

# Bay County District School Board

## Annual Financial Statements

June 30, 2018



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## BOARD MEMBERS AND SUPERINTENDENT

Board members and the Superintendent who served during the 2017-2018 fiscal year are listed below:

|                             | District No. |
|-----------------------------|--------------|
| Jerry Register              | 1            |
| Ginger Littleton            | 2            |
| Pamm Chapman, Vice-Chairman | 3            |
| Ryan Neves                  | 4            |
| Steve Moss, Chairman        | 5            |

William V. Husfelt III, Superintendent

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## **INDEPENDENT AUDITORS' REPORT**

Honorable Superintendent and members  
of the Bay County District School Board  
Panama City, Florida

We have audited the accompanying 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 (District) as of and for the year ended June 30, 2018, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Palm Bay Preparatory Academy, Palm Bay Preparatory Elementary Academy, Central High School (charter schools under the Palm Bay Education Group, Inc.), Chautauqua Charter School, Inc., Community Charter Academy, Inc., Rising Leaders Academy, Inc., or the Bay Education Foundation, Inc., which represent 30 percent, 29 percent, and 37 percent, respectively, of the assets and deferred outflows of resources, net position, and revenues of the discretely presented component units. 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 Palm Bay Preparatory Academy, Palm Bay Preparatory Elementary Academy, Central High School (charter schools under the Palm Bay Education Group, Inc.), Chautauqua Charter School, Inc., Community Charter Academy, Inc., Rising Leaders Academy, Inc., and the Bay Education Foundation, Inc., is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether

due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, based on our audit and the reports of other auditors, the 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12, the schedule of changes in the net other postemployment benefits liability and related ratios on page 79, the schedule of contributions – other postemployment benefits on page 80, the schedule of the District's proportionate share of the net pension liability – Florida Retirement System on page 81, the schedule of the District's contributions – Florida Retirement System on page 82, the schedule of the District's proportionate share of the net pension liability – Health Insurance Subsidy Program on page 83, and the schedule of the District's contributions – Health Insurance Subsidy Program on page 84, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The combining statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements and the schedule of expenditures of federal awards are fairly stated in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. 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.

*Carri Riggs & Ingram, L.L.C.*

Certified Public Accountants  
Panama City Beach, Florida  
March 29, 2019



## Management's Discussion and Analysis

Management of the Bay County District School Board (District) has prepared the following discussion and analysis to (a) assist the reader in focusing on significant financial issues, (b) 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, it should be considered in conjunction with the District's financial statements.

### Financial Highlights

Key financial highlights for the 2017-2018 fiscal year are as follows:

- The District's total net position decreased by \$2,153,060, or 1.2 percent. The decrease is mainly due to changes in other postemployment benefits liability required by the implementation of GASB Statement No. 75. This change includes all governmental funds (general, debt service, capital projects, and special revenue funds).
- During fiscal year 2018, general fund expenditures exceeded revenues by \$1,298,252. This may be compared to the prior year's results in which general fund revenues exceeded expenditures by \$1,138,135.
- At the end of fiscal year 2018, unassigned fund balance of the general fund was \$23,936,397 or 10.9 percent of total general fund expenditures, compared to the prior year's unassigned fund balance of \$24,029,640 or 11.3 percent of total general fund expenditures.

### Nonfinancial Highlights

Key nonfinancial highlights for the 2017-2018 fiscal year are as follows:

- Palm Bay Education Group, Inc. opened a new charter elementary school for the 2017-18 school year. The school had around 300 FTE for the year.
- Bay County District School Board continues to maintain its "B" rating from the Florida Department of Education and is just three points shy of being named an "A" district.
- The District finished construction on its main stadium which serves as "home field" for four schools. Joe and Jeannette Chapman Field at Tommy Oliver Stadium with the Garry Terrell Track of Champions was rededicated in August and is a state-of-the-art facility thanks to a combination of half-cent sales tax funding and generous private donors.
- Bay County District School Board has begun construction of a STEAM building at Bay High School which will incorporate all of the latest research-based best instructional design practices for science and technology classrooms. The building is being built on the site of the old cafeteria which was demolished earlier this year.

## Overview of the Financial Statements

The basic financial statements consist of three components:

- Government-wide financial statements
- Fund financial statements
- Notes to financial statements

In addition, this report presents certain required supplementary information, which includes management's discussion and analysis, the schedule of changes in the net other postemployment benefits liability and related ratios, the schedule of contributions – other postemployment benefits, the schedule of the District's proportionate share of the net pension liability – Florida Retirement System, the schedule of the District's contributions – Florida Retirement System, the schedule of the District's proportionate share of the net pension liability – Health Insurance Subsidy Program, and the schedule of the District's contributions – Health Insurance Subsidy Program; combining statements; and compliance section.

## 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, deferred outflows of resources, liabilities, and deferred inflows of resources using an economic resources measurement focus. The difference between the assets, deferred outflows of resources, liabilities, and deferred inflows of resources, the net position, 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: 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 predominantly for other districts.
- Component units – The District's 11 charter schools (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., d/b/a Chautauqua Learn and Serve Charter School; Palm Bay Educational Group, Inc. d/b/a Palm Bay Preparatory Academy, Palm Bay Preparatory Elementary Academy, and Central High School; Community Charter Academy, Inc., d/b/a University Academy, Inc.; and Rising Leaders Academy, Inc.) are

reported as discretely presented component units. The District also presents two foundations (Bay Education Foundation, Inc. and Bay Haven Foundation) 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 is an indication of an improving or deteriorating financial condition. This information should be evaluated in conjunction with other nonfinancial 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 entity wide 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 resources measurement focus allows the governmental fund statements 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.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand, the long-term impact of the government's near term financing decisions. Both the governmental fund's balance sheet and the governmental fund's statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The governmental fund's balance sheet and statement of revenues, expenditures, and changes in fund balance provide detailed information about the District's most significant funds. The District's major

funds are the general 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 statement of revenues, expenditures, and changes in fund balance – budget and actual has been provided for the general fund 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. Enterprise funds are appropriate for activities in which a fee is charged to external users of the District's goods and services. The District uses an enterprise fund to account for the 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.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail, for those enterprise funds determined to be major. The District's major enterprise fund is the Beacon Learning Center. Conversely, the internal service funds are combined into a single, aggregated column in the proprietary fund financial statements.

