651.76	60,414,118.21	51,596,253.55
Total Capital Assets Not Being Depreciated	<u>101,273,656.00</u>	<u>31,035,601.49</u>	<u>60,414,118.21</u>	<u>71,895,139.28</u>
Capital Assets Being Depreciated/Amortized:				
Improvements Other Than Buildings	21,284,207.00	2,488,605.88	-	23,772,812.88
Buildings and Fixed Equipment	703,419,931.00	72,646,887.12	-	776,066,818.12
Furniture, Fixtures, and Equipment	38,660,630.00	5,188,775.34	5,037,534.78	38,811,870.56
Lease Assets	477,367.00	652,608.58	30,328.96	1,099,646.62
Motor Vehicles	17,502,674.67	1,918,508.62	2,488,180.20	16,933,003.09
Audio Visual Materials and Computer Software	<u>9,129,708.76</u>	<u>-</u>	<u>-</u>	<u>9,129,708.76</u>
Total Capital Assets Being Depreciated/Amortized	<u>790,474,518.43</u>	<u>82,895,385.54</u>	<u>7,556,043.94</u>	<u>865,813,860.03</u>
Less Accumulated Depreciation/Amortization for:				
Improvements Other Than Buildings	10,159,936.00	916,872.21	-	11,076,808.21
Buildings and Fixed Equipment	477,696,307.00	23,943,721.32	-	501,640,028.32
Furniture, Fixtures, and Equipment	25,643,542.00	3,294,397.27	5,037,534.78	23,900,404.49
Lease Assets	185,041.00	235,668.54	30,328.96	390,380.58
Motor Vehicles	13,415,512.43	1,374,854.08	2,488,180.20	12,302,186.31
Audio Visual Materials and Computer Software	<u>9,055,407.30</u>	<u>24,971.82</u>	<u>-</u>	<u>9,080,379.12</u>
Total Accumulated Depreciation/Amortization	<u>536,155,745.73</u>	<u>29,790,485.24</u>	<u>7,556,043.94</u>	<u>558,390,187.03</u>
Total Capital Assets Being Depreciated/Amortized, Net	<u>254,318,772.70</u>	<u>53,104,900.30</u>	<u>-</u>	<u>307,423,673.00</u>
Governmental Activities Capital Assets, Net	<u>\$ 355,592,428.70</u>	<u>\$ 84,140,501.79</u>	<u>\$ 60,414,118.21</u>	<u>\$ 379,318,812.28</u>

The District's capital assets serve multiple functions; however, depreciation/amortization expense is not allocated to the various functions on the statement of activities, but is shown as unallocated depreciation/amortization expense.

	Beginning Balance	Additions	Deletions	Ending Balance
BUSINESS-TYPE ACTIVITIES				
Capital Assets Being Depreciated:				
Furniture, Fixtures, and Equipment	\$ 172,868.60	\$ -	\$ -	\$ 172,868.60
Motor Vehicles	16,367.00	-	-	16,367.00
Audio Visual Materials and Computer Software	84,592.40	-	-	84,592.40
Total Capital Assets Being Depreciated	273,828.00	-	-	273,828.00
Less Accumulated Depreciation for:				
Furniture, Fixtures, and Equipment	157,952.12	4,319.10	-	162,271.22
Motor Vehicles	16,367.00	-	-	16,367.00
Audio Visual Materials and Computer Software	84,592.40	-	-	84,592.40
Total Accumulated Depreciation	258,911.52	4,319.10	-	263,230.62
Total Capital Assets Being Depreciated, Net	<u>\$ 14,916.48</u>	<u>\$ (4,319.10)</u>	<u>\$ 0.00</u>	<u>\$ 10,597.38</u>

D. Retirement Plans

1. FRS – Defined Benefit Pension Plans

General Information about the FRS

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

The District's FRS and HIS pension expense totaled \$16,888,972 for the fiscal year ended June 30, 2023.

FRS Pension Plan

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.
- *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 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the 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
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 2022-23 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	11.91
FRS, Elected County Officers	3.00	57.00
FRS, Special Risk	3.00	27.83
DROP – Applicable to Members from All of the Above Classes	0.00	18.60
FRS, Reemployed Retiree	(2)	(2)

(1) Employer rates include 1.66 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.06 percent for administrative costs of the Investment Plan.

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

The District's contributions to the Plan totaled \$13,816,243 for the fiscal year ended June 30, 2023.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2023, the District reported a liability of \$104,345,086 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. The District's proportionate share of the net pension liability was based on the District's 2021-22 fiscal year contributions

relative to the total 2021-22 fiscal year contributions of all participating members. At June 30, 2022, the District's proportionate share was 0.280436962 percent, which was an increase of 0.003836052 from its proportionate share measured as of June 30, 2021.

For the fiscal year ended June 30, 2023, the District recognized a Plan pension expense of \$15,226,672. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 4,955,789	\$ -
Change of Assumptions	12,850,534	-
Net Difference Between Projected and Actual Earnings on FRS Pension Plan Investments	6,889,892	-
Changes in Proportion and Differences Between District FRS Contributions and Proportionate Share of Contributions	8,538,406	3,922,946
District FRS Contributions Subsequent to the Measurement Date	<u>13,816,243</u>	<u>-</u>
Total	<u>\$ 47,050,864</u>	<u>\$ 3,922,946</u>

The deferred outflows of resources related to pensions resulting from District contributions to the Plan subsequent to the measurement date, totaling \$13,816,243, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2024	\$ 6,684,834
2025	3,131,239
2026	(730,989)
2027	19,192,489
2028	<u>1,034,102</u>
Total	<u>\$ 29,311,675</u>

Actuarial Assumptions. The total pension liability in the July 1, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary Increases	3.25 percent, average, including inflation
Investment Rate of Return	6.70 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the July 1, 2022, valuation were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018.

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

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.0%	2.6%	2.6%	1.1%
Fixed Income	19.8%	4.4%	4.4%	3.2%
Global Equity	54.0%	8.8%	7.3%	17.8%
Real Estate	10.3%	7.4%	6.3%	15.7%
Private Equity	11.1%	12.0%	8.9%	26.3%
Strategic Investments	3.8%	6.2%	5.9%	7.8%
Total	100%			
Assumed inflation - Mean			2.4%	1.3%

(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 changed from 6.8 percent to 6.7 percent.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.7 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:

	<u>1% Decrease (5.7%)</u>	<u>Current Discount Rate (6.7%)</u>	<u>1% Increase (7.7%)</u>
District's Proportionate Share of the Net Pension Liability	\$ 180,457,652	\$ 104,345,086	\$ 40,705,925

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.