**Fiduciary Funds:** Fiduciary funds are used to report assets held in a trustee or fiduciary capacity for the benefit of external parties, such as student activity funds. Fiduciary funds are not reflected in the government-wide statements because those resources are not available to support the District's own programs. In its fiduciary capacity, the District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes.

The District uses agency funds to account for resources held for student activities and groups.

### **Notes to Financial Statements**

The notes to financial statements 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 progress in funding its obligation to provide other postemployment benefits to its employees.

## Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceed liabilities by \$176,347,032 at the close of the most recent fiscal year. The following is a summary of the District's net position as of June 30, 2018, compared to net position as of June 30, 2017:

| <i>June 30,</i>                  | <b>Net Position</b>                |                       |                                     |                     |                       |                       |
|----------------------------------|------------------------------------|-----------------------|-------------------------------------|---------------------|-----------------------|-----------------------|
|                                  | <b>Governmental<br/>Activities</b> |                       | <b>Business-type<br/>Activities</b> |                     | <b>Total</b>          |                       |
|                                  | <b>2018</b>                        | <b>2017</b>           | <b>2018</b>                         | <b>2017</b>         | <b>2018</b>           | <b>2017</b>           |
| Current and other assets         | \$ 91,069,867                      | \$ 85,297,204         | \$ 3,007,131                        | \$ 3,057,257        | \$ 94,076,998         | \$ 88,354,461         |
| Capital assets, net              | 290,820,897                        | 293,629,340           | 38,033                              | 47,571              | 290,858,930           | 293,676,911           |
| <b>Total assets</b>              | <b>381,890,764</b>                 | <b>378,926,544</b>    | <b>3,045,164</b>                    | <b>3,104,828</b>    | <b>384,935,928</b>    | <b>382,031,372</b>    |
| Deferred outflows of resources   | 54,722,744                         | 49,806,432            | 331,483                             | 312,404             | 55,054,227            | 50,118,836            |
| Current liabilities              | 9,619,357                          | 13,006,331            | 325,703                             | 352,161             | 9,945,060             | 13,358,492            |
| Noncurrent liabilities           | 241,121,683                        | 234,569,504           | 1,072,949                           | 1,015,391           | 242,194,632           | 235,584,895           |
| <b>Total liabilities</b>         | <b>250,741,040</b>                 | <b>247,575,835</b>    | <b>1,398,652</b>                    | <b>1,367,552</b>    | <b>252,139,692</b>    | <b>248,943,387</b>    |
| Deferred inflows of resources    | 11,429,669                         | 4,692,140             | 73,762                              | 14,589              | 11,503,431            | 4,706,729             |
| <b>Net position</b>              |                                    |                       |                                     |                     |                       |                       |
| Net investment in capital assets | 200,487,397                        | 196,690,139           | 38,033                              | 47,571              | 200,525,430           | 196,737,710           |
| Restricted                       | 28,482,186                         | 22,071,616            | -                                   | -                   | 28,482,186            | 22,071,616            |
| Unrestricted                     | (54,526,784)                       | (42,296,754)          | 1,866,200                           | 1,987,520           | (52,660,584)          | (40,309,234)          |
| <b>Total net position</b>        | <b>\$ 174,442,799</b>              | <b>\$ 176,465,001</b> | <b>\$ 1,904,233</b>                 | <b>\$ 2,035,091</b> | <b>\$ 176,347,032</b> | <b>\$ 178,500,092</b> |

By far, the largest portion of the District's net position is its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The restricted portion of the District's net position (16%) represents resources that are subject to external restrictions on how they may be used.

The balance of unrestricted net position may be used to help meet the District's ongoing obligations to citizens and creditors. As of fiscal year end, the balance of unrestricted net position is a deficit of \$52,660,584. This deficit resulted from the recognition of the net pension liability of \$122,680,978.

The key elements of the changes in the District's net position for the fiscal years ended June 30, 2018, and 2017, are as follows:

### Changes in Net Position

| <i>Year Ended June 30,</i>   | Governmental       |                    | Business-type    |                  | Total              |                    |
|--|--------------------|--------------------|------------------|------------------|--------------------|--------------------|
|  | Activities         |                    | Activities       |                  |                    |                    |
|  | 2018               | 2017               | 2018             | 2017             | 2018               | 2017               |
| <b>Program revenues</b>  |                    |                    |                  |                  |                    |                    |
| Charges for services   | \$ 11,248,989      | \$ 5,601,955       | \$ 1,550,878     | \$ 1,591,719     | \$ 12,799,867      | \$ 7,193,674       |
| Operating grants/<br>contributions                                 | 8,967,173          | 8,745,498          | -                | -                | 8,967,173          | 8,745,498          |
| Capital grants/<br>contributions                                   | 1,609,384          | 2,741,720          | -                | -                | 1,609,384          | 2,741,720          |
| <b>General revenues</b>  |                    |                    |                  |                  |                    |                    |
| Property taxes, levied for<br>operational purposes                 | 81,727,108         | 82,636,552         | -                | -                | 81,727,108         | 82,636,552         |
| Property taxes, levied for<br>capital projects                     | 20,868,026         | 18,797,942         | -                | -                | 20,868,026         | 18,797,942         |
| Local sales taxes  | 21,101,003         | 21,452,247         | -                | -                | 21,101,003         | 21,452,247         |
| Grants and contributions<br>not restricted to<br>specific programs | 147,744,512        | 140,839,723        | -                | -                | 147,744,512        | 140,839,723        |
| Unrestricted investment<br>earnings                                | 1,079,832          | 503,897            | 41,053           | 20,357           | 1,120,885          | 524,254            |
| Miscellaneous  | 900,482            | 2,259,622          | -                | -                | 900,482            | 2,259,622          |
| <b>Total revenues</b>  | <b>295,246,509</b> | <b>283,579,156</b> | <b>1,591,931</b> | <b>1,612,076</b> | <b>296,838,440</b> | <b>285,191,232</b> |
| <b>Functions/program expenses</b>                                  |                    |                    |                  |                  |                    |                    |
| Instruction  | 161,827,964        | 152,527,288        | -                | -                | 161,827,964        | 152,527,288        |
| Pupil services   | 9,694,837          | 9,323,348          | -                | -                | 9,694,837          | 9,323,348          |
| Instructional media<br>services                                    | 2,497,039          | 2,409,846          | -                | -                | 2,497,039          | 2,409,846          |
| Instruction and curriculum<br>development services                 | 5,246,618          | 5,289,399          | -                | -                | 5,246,618          | 5,289,399          |
| Instructional staff<br>training services                           | 3,305,716          | 3,724,044          | -                | -                | 3,305,716          | 3,724,044          |
| Instruction related<br>technology                                  | 158,935            | 200,764            | -                | -                | 158,935            | 200,764            |
| School board   | 878,447            | 755,531            | -                | -                | 878,447            | 755,531            |
| General administration   | 687,038            | 1,113,550          | -                | -                | 687,038            | 1,113,550          |
| School administration  | 15,012,490         | 14,568,657         | -                | -                | 15,012,490         | 14,568,657         |
| Facilities acquisition and<br>construction                         | 8,245,508          | 5,231,367          | -                | -                | 8,245,508          | 5,231,367          |
| Fiscal services  | 1,599,995          | 1,740,666          | -                | -                | 1,599,995          | 1,740,666          |
| Food services  | 8,729,615          | 9,503,703          | -                | -                | 8,729,615          | 9,503,703          |
| Central services   | 7,267,907          | 3,504,456          | -                | -                | 7,267,907          | 3,504,456          |
| Pupil transportation<br>services                                   | 9,007,849          | 9,845,295          | -                | -                | 9,007,849          | 9,845,295          |
| Operation of plant   | 16,390,660         | 15,918,598         | -                | -                | 16,390,660         | 15,918,598         |
| Maintenance of plant   | 4,731,559          | 4,528,386          | -                | -                | 4,731,559          | 4,528,386          |
| Administrative<br>technology services                              | 3,201,992          | 3,354,676          | -                | -                | 3,201,992          | 3,354,676          |

| Year Ended June 30,  | Governmental          |                       | Business-type       |                     | Total                 |                       |
|--|-----------------------|-----------------------|---------------------|---------------------|-----------------------|-----------------------|
|  | Activities            |                       | Activities          |                     |                       |                       |
|  | 2018                  | 2017                  | 2018                | 2017                | 2018                  | 2017                  |
| Community services   | \$ 3,312,257          | \$ 3,334,593          | \$ -                | \$ -                | \$ 3,312,257          | \$ 3,334,593          |
| Unallocated interest on long-term debt                         | 2,818,127             | 3,032,997             | -                   | -                   | 2,818,127             | 3,032,997             |
| Unallocated depreciation                                       | 25,821,147            | 24,758,061            | -                   | -                   | 25,821,147            | 24,758,061            |
| Beacon Learning Center   | -                     | -                     | 1,698,530           | 1,910,993           | 1,698,530             | 1,910,993             |
| <b>Total functions/program expenses</b>                        | <b>290,435,700</b>    | <b>274,665,225</b>    | <b>1,698,530</b>    | <b>1,910,993</b>    | <b>292,134,230</b>    | <b>276,576,218</b>    |
| <b>Increase (decrease) in net position before special item</b> | <b>4,810,809</b>      | <b>8,913,931</b>      | <b>(106,599)</b>    | <b>(298,917)</b>    | <b>4,704,210</b>      | <b>8,615,014</b>      |
| Special item   | -                     | 270,000               | -                   | -                   | -                     | 270,000               |
| <b>Change in net position</b>                                  | <b>4,810,809</b>      | <b>9,183,931</b>      | <b>(106,599)</b>    | <b>(298,917)</b>    | <b>4,704,210</b>      | <b>8,885,014</b>      |
| <b>Net position - beginning (as originally reported)</b>       | <b>176,465,001</b>    | <b>167,281,070</b>    | <b>2,035,091</b>    | <b>2,334,008</b>    | <b>178,500,092</b>    | <b>169,615,078</b>    |
| <b>Restatement adjustment/prior period adjustment</b>          | <b>(6,833,011)</b>    | <b>-</b>              | <b>(24,259)</b>     | <b>-</b>            | <b>(6,857,270)</b>    | <b>-</b>              |
| <b>Net position - beginning (as restated)</b>                  | <b>169,631,990</b>    | <b>167,281,070</b>    | <b>2,010,832</b>    | <b>2,334,008</b>    | <b>171,642,822</b>    | <b>169,615,078</b>    |
| <b>Net position - ending</b>                                   | <b>\$ 174,442,799</b> | <b>\$ 176,465,001</b> | <b>\$ 1,904,233</b> | <b>\$ 2,035,091</b> | <b>\$ 176,347,032</b> | <b>\$ 178,500,092</b> |

Twenty-eight percent of total governmental activities were generated from property taxes levied for operational purposes.

State revenues (grants and contributions) increased by \$3,903,696 or 3% due mainly to an increase in the State's portion of the FEPF formula and an increase in full-time equivalent students. This increase was partially offset by a reduction in the local portion of the formula.

Instruction expenses represents 56 percent of total governmental expenses for the 2018 fiscal year. Instruction expenses increased by \$9,300,676 or 6 percent, over the prior fiscal year, due mainly to an increase in charter schools, salaries, and enrollment.

Business-type activities charges for services provided 97 percent of the revenues for business-type activities.

## Financial Analysis of the District's Funds

### Major Governmental Funds

The general fund is the District's chief operating fund. As of June 30, 2018, unassigned fund balance was \$23,936,397, while the total fund balance was \$26,456,662. As of June 30, 2018 total assets were \$28,436,406 and total liabilities were \$1,979,744.

The debt service – other fund is used to account for the payment of principal and interest of the District’s Certificates of Participation (COPs) and notes payable and had a total fund balance of \$4,262 at June 30, 2018.

The capital projects – local capital improvement fund had a total fund balance of \$7,250,140 at June 30, 2018, all of which has been restricted for capital projects.

The capital projects – other fund had a total fund balance of \$15,431,123 at June 30, 2018, all of which has been restricted for capital projects.

### **Proprietary Funds**

Unrestricted net position of the enterprise fund – Beacon Learning Center was \$1,866,200 at June 30, 2018, while total net position was \$1,904,233.

### **Internal Service Fund**

Unrestricted net position of the internal service fund was \$10,785,200 at June 30, 2018.

### **General Fund Budgetary Highlights**

The District’s budgets are prepared, and amendments made, according to Florida law. The most significant budgeted fund is the general fund.

For the year ended June 30, 2018, actual revenues and other financing sources were \$2,208,464 more than the final budgeted amounts, while actual expenditures were \$18,598,886 less than the final budgeted amounts. The ending fund balance exceeded the estimated fund balance contained in the final amended budget by \$20,807,350 due to some significant cost savings.

### **Capital Assets and Debt Administration**

#### **Capital Assets**

The District’s investment in capital assets for its governmental and business-type activities as of June 30, 2018, was \$290,820,897 and \$38,033, respectively (net of accumulated depreciation). This investment in capital assets includes land; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; construction in progress; and audio visual materials and computer software.

Additional information on the District’s capital assets can be found in note 6 to the financial statements.

#### **Debt Administration**

At June 30, 2018, the District had total long-term debt outstanding of \$242,194,632. This amount was comprised of \$12,162,590 of accrued compensated absences, \$173,000 of bonds payable, \$16,207,703 in estimated insurance claims payable, \$11,371,000 in sales tax revenue anticipation notes, \$5,000,000 in revenue anticipation notes, \$5,075,461 of other postemployment benefits liabilities, \$68,403,800 of certificates of participation, and \$123,801,078 of net pension liability.



Additional information on the District's long-term debt can be found in notes 7 through 11 to the financial statements.

### **Requests for Information**

This financial report is designed to provide a general overview of the Bay County District School Board's finances. Questions concerning information provided in the report, requests for additional financial information, or information associated with the District's discretely presented component units should be addressed to the Finance Officer, Bay County District School Board, 1311 Balboa Avenue, Panama City, Florida 32401. The District's website address is <http://www.bay.k12.fl.us/>.

**Bay County District School Board**  
**Statement of Net Position**  
**June 30, 2018**

| Primary Government                                 |                            |                             |               |                    |
|--|----------------------------|-----------------------------|---------------|--------------------|
|  | Governmental<br>Activities | Business-type<br>Activities | Total         | Component<br>Units |
| <b>Assets</b>                                      |                            |                             |               |                    |
| Current assets                                     |                            |                             |               |                    |
| Cash and cash equivalents                          | \$ 86,662,895              | \$ 3,072,334                | \$ 89,735,229 | \$ 17,678,737      |
| Investments  | -                          | -                           | -             | 3,377,200          |
| Accounts receivable, net                           | 115                        | 1,500                       | 1,615         | 2,678,326          |
| Note receivable                                    | -                          | -                           | -             | 75,000             |
| Internal balances                                  | 68,691                     | (68,691)                    | -             | -                  |
| Due from other agencies                            | 697,746                    | 1,988                       | 699,734       | 61,416             |
| Prepays  | 1,094,391                  | -                           | 1,094,391     | 176,214            |
| Inventories  | 979,594                    | -                           | 979,594       | 6,266              |
| Other current assets                               | 1,566,435                  | -                           | 1,566,435     | 23,836             |
| Total current assets                               | 91,069,867                 | 3,007,131                   | 94,076,998    | 24,076,995         |
| Noncurrent assets                                  |                            |                             |               |                    |
| Capital assets                                     |                            |                             |               |                    |
| Nondepreciable                                     | 21,892,528                 | -                           | 21,892,528    | 6,225,101          |
| Depreciable, net                                   | 268,928,369                | 38,033                      | 268,966,402   | 50,807,043         |
| Total noncurrent assets                            | 290,820,897                | 38,033                      | 290,858,930   | 57,032,144         |
| Total assets                                       | 381,890,764                | 3,045,164                   | 384,935,928   | 81,109,139         |
| <b>Deferred outflows of resources</b>              |                            |                             |               |                    |
| Deferred loss from debt refunding                  | 3,358,157                  | -                           | 3,358,157     | -                  |
| Deferred outflows related to pensions              | 51,364,587                 | 331,483                     | 51,696,070    | 8,026,400          |
| Total assets and deferred<br>outflows of resources | 436,613,508                | 3,376,647                   | 439,990,155   | 89,135,539         |
| <b>Liabilities</b>                                 |                            |                             |               |                    |
| Current liabilities                                |                            |                             |               |                    |
| Accounts payable                                   | 1,845,054                  | 8,038                       | 1,853,092     | 690,002            |
| Accrued expenses                                   | 708,301                    | -                           | 708,301       | 423,812            |
| Construction contracts payable                     |                            |                             |               |                    |
| - retainage  | 484,499                    | -                           | 484,499       | -                  |
| Due to other agencies                              | 13,146                     | -                           | 13,146        | -                  |
| Unearned revenue                                   | 88,987                     | 317,665                     | 406,652       | 48,147             |
| Matured certificates of participation<br>payable   | 5,385,700                  | -                           | 5,385,700     | -                  |
| Matured interest payable                           | 1,093,670                  | -                           | 1,093,670     | 607,639            |
| Total current liabilities                          | 9,619,357                  | 325,703                     | 9,945,060     | 1,769,600          |

(Continued)

See accompanying notes.