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, 2023, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Federal Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2023, the contribution rate was 1.66 percent of payroll pursuant to Section 112.363, Florida Statutes. The District contributed 100 percent of its statutorily required contributions for the current and preceding 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 \$2,505,210 for the fiscal year ended June 30, 2023.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2023, the District reported a net pension liability of \$39,227,597 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, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. The District's proportionate share of the net pension liability was based on the District's 2021-22 fiscal year contributions relative to the total 2021-22 fiscal year contributions of all participating members. At June 30, 2022, the District's proportionate share was 0.370365266 percent, which was an increase of 0.006855285 from its proportionate share measured as of June 30, 2021.

For the fiscal year ended June 30, 2023, the District recognized the HIS Plan pension expense of \$1,662,300. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 1,190,650	\$ 172,605
Change of Assumptions	2,248,551	6,068,484
Net Difference Between Projected and Actual Earnings on HIS Pension Plan Investments	56,793	-
Changes in Proportion and Differences Between District HIS Contributions and Proportionate Share of Contributions	2,864,215	3,058,694
District HIS Contributions Subsequent to the Measurement Date	2,505,210	-
Total	<u>\$ 8,865,419</u>	<u>\$ 9,299,783</u>

The deferred outflows of resources related to pensions resulting from District contributions to the HIS Plan subsequent to the measurement date, totaling \$2,505,210, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2024	\$ (974,547)
2025	(555,366)
2026	(274,279)
2027	(211,388)
2028	(593,268)
Thereafter	(330,726)
Total	<u>\$ (2,939,574)</u>

Actuarial Assumptions. The total pension liability in the July 1, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary Increases	3.25 percent, average, including inflation
Municipal Bond Rate	3.54 percent

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 3.54 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 2.16 percent to 3.54 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 3.54 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 (2.54 percent) or 1 percentage point higher (4.54 percent) than the current rate:

	1% Decrease (2.54%)	Current Discount Rate (3.54%)	1% Increase (4.54%)
District's Proportionate Share of the Net Pension Liability	\$ 44,879,592	\$ 39,227,597	\$ 34,550,688

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.

2. 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 2022-23 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Compensation</u>
FRS, Regular	9.30
FRS, Elected County Officers	14.34
FRS, Special Risk	20.00

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, 2023, 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 Investment Plan pension expense totaled \$4,816,676.69 for the fiscal year ended June 30, 2023.

E. Other Postemployment Benefit Obligations

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, former employees who retire from the District are eligible to participate in the District's health insurance plan. Retirees and their eligible dependents shall be offered the same health insurance coverage as is offered to active employees at a premium cost of no more than the premium cost applicable to active employees. The District subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because retiree healthcare costs are generally greater than active employee healthcare costs. 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 the Insurance Committee and action from the Board. 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 healthcare insurance benefits for retirees and their dependents. The OPEB Plan only provides an implicit subsidy as described above.

Employees Covered by Benefit Terms. At July 1, 2022, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	156
Active Employees with Medical Coverage	<u>2,241</u>
Total	<u><u>2,397</u></u>

Total OPEB Liability. The District’s total OPEB liability of \$4,036,787 was measured as of June 30, 2023, and was determined by an actuarial valuation as of July 1, 2022.

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

Mortality Rates	PubG Healthy Headcount-weighted Mortality Tables with Projection Scare MP-2021
Salary Increases	4 percent, average, including inflation
Discount Rate	4.09 percent, based on the S&P Municipal Bond 20 Year High Grade Rate Index as of June 30, 2022.
Healthcare Cost Trend Rates	6 percent for 2022, grading uniformly to 5.5 percent over two years and following the Getzen model thereafter.
Aging Factors	Based on the Dale Yamamoto study released by the Society of Actuaries in June 2013.
Expenses	Administrative expenses are included in the per capita health costs.
Plan Participation	40 percent of future eligible retirees

Changes in the Total OPEB Liability.

	<u>Amount</u>
Balance at June 30, 2022	<u>\$ 3,764,884</u>
Changes for the year:	
Service Cost	426,334
Interest	158,617
Benefit Payments	<u>(313,048)</u>
Net Changes	<u>271,903</u>
Balance at June 30, 2023	<u><u>\$ 4,036,787</u></u>

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 (3.09 percent) or 1 percentage point higher (5.09 percent) than the current rate:

	<u>1% Decrease (3.09%)</u>	<u>Current Discount Rate (4.09%)</u>	<u>1% Increase (5.09%)</u>
Total OPEB Liability	\$ 4,211,562	\$ 4,036,787	\$ 3,858,862

Sensitivity of the Total OPEB Liability to Changes in the Healthcare 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 healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 3,605,035	\$ 4,036,787	\$ 4,542,361

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the fiscal year ended June 30, 2023, the District recognized OPEB expense of \$257,742. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ -	\$ 1,361,711
Changes of Assumptions or Other Inputs	369,720	232,732
Total	\$ 369,720	\$ 1,594,443

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2024	\$ (327,206)
2025	(327,206)
2026	(190,104)
2027	(190,104)
2028	(190,103)
Total	\$ (1,224,723)

F. Construction and Other Significant Commitments

Construction Contracts. The following is a schedule of major construction contract commitments at June 30, 2023:

Project	Contract Amount	Completed to Date	Balance Committed
Arnold High School Contractor	\$ 4,486,315.53	\$ 3,137,171.06	\$ 1,349,144.47
Bay High School Architect	1,935,329.00	1,653,874.35	281,454.65
Contractor	12,049,565.40	9,615,814.82	2,433,750.58
Bozeman Contractor	402,896.32	390,246.43	12,649.89
Architect	1,321,982.01	811,365.32	510,616.69
Breakfast Point Contractor	1,210,048.52	1,004,450.73	205,597.79
Deerpoint Contractor	413,301.08	348,040.29	65,260.79
Haney Vo-Tech Contractor	17,428,408.51	10,446,748.93	6,981,659.58
Architect	894,369.09	752,546.72	141,822.37
Jinks Architect	371,708.00	370,358.00	1,350.00
Merritt Brown Contractor	14,117,889.56	621,475.12	13,496,414.44
Architect	201,848.00	79,000.00	122,848.00
Mosley Contractor	5,320,290.00	439,471.41	4,880,818.59
Architect	290,470.00	236,614.10	53,855.90
Mowat Architect	1,342,025.90	1,095,273.63	246,752.27
Contractor	5,116,717.40	2,300,741.22	2,815,976.18
Northside Contractor	5,044,881.00	1,072,574.78	3,972,306.22
Patterson Contractor	1,130,671.87	1,029,010.60	101,661.27
Architect	98,735.00	72,818.75	25,916.25
Patronis Contractor	11,218,803.00	3,950,617.84	7,268,185.16
Architect	123,100.00	74,520.00	48,580.00
Parker Contractor	1,291,224.00	587,876.38	703,347.62
Rutherford Architect	459,990.00	453,640.15	6,349.85
Southport Contractor	4,718,949.00	915,270.37	3,803,678.63
Surfside Contractor	1,793,888.23	1,747,687.74	46,200.49
Walsingham Architect	2,255,888.70	2,233,553.20	22,335.50
West Bay Contractor	647,767.00	518,485.64	129,281.36
Transportation Contractor	366,656.00	159,614.28	207,041.72
Architect	19,796.00	18,626.00	1,170.00
Maintenance Contractor	1,494,483.00	120,588.26	1,373,894.74
Architect	76,000.00	59,900.00	16,100.00
Total	\$ 97,643,997.12	\$ 46,317,976.12	\$ 51,326,021.00

Encumbrances. Appropriations in governmental funds are encumbered upon issuance of purchase orders for goods and services. Even though appropriations lapse at the end of the fiscal year, unfilled purchase orders of the current year are carried forward and the next fiscal year’s appropriations are likewise encumbered.

The following is a schedule of encumbrances at June 30, 2023:

Major Funds					
General	Special Revenue - Federal Education Stabilization	Capital Projects - Local Capital Improvement	Capital Projects - Other	Nonmajor Governmental Funds	Total Governmental Funds
\$ 10,991,950.31	\$ 6,640,789.90	\$ 41,252,309.94	\$ 39,767,654.68	\$ 743,883.23	\$ 99,396,588.06

The Capital Projects – Local Capital Improvement Fund encumbrances exceed the total fund balance by \$24,063,667.95 and are expected to be honored using funds to be received in the subsequent year.

G. Risk Management Programs

General and Workers’ Compensation Claims

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District established a Risk Management Internal Service Fund (Risk Management Fund) to account for and finance its uninsured risks of loss related to workers’ compensation, automobile liability, and general liability claims. Under this program, the Risk Management Fund provides coverage for up to \$500,000 for each workers’ compensation claim, \$100,000 for each automobile liability claim, \$100,000 for each general liability claim, and \$100,000 per occurrence for property. The District has contracted with an insurance administrator to administer these self-insurance programs, including the processing, investigating, and payment of claims.

Settled claims resulting from the risks described above have not exceeded commercial insurance coverage in any of the past 3 fiscal years.

A liability in the amount of \$10,218,381 was actuarially determined to cover estimated incurred, but not reported, insurance claims payable at June 30, 2023. The loss estimates include legal and certain other expenses associated with claims settlements (allocated loss adjustment expenses). These estimates do not include provisions for associated overhead and administrative expenses.

The following schedule represents the changes in claims liability for the past 2 fiscal years for the District’s self-insurance program:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
2021-22	\$ 11,198,536.00	\$ 1,350,096.00	\$ (2,140,103.00)	\$ 10,408,529.00
2022-23	10,408,529.00	1,015,966.46	(1,206,114.46)	10,218,381.00

Health Insurance Claims

The District's health insurance program is being provided on a self-insured basis up to specific limits. The District entered into an agreement with an insurance company to provide individual and aggregate excess coverage. The insurance company will reimburse 100 percent of the individual claims in excess of \$150,000 and the aggregate reimbursement maximum is \$1,000,000 per policy period. The District has contracted with a service agent to administer this self-insurance program, including processing, investigation, and payment of claims.

Settled claims resulting from health insurance risks described above have not exceeded commercial insurance coverage in any of the past 3 fiscal years.

The District reports a liability when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. This amount includes claims that have been incurrent but not reported. The District reevaluates the claims liability periodically and the claims liability totaled \$3,378,934.79 as of June 30, 2023, which includes \$2,471,655.52 in unpaid claims for June 2023 and incurred but not reported claims of \$907,279.27.

The following schedule represents the changes in claims liability for the past 2 fiscal years for the District's self-insurance program:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
2021-22	\$ 8,051,790.00	\$ 21,625,516.00	\$ (25,249,782.00)	\$ 4,427,524.00
2022-23	4,427,524.00	22,241,253.50	(23,289,842.71)	3,378,934.79

H. Long-Term Liabilities

1. Certificates of Participation

The District entered into a financing arrangement on November 1, 1994, which was characterized as a master lease-purchase agreement, with the Bay County Educational Facilities Corporation (Corporation) to issue certificates of participation (Certificates) and to provide a vehicle for future Certificate financings. Such financings are paid from the proceeds of rents paid by the District.

As a condition of the financing arrangement, the District has given a ground lease on District property to the Corporation, with a rental fee of \$10 per year. The initial term of the lease commenced on November 1, 1994, and ends on the earlier of (a) payment outstanding Certificates, or (b) June 30, 2052. The properties covered by the ground lease are, together with the improvements constructed thereon from the financing proceeds, leased back to the District. If the District fails to renew the lease and to provide for the rent payments through to term, the District may be required to surrender the sites included under the Ground Lease Agreement for the benefit of the securers of the Certificates for a period of time specified by the arrangement which may be through June 30, 2052.

The District properties included in the ground lease under the master lease-purchase arrangement include properties at Patronis Elementary School; Lucille Moore Elementary School;

Robert L. Young Service Center; J.R. Arnold High School; Emerald Bay Academy; New Horizons Learning Center; Breakfast Point Academy; Deer Point Elementary School; Jinks Middle School Gymnasium; Bay High School Science, Technology, Engineering, and Mathematics Classrooms; A. Gary Walsingham Academy; Deane Bozeman School; Mowat Middle School; and certain parcels of land at Cedar Grove Elementary School, Merritt Brown Middle School, Rutherford High School, Northside Elementary School, and Tommy Smith Elementary School.

Certificates outstanding as of June 30, 2023, include the following direct placements:

The Refunding Certificates of Participation, Series 2015, include outstanding serial certificates maturing from 2024 through 2029. These payments are payable by the District, semiannually, on July 1 and January 1 at an interest rate of 2.56 percent.

The Certificates of Participation, Series 2019, include outstanding serial certificates maturing from 2024 through 2030. These payments are payable by the District, semiannually, on July 1 and January 1 at an interest rate of 1.99 percent.

The Certificates of Participation, Series 2020A, include outstanding serial certificates maturing from 2030 through 2040. These payments are payable by the District, semiannually, on July 1 and January 1 at interest rates ranging from 4 to 5 percent.

The Certificates of Participation, Series 2022A, include outstanding serial certificates maturing from 2024 through 2047. These payments are payable by the District, semiannually, on July 1 and January 1 at an interest rate of 4 to 5 percent.