**Bay County District School Board**  
**Statement of Net Position (Continued)**  
**June 30, 2018**

| Primary Government   |                            |                             |                       |                      |
|--|----------------------------|-----------------------------|-----------------------|----------------------|
|  | Governmental<br>Activities | Business-type<br>Activities | Total                 | Component<br>Units   |
| <b>Noncurrent liabilities</b>                              |                            |                             |                       |                      |
| Due within one year  |                            |                             |                       |                      |
| Certificates of participation payable                      | \$ 5,549,400               | \$ -                        | \$ 5,549,400          | \$ -                 |
| Accrued compensated absences                               | 2,381,770                  | 50,748                      | 2,432,518             | 35,441               |
| Obligations under capital leases                           | -                          | -                           | -                     | 123,152              |
| Bonds payable  | 92,000                     | -                           | 92,000                | 375,000              |
| Notes payable  | 10,007,000                 | -                           | 10,007,000            | 1,379,494            |
| Net pension liability                                      | 1,112,900                  | 7,200                       | 1,120,100             | -                    |
| Estimated insurance claims payable                         | 5,068,241                  | -                           | 5,068,241             | -                    |
| Due in more than one year                                  |                            |                             |                       |                      |
| Certificates of participation payable                      | 62,854,400                 | -                           | 62,854,400            | -                    |
| Accrued compensated absences                               | 9,527,080                  | 202,992                     | 9,730,072             | 72,444               |
| Obligations under capital leases                           | -                          | -                           | -                     | 660,370              |
| Bonds payable  | 81,000                     | -                           | 81,000                | 34,537,386           |
| Net pension liability                                      | 121,894,346                | 786,632                     | 122,680,978           | 13,911,990           |
| Notes payable  | 6,364,000                  | -                           | 6,364,000             | 11,122,729           |
| Unearned contribution                                      | -                          | -                           | -                     | 4,703,921            |
| Estimated insurance claims payable                         | 11,139,462                 | -                           | 11,139,462            | -                    |
| Other postemployment benefits liability                    | 5,050,084                  | 25,377                      | 5,075,461             | -                    |
| <b>Total noncurrent liabilities</b>                        | <b>241,121,683</b>         | <b>1,072,949</b>            | <b>242,194,632</b>    | <b>66,921,927</b>    |
| <b>Total liabilities</b>                                   | <b>250,741,040</b>         | <b>1,398,652</b>            | <b>252,139,692</b>    | <b>68,691,527</b>    |
| <b>Deferred inflows of resources</b>                       |                            |                             |                       |                      |
| Deferred inflows related to pensions                       | 11,429,669                 | 73,762                      | 11,503,431            | 987,070              |
| <b>Total liabilities and deferred inflows of resources</b> | <b>262,170,709</b>         | <b>1,472,414</b>            | <b>263,643,123</b>    | <b>69,678,597</b>    |
| <b>Net position</b>  |                            |                             |                       |                      |
| Net investment in capital assets                           | 200,487,397                | 38,033                      | 200,525,430           | 6,560,823            |
| Restricted   |                            |                             |                       |                      |
| State required carryover programs                          | 1,002,387                  | -                           | 1,002,387             | -                    |
| Debt service   | 11,391                     | -                           | 11,391                | 796,358              |
| Capital projects   | 23,254,387                 | -                           | 23,254,387            | -                    |
| Food service   | 4,214,021                  | -                           | 4,214,021             | -                    |
| Other purposes   | -                          | -                           | -                     | 283,835              |
| Unrestricted   | (54,526,784)               | 1,866,200                   | (52,660,584)          | 11,815,926           |
| <b>Total net position</b>                                  | <b>\$ 174,442,799</b>      | <b>\$ 1,904,233</b>         | <b>\$ 176,347,032</b> | <b>\$ 19,456,942</b> |

See accompanying notes.

**Bay County District School Board**  
**Statement of Activities**  
**Year ended June 30, 2018**

| Functions/Programs                                   | Net (Expenses)/Revenues and<br>Changes in Net Position |                         |  |  |                            |                             |                  | Component<br>Units |
|--|--|-------------------------|--|--|----------------------------|-----------------------------|------------------|--------------------|
|  | Program Revenues                                       |                         |  | Primary Government                     |                            |                             |                  |                    |
|  | Expenses   | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Governmental<br>Activities | Business-type<br>Activities |                  |                    |
| <b>Primary government</b>                            |  |                         |  |  |                            |                             |                  |                    |
| Governmental activities                              |  |                         |  |  |                            |                             |                  |                    |
| Instructional services                               | \$ 161,827,964   | \$ 1,650,166            | \$ -                                     | \$ -                                   | \$ (160,177,798)           | \$ -                        | \$ (160,177,798) | \$ -               |
| Pupil services                                       | 9,694,837  | -                       | -  | -                                      | (9,694,837)                | -                           | (9,694,837)      | -                  |
| Instructional media services                         | 2,497,039  | -                       | -  | -                                      | (2,497,039)                | -                           | (2,497,039)      | -                  |
| Instructional and curriculum<br>development services | 5,246,618  | -                       | -  | -                                      | (5,246,618)                | -                           | (5,246,618)      | -                  |
| Instructional staff training<br>services             | 3,305,716  | -                       | -  | -                                      | (3,305,716)                | -                           | (3,305,716)      | -                  |
| Instruction related technology                       | 158,935  | -                       | -  | -                                      | (158,935)                  | -                           | (158,935)        | -                  |
| School board   | 878,447  | -                       | -  | -                                      | (878,447)                  | -                           | (878,447)        | -                  |
| General administrative services                      | 687,038  | -                       | -  | -                                      | (687,038)                  | -                           | (687,038)        | -                  |
| School administrative services                       | 15,012,490   | -                       | -  | -                                      | (15,012,490)               | -                           | (15,012,490)     | -                  |
| Facilities acquisition and<br>construction           | 8,245,508  | 41,162                  | -  | 1,609,384                              | (6,594,962)                | -                           | (6,594,962)      | -                  |
| Fiscal services                                      | 1,599,995  | -                       | -  | -                                      | (1,599,995)                | -                           | (1,599,995)      | -                  |
| Food services  | 8,729,615  | 1,361,190               | 8,252,540                                | -                                      | 884,115                    | -                           | 884,115          | -                  |
| Central services                                     | 7,267,907  | 5,679,875               | -  | -                                      | (1,588,032)                | -                           | (1,588,032)      | -                  |
| Pupil transportation services                        | 9,007,849  | 303,496                 | -  | -                                      | (8,704,353)                | -                           | (8,704,353)      | -                  |
| Plant operations                                     | 16,390,660   | -                       | -  | -                                      | (16,390,660)               | -                           | (16,390,660)     | -                  |
| Maintenance services                                 | 4,731,559  | -                       | -  | -                                      | (4,731,559)                | -                           | (4,731,559)      | -                  |
| Administrative technology<br>services                | 3,201,992  | -                       | -  | -                                      | (3,201,992)                | -                           | (3,201,992)      | -                  |
| Community services                                   | 3,312,257  | 2,213,100               | -  | -                                      | (1,099,157)                | -                           | (1,099,157)      | -                  |
| Unallocated interest on<br>long-term debt            | 2,818,127  | -                       | 714,633                                  | -                                      | (2,103,494)                | -                           | (2,103,494)      | -                  |

(Continued)

See accompanying notes.

**Bay County District School Board  
Statement of Activities (Continued)  
Year ended June 30, 2018**

|   | Net (Expenses)/Revenues and<br>Changes in Net Position |                         |  |  |                            |                             |                 |                    |
|---|--|-------------------------|--|--|----------------------------|-----------------------------|-----------------|--------------------|
|   | Program Revenues                                       |                         |  |  | Primary Government         |                             |                 | Component<br>Units |
|   | Expenses   | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Governmental<br>Activities | Business-type<br>Activities | Total           |                    |
| Unallocated depreciation  | \$ 25,821,147  | \$ -                    | \$ -                                     | \$ -                                   | \$ (25,821,147)            | \$ -                        | \$ (25,821,147) | \$ -               |
| Total governmental activities                                   | 290,435,700  | 11,248,989              | 8,967,173                                | 1,609,384                              | (268,610,154)              | -                           | (268,610,154)   | -                  |
| Business-type activities  |  |                         |  |  |                            |                             |                 |                    |
| Beacon Learning Center  | 1,698,530  | 1,550,878               | -  | -                                      | -                          | (147,652)                   | (147,652)       | -                  |
| Total business-type activities                                  | 1,698,530  | 1,550,878               | -  | -                                      | -                          | (147,652)                   | (147,652)       | -                  |
| Total primary government  | \$ 292,134,230   | \$ 12,799,867           | \$ 8,967,173                             | \$ 1,609,384                           | (268,610,154)              | (147,652)                   | (268,757,806)   | -                  |
| <b>Component units</b>  | <b>\$ 41,489,962</b>                                   | <b>\$ 2,043,989</b>     | <b>\$ 1,263,135</b>                      | <b>\$ 474,284</b>                      | -                          | -                           | -               | (37,708,554)       |
| General revenues  |  |                         |  |  |                            |                             |                 |                    |
| Taxes   |  |                         |  |  |                            |                             |                 |                    |
| Property taxes, levied for operating purposes                   |  |                         |  |  | 81,727,108                 | -                           | 81,727,108      | -                  |
| Property taxes, levied for capital projects                     |  |                         |  |  | 20,868,026                 | -                           | 20,868,026      | -                  |
| Local sales taxes   |  |                         |  |  | 21,101,003                 | -                           | 21,101,003      | -                  |
| Grants and contributions not restricted to<br>specific programs |  |                         |  |  | 147,744,512                | -                           | 147,744,512     | 36,828,608         |
| Total general revenues  |  |                         |  |  | 271,440,649                | -                           | 271,440,649     | 36,828,608         |
| Interest earnings   |  |                         |  |  | 1,079,832                  | 41,053                      | 1,120,885       | 86,711             |
| Rental income   |  |                         |  |  | 24,123                     | -                           | 24,123          | -                  |
| Miscellaneous   |  |                         |  |  | 876,359                    | -                           | 876,359         | 103,962            |
| Total general revenues, interest and other revenue              |  |                         |  |  | 273,420,963                | 41,053                      | 273,462,016     | 37,019,281         |
| Change in net position  |  |                         |  |  | 4,810,809                  | (106,599)                   | 4,704,210       | (689,273)          |
| Net position - beginning (as originally reported)               |  |                         |  |  | 176,950,407                | 2,035,091                   | 178,985,498     | 20,142,291         |
| Restatement adjustment/prior period adjustment                  |  |                         |  |  | (7,318,417)                | (24,259)                    | (7,342,676)     | 3,924              |
| Net position - beginning (as restated)                          |  |                         |  |  | 169,631,990                | 2,010,832                   | 171,642,822     | 20,146,215         |
| Net position - ending   |  |                         |  |  | \$ 174,442,799             | \$ 1,904,233                | \$ 176,347,032  | \$ 19,456,942      |

See accompanying notes.