The following is a schedule by years of future minimum lease payments under the lease agreement together with the present value of minimum lease payments as of June 30:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 16,103,148.50	\$ 10,120,000.00	\$ 5,983,148.50
2025	16,878,492.50	11,180,000.00	5,698,492.50
2026	16,874,968.50	11,490,000.00	5,384,968.50
2027	16,871,654.50	11,810,000.00	5,061,654.50
2028	16,878,323.00	12,150,000.00	4,728,323.00
2029-2033	50,742,134.00	31,770,000.00	18,972,134.00
2034-2038	35,030,400.00	20,990,000.00	14,040,400.00
2039-2043	35,028,375.00	25,835,000.00	9,193,375.00
2044-2047	28,021,887.50	25,280,000.00	2,741,887.50
Total Minimum Lease Payments	232,429,383.50	160,625,000.00	71,804,383.50
Plus Unamortized Premium	8,329,768.38	8,329,768.38	-
Total Certificates of Participation	\$ 240,759,151.88	\$ 168,954,768.38	\$ 71,804,383.50

2. Leases Payable

The District has various copier agreements executed from September 2018 through June 2023. These lease agreements require monthly payments and the leased assets have a book value of \$1,099,646.62. The lease liabilities are measured at a discount rate of 3 percent, which is an imputed rate based on the District's historical borrowing rates.

Future minimum lease payments and the present value of the minimum lease payments as of June 30 are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 380,615.31	\$ 363,555.20	\$ 17,060.11
2025	270,246.69	262,174.14	8,072.55
2026	106,084.18	104,492.53	1,591.65
2027	1,353.32	1,343.22	10.10
Total Minimum Lease Payments	\$ 758,299.50	\$ 731,565.09	\$ 26,734.41

3. Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due In One Year</u>
GOVERNMENTAL ACTIVITIES					
Certificates of Participation Payable					
Direct Borrowings and Direct Placements	\$ 105,535,600.00	\$ 64,810,000.00	\$ 9,720,600.00	\$ 160,625,000.00	\$ 10,120,000.00
Unamortized Premium	6,327,976.00	2,730,300.80	728,508.42	8,329,768.38	445,799.12
Total Certificates of Participation Payable	<u>111,863,576.00</u>	<u>67,540,300.80</u>	<u>10,449,108.42</u>	<u>168,954,768.38</u>	<u>10,565,799.12</u>
Notes Payable	1,053,000.00	-	1,053,000.00	-	-
Leases Payable	297,154.93	652,608.58	218,198.42	731,565.09	363,555.20
Estimated Insurance Claims Payable	14,836,053.00	22,793,867.67	24,032,604.88	13,597,315.79	6,701,024.79
Compensated Absences Payable (1)	11,948,893.00	-	1,260,401.32	10,688,491.68	2,137,698.33
Net Pension Liability	64,953,598.00	127,399,182.00	49,943,036.00	142,409,744.00	-
Total OPEB Liability	<u>3,734,389.00</u>	<u>580,213.00</u>	<u>310,512.00</u>	<u>4,004,090.00</u>	<u>400,409.00</u>
Total Governmental Activities	<u>\$ 208,686,663.93</u>	<u>\$ 218,966,172.05</u>	<u>\$ 87,266,861.04</u>	<u>\$ 340,385,974.94</u>	<u>\$ 20,168,486.44</u>
BUSINESS-TYPE ACTIVITIES					
Compensated Absences Payable (1)	\$ 213,074.00	\$ -	\$ 157,007.94	\$ 56,066.06	\$ 11,213.21
Net Pension Liability	530,421.00	1,040,360.00	407,842.00	1,162,939.00	-
Total OPEB Liability	<u>30,495.00</u>	<u>4,738.00</u>	<u>2,536.00</u>	<u>32,697.00</u>	<u>3,269.70</u>
Total Business-Type Activities	<u>\$ 773,990.00</u>	<u>\$ 1,045,098.00</u>	<u>\$ 567,385.94</u>	<u>\$ 1,251,702.06</u>	<u>\$ 14,482.91</u>

(1) The change in the compensated absences liability is presented as a net change.

For the governmental activities, compensated absences, pensions, and other postemployment benefits are generally liquidated with resources of the General Fund. The estimated insurance claims are generally liquidated with the resources of the Internal Service Fund, as discussed in Note II.G.

I. Fund Balance Reporting

In addition to committed and assigned fund balance categories discussed in Note I.F.11., fund balances may be classified as follows:

- **Nonspendable Fund Balance**. Nonspendable fund balance is the net current financial resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Generally, not in spendable form means that an item is not expected to be converted to cash.
- **Restricted Fund Balance**. Restricted fund balance is the portion of fund balance on which constraints have been placed by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation. Restricted fund balance places the most binding level of constraint on the use of fund balance.

- **Unassigned Fund Balance.** The unassigned fund balance is the portion of fund balance that is the residual classification for the General Fund. This balance represents amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned for specific purposes.

J. Interfund Receivables and Payables

The following is a summary of interfund receivables and payables reported in the fund financial statements:

Funds	Interfund	
	Receivables	Payables
Major:		
General	\$ 4,361,795.46	\$ 444,217.20
Special Revenue:		
Federal Education Stabilization	1,046,324.50	3,494,657.80
Capital Projects:		
Local Capital Improvement	-	50,934,611.70
Other	50,576,624.62	
Nonmajor Governmental	1,573,296.45	2,595,000.02
Internal Service	666.00	-
Enterprise:		
Beacon Learning Center	-	90,220.31
Total	\$ 57,558,707.03	\$ 57,558,707.03

The interfund receivables and payables are primarily to reimburse the General Fund for expenditures paid on behalf of other funds and to transfer certificates of participation proceeds from the Capital Projects – Local Capital Improvement Fund to the Capital Projects – Other Fund.

K. Revenues

1. Schedule of State Revenue Sources

The following is a schedule of the District's State revenue sources for the 2022-23 fiscal year:

Source	Amount
Florida Education Finance Program	\$ 94,417,236.00
Categorical Educational Program - Class Size Reduction	27,268,431.00
Workforce Development Program	2,983,075.00
Charter School Capital Outlay	2,748,684.00
Gross Receipts Tax (Public Education Capital Outlay)	2,559,331.37
Voluntary Prekindergarten Program	1,631,973.39
School Recognition	1,613,156.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	999,041.51
Food Service Supplement	113,198.00
State License Tax	64,377.95
Miscellaneous	2,063,150.14
Total	\$ 136,461,654.36

Accounting policies relating to certain State revenue sources are described in Note I.G.2.