**Bay County District School Board**  
**Balance Sheet – Governmental Funds**  
**June 30, 2018**

|   | General<br>Fund      | Debt<br>Service -<br>Other<br>Fund | Capital<br>Projects -<br>Local Capital<br>Improvement Fund | Capital<br>Projects -<br>Other<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|----------------------|------------------------------------|--|--|--------------------------------|--------------------------------|
| <b>Assets</b>                                 |                      |                                    |  |  |                                |                                |
| Cash and cash equivalents                     | \$ 25,908,464        | \$ 6,483,632                       | \$ 7,949,532   | \$ 16,166,329                          | \$ 5,251,103                   | \$ 61,759,060                  |
| Accounts receivable, net                      | 115                  | -                                  | -  | -                                      | -                              | 115                            |
| Due from other agencies                       | 481,745              | -                                  | 10,887   | 15,490                                 | 189,624                        | 697,746                        |
| Due from other funds                          | 1,107,746            | -                                  | -  | -                                      | 23,078                         | 1,130,824                      |
| Inventories                                   | 878,212              | -                                  | -  | -                                      | 101,382                        | 979,594                        |
| Prepays                                       | 60,124               | -                                  | -  | -                                      | -                              | 60,124                         |
| <b>Total assets</b>                           | <b>\$ 28,436,406</b> | <b>\$ 6,483,632</b>                | <b>\$ 7,960,419</b>  | <b>\$ 16,181,819</b>                   | <b>\$ 5,565,187</b>            | <b>64,627,463</b>              |
| <b>Liabilities and fund balances</b>          |                      |                                    |  |  |                                |                                |
| <b>Liabilities</b>                            |                      |                                    |  |  |                                |                                |
| Accounts payable                              | \$ 1,448,811         | \$ -                               | \$ 91,263  | \$ 286,249                             | \$ 178,961                     | 2,005,284                      |
| Accrued expenses                              | 441,642              | -                                  | -  | -                                      | 17,930                         | 459,572                        |
| Construction contracts payable - retainage    | -                    | -                                  | 20,052   | 464,447                                | -                              | 484,499                        |
| Due to other agencies                         | 456                  | -                                  | -  | -                                      | 12,690                         | 13,146                         |
| Due to other funds                            | 23,078               | -                                  | 598,964  | -                                      | 436,720                        | 1,058,762                      |
| Matured certificates of participation payable | -                    | 5,385,700                          | -  | -                                      | -                              | 5,385,700                      |
| Matured interest payable                      | -                    | 1,093,670                          | -  | -                                      | -                              | 1,093,670                      |
| Unearned revenue                              | 65,757               | -                                  | -  | -                                      | 23,230                         | 88,987                         |
| <b>Total liabilities</b>                      | <b>1,979,744</b>     | <b>6,479,370</b>                   | <b>710,279</b>   | <b>750,696</b>                         | <b>669,531</b>                 | <b>10,589,620</b>              |

(Continued)

See accompanying notes.

**Bay County District School Board**  
**Balance Sheet – Governmental Funds (Continued)**  
**June 30, 2018**

|  | General<br>Fund      | Debt<br>Service -<br>Other<br>Fund | Capital<br>Projects -<br>Local Capital<br>Improvement Fund | Capital<br>Projects -<br>Other<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|----------------------|------------------------------------|--|--|--------------------------------|--------------------------------|
| Fund balance                               |                      |                                    |  |  |                                |                                |
| Nonspendable                               |                      |                                    |  |  |                                |                                |
| Prepays                                    | \$ 60,124            | \$ -                               | \$ -   | \$ -                                   | \$ -                           | \$ 60,124                      |
| Inventories                                | 878,212              | -                                  | -  | -                                      | 101,382                        | 979,594                        |
| Restricted                                 |                      |                                    |  |  |                                |                                |
| State required carryover<br>programs       | 1,002,387            | -                                  | -  | -                                      | -                              | 1,002,387                      |
| Food service                               | -                    | -                                  | -  | -                                      | 4,214,021                      | 4,214,021                      |
| Debt service                               | -                    | 4,262                              | -  | -                                      | 7,129                          | 11,391                         |
| Capital projects                           | -                    | -                                  | 7,250,140  | 15,431,123                             | 573,124                        | 23,254,387                     |
| Assigned                                   |                      |                                    |  |  |                                |                                |
| Future purchases                           | 579,542              | -                                  | -  | -                                      | -                              | 579,542                        |
| Unassigned                                 | 23,936,397           | -                                  | -  | -                                      | -                              | 23,936,397                     |
| <b>Total fund balances</b>                 | <b>26,456,662</b>    | <b>4,262</b>                       | <b>7,250,140</b>   | <b>15,431,123</b>                      | <b>4,895,656</b>               | <b>54,037,843</b>              |
| <b>Total liabilities and fund balances</b> | <b>\$ 28,436,406</b> | <b>\$ 6,483,632</b>                | <b>\$ 7,960,419</b>  | <b>\$ 16,181,819</b>                   | <b>\$ 5,565,187</b>            |                                |

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

|  |                       |
|--|-----------------------|
| Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.   | 290,820,897           |
| Internal service funds are used by management to charge the costs of workers' compensation and insurance costs to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. | 10,785,200            |
| Deferred outflows and inflows are not financial resources or liabilities and therefore, are not reported in the funds.   | 43,119,332            |
| Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.  | (224,320,473)         |
| <b>Net position of governmental activities</b>   | <b>\$ 174,442,799</b> |

See accompanying notes.

**Bay County District School Board**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds**  
**Year ended June 30, 2018**

|  | General<br>Fund    | Debt<br>Service -<br>Other<br>Fund | Capital<br>Projects -<br>Local Capital<br>Improvement Fund | Capital<br>Projects -<br>Other<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|--------------------|------------------------------------|--|--|--------------------------------|--------------------------------|
| <b>Revenues</b>                                      |                    |                                    |  |  |                                |                                |
| Intergovernmental                                    |                    |                                    |  |  |                                |                                |
| Federal direct                                       | \$ 670,092         | \$ -                               | \$ -   | \$ -                                   | \$ 1,421,342                   | \$ 2,091,434                   |
| Federal through state and local                      | 1,475,549          | -                                  | -  | -                                      | 24,651,434                     | 26,126,983                     |
| State  | 123,729,502        | -                                  | -  | 232,708                                | 2,440,442                      | 126,402,652                    |
| Local  |                    |                                    |  |  |                                |                                |
| Property taxes                                       | 81,727,108         | -                                  | -  | -                                      | -                              | 81,727,108                     |
| Local sales taxes                                    | -                  | -                                  | -  | 21,101,003                             | -                              | 21,101,003                     |
| District local capital improvement taxes             | -                  | -                                  | 20,868,026   | -                                      | -                              | 20,868,026                     |
| Charges for services                                 | 3,904,428          | -                                  | -  | -                                      | 1,361,190                      | 5,265,618                      |
| Rental income  | 24,123             | -                                  | -  | -                                      | -                              | 24,123                         |
| Interest income                                      | 445,175            | 1,194                              | 164,918  | 134,782                                | 40,279                         | 786,348                        |
| Miscellaneous  | 1,863,968          | -                                  | -  | 3,846,641                              | 13,216                         | 5,723,825                      |
| <b>Total revenues</b>                                | <b>213,839,945</b> | <b>1,194</b>                       | <b>21,032,944</b>  | <b>25,315,134</b>                      | <b>29,927,903</b>              | <b>290,117,120</b>             |
| <b>Expenditures</b>                                  |                    |                                    |  |  |                                |                                |
| Current - education                                  |                    |                                    |  |  |                                |                                |
| Instructional services                               | 148,010,024        | -                                  | -  | -                                      | 9,702,656                      | 157,712,680                    |
| Pupil services                                       | 7,737,104          | -                                  | -  | -                                      | 1,683,618                      | 9,420,722                      |
| Instructional media services                         | 2,475,804          | -                                  | -  | -                                      | 38,025                         | 2,513,829                      |
| Instructional and curriculum<br>development services | 3,251,185          | -                                  | -  | -                                      | 2,032,392                      | 5,283,577                      |
| Instructional staff training services                | 1,486,049          | -                                  | -  | -                                      | 1,835,573                      | 3,321,622                      |
| Instruction related technology                       | 724                | -                                  | -  | -                                      | 158,841                        | 159,565                        |
| School board   | 880,062            | -                                  | -  | -                                      | 1,148                          | 881,210                        |
| General administrative services                      | 691,297            | -                                  | -  | -                                      | 610,557                        | 1,301,854                      |
| School administrative services                       | 14,274,547         | -                                  | -  | -                                      | 126,206                        | 14,400,753                     |
| Facilities acquisition and construction              | 713,506            | -                                  | 3,476,049  | 3,973,988                              | 93,354                         | 8,256,897                      |
| Central services                                     | 1,720,255          | -                                  | -  | -                                      | 62,225                         | 1,782,480                      |

(Continued)

See accompanying notes.



**Bay County District School Board**

**Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds (Continued)**

**Year ended June 30, 2018**

|   | General<br>Fund    | Debt<br>Service -<br>Other<br>Fund | Capital<br>Projects -<br>Local Capital<br>Improvement Fund | Capital<br>Projects -<br>Other<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|--------------------|------------------------------------|--|--|--------------------------------|--------------------------------|
| Fiscal services   | \$ 1,615,857       | \$ -                               | \$ -   | \$ -                                   | \$ -                           | \$ 1,615,857                   |
| Food services   | 2,815              | -                                  | -  | -                                      | 9,031,869                      | 9,034,684                      |
| Pupil transportation services                                 | 8,468,130          | -                                  | -  | -                                      | 73,866                         | 8,541,996                      |
| Plant operations  | 16,969,436         | -                                  | -  | -                                      | 4,530                          | 16,973,966                     |
| Maintenance services  | 4,833,759          | -                                  | -  | -                                      | -                              | 4,833,759                      |
| Administrative technology services                            | 3,219,762          | -                                  | -  | -                                      | -                              | 3,219,762                      |
| Community services  | 1,904,805          | -                                  | -  | -                                      | 1,421,342                      | 3,326,147                      |
| Capital outlay  | 695,615            | -                                  | 4,651,128  | 17,503,887                             | 1,082,614                      | 23,933,244                     |
| Debt service  |                    |                                    |  |  |                                |                                |
| Principal   | -                  | 10,317,700                         | -  | -                                      | 687,000                        | 11,004,700                     |
| Interest and fiscal charges                                   | -                  | 2,404,279                          | -  | 66,673                                 | 41,888                         | 2,512,840                      |
| <b>Total expenditures</b>                                     | <b>218,950,736</b> | <b>12,721,979</b>                  | <b>8,127,177</b>   | <b>21,544,548</b>                      | <b>28,687,704</b>              | <b>290,032,144</b>             |
| <b>Excess (deficit) of revenues over (under) expenditures</b> | <b>(5,110,791)</b> | <b>(12,720,785)</b>                | <b>12,905,767</b>  | <b>3,770,586</b>                       | <b>1,240,199</b>               | <b>84,976</b>                  |
| <b>Other financing sources (uses)</b>                         |                    |                                    |  |  |                                |                                |
| Refunding bonds issued  | -                  | -                                  | -  | 5,000,000                              | -                              | 5,000,000                      |
| Transfers in  | 3,812,539          | 12,720,938                         | -  | -                                      | -                              | 16,533,477                     |
| Transfers out   | -                  | -                                  | (9,945,409)  | (5,148,939)                            | (1,439,129)                    | (16,533,477)                   |
| <b>Total other financing sources (uses)</b>                   | <b>3,812,539</b>   | <b>12,720,938</b>                  | <b>(9,945,409)</b>   | <b>(148,939)</b>                       | <b>(1,439,129)</b>             | <b>5,000,000</b>               |
| Net changes in fund balances                                  | (1,298,252)        | 153                                | 2,960,358  | 3,621,647                              | (198,930)                      | 5,084,976                      |
| Fund balances - beginning                                     | 27,754,914         | 4,109                              | 4,289,782  | 11,809,476                             | 5,094,586                      | 48,952,867                     |
| Fund balances - ending  | \$ 26,456,662      | \$ 4,262                           | \$ 7,250,140   | \$ 15,431,123                          | \$ 4,895,656                   | \$ 54,037,843                  |

See accompanying notes.

**Bay County District School Board**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances of Governmental Funds to the Statement of Activities**  
**Year ended June 30, 2018**

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

|  |              |
|--|--------------|
| Net changes in fund balances - total governmental funds (page 20)  | \$ 5,084,976 |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of these assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.   | (2,871,793)  |
| The net effect of miscellaneous noncash transactions involving capital assets (i.e. sales, trade-ins, adjustments , and donations) is to increase net position.  | 63,350       |
| 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 governmental funds (i.e. compensated absences, actuarially determined pension expenses, and other postemployment benefits).   | (6,147,420)  |
| Internal service funds are used by management to charge the costs of workers' compensation and insurance costs to individual funds. The net change of certain activities of internal service funds is reported with governmental activities. The internal balance resulting from the allocation of internal service funds to business-type activities is also reported.  | 2,982,283    |
| The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. | 5,699,413    |
| Change in net position of governmental activities (page 16)  | \$ 4,810,809 |

See accompanying notes.

**Bay County District School Board**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual – General Fund**  
**