2. Property Taxes

The following is a summary of millages and taxes levied on the 2022 tax roll for the 2022-23 fiscal year:

	Millages	Taxes Levied
General Fund		
Nonvoted School Tax:		
Required Local Effort	3.256	\$ 83,201,263.50
Basic Discretionary Local Effort	0.748	19,113,803.78
Capital Projects - Local Capital Improvement Fund		
Nonvoted Tax:		
Local Capital Improvements	1.500	38,329,820.41
Total	5.504	\$ 140,644,887.69

L. Interfund Transfers

The following is a summary of interfund transfers reported in the fund financial statements:

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 5,087,189.06	\$ 1,993,039.87
Debt Service:		
Other	16,553,280.86	-
Capital Projects:		
Local Capital Improvement	-	18,285,502.67
Other	-	4,754,726.38
Nonmajor Governmental	-	2,748,684.00
Internal Service	6,141,483.00	-
Total	\$ 27,781,952.92	\$ 27,781,952.92

The interfund transfers are mainly to provide for debt repayments, to assist in financing maintenance operations of the District, and to facilitate the payment for charter school capital outlay moneys. Additionally, funds were transferred from the Capital Projects – Local Capital Improvement Fund to the Internal Service Fund for property casualty insurance premiums.

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OTHER REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule General and Major Special Revenue Funds For the Fiscal Year Ended June 30, 2023

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
Federal Direct	\$ 438,944.00	\$ 511,911.85	\$ 1,754,301.67	\$ 1,242,389.82
Federal Through State and Local	1,927,099.00	7,079,782.81	8,330,011.42	1,250,228.61
State	120,246,174.00	130,579,581.32	129,996,040.35	(583,540.97)
Local:				
Property Taxes	97,953,106.00	97,953,106.00	98,751,325.05	798,219.05
Miscellaneous	3,816,670.00	5,495,927.69	9,663,437.81	4,167,510.12
Total Local Revenues	101,769,776.00	103,449,033.69	108,414,762.86	4,965,729.17
Total Revenues	224,381,993.00	241,620,309.67	248,495,116.30	6,874,806.63
Expenditures				
Current - Education:				
Instruction	179,418,136.00	183,876,594.85	160,927,744.29	22,948,850.56
Student Support Services	10,305,345.00	10,473,116.21	9,004,756.34	1,468,359.87
Instructional Media Services	2,608,457.00	2,696,658.78	2,500,769.48	195,889.30
Instruction and Curriculum Development Services	3,143,702.00	3,317,351.58	2,971,947.73	345,403.85
Instructional Staff Training Services	1,451,025.00	1,721,739.75	1,358,959.54	362,780.21
Instruction-Related Technology	42,392.00	1,670.00	187,211.79	(185,541.79)
Board	1,162,646.00	1,090,160.18	991,595.85	98,564.33
General Administration	6,659,294.00	6,730,783.03	1,221,833.44	5,508,949.59
School Administration	16,614,102.00	15,924,108.23	15,935,866.09	(11,757.86)
Facilities Acquisition and Construction	32,872,165.00	28,962,928.22	4,857,996.66	24,104,931.56
Fiscal Services	2,174,460.00	2,202,764.77	2,159,234.35	43,530.42
Food Services	65,000.00	-	22,466.33	(22,466.33)
Central Services	2,214,657.00	2,281,989.29	2,110,027.96	171,961.33
Student Transportation Services	8,983,298.00	9,131,801.62	9,266,742.03	(134,940.41)
Operation of Plant	20,284,811.00	22,092,578.22	19,218,084.51	2,874,493.71
Maintenance of Plant	5,910,711.00	6,128,837.05	5,761,587.49	367,249.56
Administrative Technology Services	4,304,000.00	4,341,397.38	4,050,612.89	290,784.49
Community Services	3,123,299.00	3,288,892.22	2,901,386.93	387,505.29
Fixed Capital Outlay:				
Facilities Acquisition and Construction	-	13,182,858.60	13,182,858.60	-
Other Capital Outlay	-	609,858.26	609,858.26	-
Debt Service:				
Principal	-	-	218,198.42	(218,198.42)
Interest and Fiscal Charges	-	-	9,531.73	(9,531.73)
Total Expenditures	301,337,500.00	318,056,088.24	259,469,270.71	58,586,817.53
Deficiency of Revenues Over Expenditures	(76,955,507.00)	(76,435,778.57)	(10,974,154.41)	65,461,624.16
Other Financing Sources (Uses)				
Transfers In	2,139,550.00	5,351,342.96	5,087,189.06	(264,153.90)
Inception of Lease Agreements	-	-	652,608.58	652,608.58
Loss Recoveries	-	-	69,316.80	69,316.80
Transfers Out	-	(1,993,039.87)	(1,993,039.87)	-
Total Other Financing Sources	2,139,550.00	3,358,303.09	3,816,074.57	457,771.48
Net Change in Fund Balances	(74,815,957.00)	(73,077,475.48)	(7,158,079.84)	65,919,395.64
Fund Balances, Beginning	86,609,758.00	86,295,151.00	86,295,151.00	-
Fund Balances, Ending	\$ 11,793,801.00	\$ 13,217,675.52	\$ 79,137,071.16	\$ 65,919,395.64

Special Revenue - Federal Education Stabilization Fund

<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
\$ -	\$ -	\$ -	\$ -
56,607,739.00	62,424,814.98	23,607,967.98	(38,816,847.00)
-	-	-	-
-	-	-	-
-	-	-	-
<u>56,607,739.00</u>	<u>62,424,814.98</u>	<u>23,607,967.98</u>	<u>(38,816,847.00)</u>
28,698,841.00	31,798,961.50	12,216,431.73	19,582,529.77
10,837,794.00	11,747,430.56	6,141,394.86	5,606,035.70
225,668.00	222,955.08	22,640.04	200,315.04
446,389.00	1,432,966.72	803,971.11	628,995.61
2,394,405.00	2,592,525.21	719,440.56	1,873,084.65
240,534.00	234,418.00	-	234,418.00
138.00	29.00	-	29.00
1,247,413.00	1,446,714.78	809,560.20	637,154.58
497,301.00	599,102.55	199,375.72	399,726.83
8,979,960.00	8,236,458.62	550,205.81	7,686,252.81
6,871.00	6,371.00	-	6,371.00
28,432.00	28,904.00	18,683.03	10,220.97
151,304.00	144,519.48	7,764.79	136,754.69
602,476.00	585,589.08	31,035.86	554,553.22
1,738,020.00	2,119,167.17	1,300,722.25	818,444.92
423,450.00	416,550.00	25,925.00	390,625.00
25,103.00	19,209.00	-	19,209.00
63,640.00	42,257.89	10,131.68	32,126.21
-	740,720.27	740,720.27	-
-	9,965.07	9,965.07	-
-	-	-	-
-	-	-	-
<u>56,607,739.00</u>	<u>62,424,814.98</u>	<u>23,607,967.98</u>	<u>38,816,847.00</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

**Schedule of Changes in the District's
Total OPEB Liability and Related Ratios**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability						
Service Cost	\$ 426,334	\$ 439,979	\$ 428,578	\$ 412,095	\$ 517,021	\$ 492,401
Interest	158,617	132,031	125,009	141,984	153,279	146,872
Differences Between Expected and Actual Experience	-	(1,004,898)	-	(1,931,783)	-	-
Changes of Assumptions or Other Inputs	-	(325,825)	-	1,109,156	-	-
Benefit Payments	(313,048)	(301,008)	(386,070)	(371,221)	(448,904)	(415,652)
Net Change in Total OPEB Liability	<u>271,903</u>	<u>(1,059,721)</u>	<u>167,517</u>	<u>(639,769)</u>	<u>221,396</u>	<u>223,621</u>
Total OPEB Liability - Beginning	<u>3,764,884</u>	<u>4,824,605</u>	<u>4,657,088</u>	<u>5,296,857</u>	<u>5,075,461</u>	<u>4,851,840</u>
Total OPEB Liability - Ending	<u>\$ 4,036,787</u>	<u>\$ 3,764,884</u>	<u>\$ 4,824,605</u>	<u>\$ 4,657,088</u>	<u>\$ 5,296,857</u>	<u>\$ 5,075,461</u>
Covered-Employee Payroll	\$ 126,793,280	\$ 121,916,615	\$ 91,326,813	\$ 87,814,243	\$ 95,658,624	\$ 91,979,446
Total OPEB Liability as a Percentage of Covered-Employee Payroll	3.18%	3.09%	5.28%	5.30%	5.54%	5.52%

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

Fiscal Year Ending June 30	District's Proportion of the FRS Net Pension Liability	District's Proportionate Share of the FRS Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the FRS Net Pension Liability as a Percentage of its Covered Payroll	FRS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2013	0.310217062%	\$ 53,402,163	\$ 115,355,362	46.29%	88.54%
2014	0.317902372%	19,396,720	119,580,531	16.22%	96.09%
2015	0.313827488%	40,535,029	122,615,413	33.06%	92.00%
2016	0.288077399%	72,739,769	123,114,770	59.08%	84.88%
2017	0.277793791%	82,197,743	124,140,536	66.21%	83.89%
2018	0.273873916%	82,492,243	125,344,151	65.81%	84.26%
2019	0.259251435%	89,282,585	121,280,909	73.62%	82.61%
2020	0.238762281%	103,483,091	116,142,935	89.10%	78.85%
2021	0.276600910%	20,894,055	128,809,588	16.22%	96.40%
2022	0.280436962%	104,345,086	135,094,709	77.24%	82.89%

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

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

Fiscal Year Ending June 30	Contractually Required FRS Contribution	FRS Contributions in Relation to the Contractually Required Contribution	FRS Contribution Deficiency (Excess)	District's Covered Payroll	FRS Contributions as a Percentage of Covered Payroll
2014	\$ 6,963,411	\$ (6,963,411)	\$ -	\$ 119,580,531	5.82%
2015	7,651,381	(7,651,381)	-	122,615,413	6.24%
2016	7,025,227	(7,025,227)	-	123,114,770	5.71%
2017	7,231,656	(7,231,656)	-	124,140,536	5.83%
2018	7,805,187	(7,805,187)	-	125,344,151	6.23%
2019	8,127,318	(8,127,318)	-	121,280,909	6.70%
2020	8,025,549	(8,025,549)	-	116,142,935	6.91%
2021	10,708,045	(10,708,045)	-	128,809,588	8.31%
2022	12,204,368	(12,204,368)	-	135,094,709	9.03%
2023	13,816,243	(13,816,243)	-	150,916,241	9.15%

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

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

Fiscal Year Ending June 30	District's Proportion of the HIS Net Pension Liability	District's Proportionate Share of the HIS Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the HIS Net Pension Liability as a Percentage of its Covered Payroll	HIS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2013	0.396940621%	\$ 34,558,900	\$ 115,355,362	29.96%	1.78%
2014	0.402468985%	37,631,832	119,580,531	31.47%	0.99%
2015	0.404026266%	41,204,324	122,615,413	33.60%	0.50%
2016	0.039871700%	46,468,815	123,114,770	37.74%	0.97%
2017	0.389354110%	41,631,538	124,140,536	33.54%	1.64%
2018	0.383751553%	40,616,695	125,344,151	32.40%	2.15%
2019	0.362602063%	40,571,542	121,280,909	33.45%	2.63%
2020	0.334628812%	40,857,633	116,142,935	35.18%	3.00%
2021	0.363509981%	44,589,964	128,809,588	34.62%	3.56%
2022	0.370365266%	39,227,597	135,094,709	29.04%	4.81%

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

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

Fiscal Year Ending June 30	Contractually Required HIS Contribution	HIS Contributions in Relation to the Contractually Required Contribution	HIS Contribution Deficiency (Excess)	District's Covered Payroll	HIS Contributions as a Percentage of Covered Payroll
2014	\$ 1,378,723	\$ (1,378,723)	\$ -	\$ 119,580,531	1.15%
2015	1,544,440	(1,544,440)	-	122,615,413	1.26%
2016	2,043,679	(2,043,679)	-	123,114,770	1.66%
2017	2,060,574	(2,060,574)	-	124,140,536	1.66%
2018	2,081,094	(2,081,094)	-	125,344,151	1.66%
2019	2,013,263	(2,013,263)	-	121,280,909	1.66%
2020	1,927,973	(1,927,973)	-	116,142,935	1.66%
2021	2,138,239	(2,138,239)	-	128,809,588	1.66%
2022	2,242,572	(2,242,572)	-	135,094,709	1.66%
2023	2,505,210	(2,505,210)	-	150,916,241	1.66%

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

1. 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.
- 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.

2. Excess of Expenditures Over Appropriations in Individual Funds

For the fiscal year ended June 30, 2023, expenditures exceeded appropriations by function (the legal level of budgetary control) for the following individual fund:

Fund/Activity	Expenditures		
	Budget	Actual	Variance
General:			
Current - Education:			
Instruction-Related Technology	\$ 1,670	187,212	\$ (185,542)
School Administration	15,924,108	15,935,866	(11,758)
Food Services	-	22,466	(22,466)
Student Transportation Services	9,131,802	9,266,742	(134,940)
Debt Service:			
Principal	-	218,198	(218,198)
Interest and Fiscal Charges	-	9,532	(9,532)

The District will enhance procedures, including a detailed monthly review of budget-to-actual expenditures, to detect and prevent budgetary overexpenditures going forward.

3. 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.

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

Changes of Assumptions. In 2022, the long-term expected rate of return was decreased from 6.8 percent to 6.7 percent.

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

Changes of Assumptions. In 2022, the municipal bond rate used to determine total pension liability was increased from 2.16 percent to 3.54 percent; the demographic assumptions for the Special Risk class were updated to reflect plan changes; and the election assumption for vested terminated members was updated from 20 percent to 50 percent to reflect recent experience.

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Bay County District School Board Schedule of Expenditures of Federal Awards For the Fiscal Year Ended June 30, 2023

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	23002	\$ -	\$ 2,142,573.17
National School Lunch Program	10.555	23001, 23003	-	8,462,025.67
COVID-19 National School Lunch Program	COVID-19, 10.555	23020	-	1,044,315.45
Total National School Lunch Program	10.555		-	9,506,341.12
Summer Food Service Program for Children	10.559	22006, 22007, 23006, 23007	-	252,536.21
Total Child Nutrition Cluster			-	11,901,450.50
Student Financial Assistance Cluster				
United States Department of Education:				
Federal Pell Grant Program	84.063	N/A	-	1,043,841.17
Special Education Cluster				
United States Department of Education:				
Florida Department of Education:				
Special Education - Grants to States	84.027	263	-	7,082,203.39
COVID-19 Special Education - Grants to States	COVID-19, 84.027	263	-	783,529.90
Total Special Education - Grants to States	84.027		-	7,865,733.29
Special Education - Preschool Grants	84.173	267	-	268,597.09
COVID-19 Special Education - Preschool Grants	COVID-19, 84.173	267	-	70,376.20
Total Special Education - Preschool Grants	84.173		-	338,973.29
Total Special Education Cluster			-	8,204,706.58
Not Clustered				
United States Department of Agriculture				
Florida Department of Health:				
Child and Adult Care Food Program	10.558	A-4504	-	516,182.55
United States Department of Defense				
Air Force Junior Reserve Officers Training Corps	12.UNK	N/A	-	123,445.06
Army Junior Reserve Officers Training Corps	12.UNK	N/A	-	68,438.86
Marine Corps Junior Reserve Officers Training Corps	12.UNK	N/A	-	75,019.70
Navy Junior Reserve Officers Training Corps	12.UNK	N/A	-	97,951.88
Total United States Department of Defense			-	364,855.50
United States Department of Education				
Impact Aid	84.041	N/A	150,026.85	345,605.00
School Safety National Activities	84.184	N/A	-	8,800.62
Education Stabilization Fund:	84.425			
Higher Education Emergency Relief Fund - Institutional Portion	COVID-19, 84.425F	N/A	-	78,028.25
Florida Department of Education:				
Governor's Emergency Education Relief Fund	COVID-19, 84.425C	123	-	146,146.85
Elementary and Secondary School Emergency Relief Fund	COVID-19, 84.425D	124, 128	-	4,523,467.23
American Rescue Plan - Elementary and Secondary School Emergency Relief Fund	COVID-19, 84.425U	121	-	17,406,140.08
American Rescue Plan - Elementary and Secondary School Emergency Relief Fund - Homeless Children & Youth Fund	COVID-19, 84.425W	122	-	619,952.32
Total Education Stabilization Fund	84.425		-	22,773,734.73

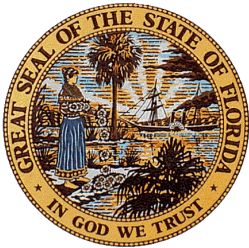
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Bay County District School Board
Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2023

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	\$ -	\$ 157,345.72
Title I Grants to Local Educational Agencies	84.010	212, 223, 226	253,624.30	10,549,396.48
Career and Technical Education - Basic Grants to States	84.048	161	-	448,190.68
Education for Homeless Children and Youth	84.196	127	-	188,686.11
English Language Acquisition State Grants	84.365	102	-	353,979.93
Supporting Effective Instruction State Grants	84.367	224	169,732.49	1,349,818.94
Student Support and Academic Enrichment Program	84.424	241	-	562,782.88
Hurricane Education Recovery	84.938	105	1,143,882.12	1,227,473.62
Total United States Department of Education			<u>1,717,265.76</u>	<u>37,965,814.71</u>
United States Department of Health and Human Services				
Florida Department of Education:				
Advancing Wellness and Resiliency in Education (AWARE)	93.243	502	-	343,637.76
Florida Department of Children and Families:				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	BDZ02	-	150,000.00
Total United States Department of Health and Human Services			<u>-</u>	<u>493,637.76</u>
United States Department of Homeland Security				
Florida Division of Emergency Management:				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	Z0887	-	2,162,360.37
Total Expenditures of Federal Awards			<u>\$ 1,717,265.76</u>	<u>\$ 62,652,849.14</u>

The notes below are an integral part of this Schedule.

- Notes: (1) Basis of Presentation. The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the Federal award activity of the Bay County District School Board under programs of the Federal Government for the fiscal year ended June 30, 2023. 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 – National School Lunch Program. Includes \$465,298.98 of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.
- (5) Disaster Grants – Public Assistance (Presidentially Declared Disaster). The District incurred \$1,530,531.08 in expenditures for the Disaster Grants – Public Assistance (Presidentially Declared Disaster) grant in a prior fiscal year.



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 business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Bay County District School Board as of and for the fiscal year ended June 30, 2023, 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 28, 2024, 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 AM 2023-001 on page 74.

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 75 in Finding AM 2023-001. 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.

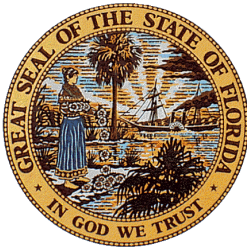
Purpose of this Report

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 28, 2024



Sherrill F. Norman, CPA
Auditor General

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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 Bay 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, 2023. 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, 2023.

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 Rising Leaders Academy, Inc. and University Academy, Inc. (Charter Schools) as part of the reported aggregate discretely presented component units on the accompanying basic financial statements. The Charter Schools expended \$2,287,929 in Federal awards, which is not included in the District's **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** during the fiscal year ended June 30, 2023. Our compliance audit, described in the ***Opinion on Each Major Federal Program*** section of our report, did not include the operations of these Charter Schools because 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 28, 2024

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:
10.553, 10.555, and 10.559	Child Nutrition Cluster
84.425	Education Stabilization Fund
Dollar threshold used to distinguish between type A and type B programs:	\$1,879,585
Auditee qualified as low risk auditee?	No

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters are reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters are reported.

ADDITIONAL MATTER

BUDGETARY CONTROLS

Finding Number AM 2023-001

Opinion Unit Major Fund: General Fund

**Financial Statements
Account Titles** Not Applicable

Fund Name General Fund

Adjustment Amounts Not Applicable

Statistically Valid Sample Not Applicable

Prior Year Finding Not Applicable

Finding District procedures did not always limit expenditures to budgeted amounts, contrary to State law, State Board of Education (SBE) rules, and Board policies.

Criteria Section 1011.05, Florida Statutes, provides that the official budget shall not be altered, amended, or exceeded except as authorized. In addition, SBE Rule 6A-1.007(2), Florida Administrative Code, provides that no expenditure shall be authorized or obligation incurred that is in excess of budgetary appropriation and requires that the Board approve amendments to the budget whenever the function amounts are changed from the original budget. Also, pursuant to Section 1011.06(2), Florida Statutes, Board Policy 6.106 allows end-of-year expenditures to exceed budgeted amounts provided the Board approves the expenditures and amends the budget no later than September 10th following the fiscal year end.

The process for adopting and amending the budget provides the District a mechanism to plan a level of expenditures to meet obligations and remain within available financial resources.

Condition District records show that expenditures were not always limited to budgeted amounts. As of June 30, 2023, General Fund expenditures exceeded the budgeted amounts in six functional categories by \$9,532 to \$218,198, or a total of \$582,437, and the Board did not amend the budget by September 10th to authorize the over-expended amounts.

Cause District personnel indicated that, due to oversights, certain budget amounts were not increased during the preparation of the budget schedule for the 2022-23 fiscal year annual financial report. In addition, separate budget amendments to cover the over-expended amounts were not presented to the Board for approval.

Effect The District assigned and unassigned fund balance for the General Fund totaled \$70,656,009; however, without properly monitoring and amending the budget to meet changing financial circumstances, the District's ability to meet future financial obligations could be hindered.

Recommendation District personnel should enhance budgetary procedures by closely monitoring financial activities to ensure that expenditures are limited to budgeted amounts as required by State law, SBE rules, and Board policies.

District Response

The expenditures that exceeded budgetary amounts were due to year-end reclassifications and accruals. The District will implement new procedures, including a detailed year-end review of the budget-to-actual expenditures to detect and prevent budgetary overexpenditures going forward.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS



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District 1

Ann Leonard
District 2

Chris Moore
District 3

Winston Chester
District 4

Steve Moss
District 5

Prior Year / Current Year Finding No.	Program / Area	Brief Description	Status	Comments
2021-002 / 2022-102	Federal Awards / Lack of Documented Review of Reporting	The district did not have procedures in place to review the quarterly public reporting for the student aid portion of the grant for accuracy or a process in place to verify reports were publicly available on their website in a timely manner. In addition, only reports starting from March 31, 2021, were purportedly available on Tom P. Haney Technical College's website instead of through the beginning of the reporting requirements.	Fully Corrected	The district implemented procedures to upload and make the reports publicly available. The district changed the procedures to include a secondary review by the Director or CFO of reports required by the grant.

2022-001	Lack of Appropriate Staffing and Journal Entry Review.	The district made various reporting and record keeping errors during the year due to a lack of appropriate staffing. Due to the lack of proper staffing, they were unable to perform the same level of reviews as they have in previous years and simply missed adjustments needed that would have generally been identified in review. Management also did not consistently review Journal entries by staff in detail on a regular basis which allowed numerous posting errors to occur and not be identified by the district in a timely manner.	Fully Corrected	The district has worked hard on recruiting and retaining qualified staff for the Finance Department. As of 6/30/22, only one person in the department had been in that department for more than a year. We are currently fully staffed and feel like we have adequate checks and balances to identify errors in a timely manner. With time and experience current staff is expected to need less monitoring and errors should diminish. Corrective action taken by Management to review all journal entries monthly via journal entry report that is then filed.
2022-002	Lack of Review Related to Property, Plant, and Equipment	The district did not review current year activity associated with buildings and improvements activity to verify appropriate classification between capital and noncapital activity resulting in unidentified errors in capital outlay associated with various projects. The district's capital outlay was misstated in various funds by varying amounts. The district also did not appropriately review the government-wide fixed asset balances.	Fully Corrected	Classification and reporting of capital asset purchases have been assigned to a specific clerk and the changes are now reported monthly. We have revised our procedures to add specific steps for verifying the classification and entries of capital assets. We have instituted on-going staff training to the staff involved to ensure they understand the criteria for classifying capital asset purchases.

2022-003	Understatement of Year-End Payables and Related Year-End Receivables	The district's year-end accounts payable and grant receivables were misstated in various funds by varying amounts from \$125,000 to \$2,180,000 including understatement of revenues and year-end grant receivables associated with reimbursement type grants by approximately \$2,140,000.	Fully Corrected	The staff received training and it will be reviewed prior to the year end, to include clear guidelines for identifying and recording year-end payables and receivables. We have enhanced our documentation requirements when identifying and recording year-end A/P & A/R. We have put in place controls for the Senior Accountant and / or the Accounting Manager to monitor the identification, recording, and reporting of year-end A/P & A/R.
2022-004	Identification of Leases for Implementation of GASB Statement No. 87, Leases	The district prepared a schedule of copier leases associated with the implementation of GASB Statement No. 87 which was incomplete based on testing performed during the audit.	Fully Corrected	We reach out to the schools, purchasing department and other partners every quarter to ensure any lease and supporting documents are reported to Accounting. We have added the software "Centralease" to track all lease agreements within the district.
2022-005	Preparation of the Schedule of Expenditures of Federal Awards	The district misclassified approximately \$1,200,000 as ALN 84.425E instead of 84.425F. The district's expenditures reported for multiple grants were understated due to unidentified year-end payables.	Fully Corrected	We have included an extra step in the year end A/P & A/R review procedure to specifically flag Federal Grant items for inclusion on the SEFA. The Federal Grant Clerk will get copies of all appropriate documents to ensure inclusion. We have put in place controls for the Senior Accountant and / or the Accounting Manager to review and reconcile the SEFA prior to submission.
2022-101	Employees Missed in Time and Effort or Personnel Activity Report Control Procedures	A group of employees were identified that the district missed when completing their triannual procedures related to obtaining time	Partially Corrected	We have communicated to the Grant Managers, Payroll and HR to ensure accurate reporting of staff. We are drafting

and effort or personnel activity reports from employees paid from grants. Education Stabilization Fund (ALN 84.425U)

instructions and checklists for our managers to ensure that they monitor and report employee salaries, benefits and transfers in the Program. We will revise and update our payroll procedures to align with Federal regulations for reporting "Time & Effort". We will create a report from payroll for the "Federal Grant Clerk" to get "Time & Effort" information so they can compare it to the grant application for proper bookkeeping and reporting. (Directive being drafted for inclusion in a procedures manual). The District hired a Director for Federal Grants that will be creating an instruction manual for all Time and Effort procedures.
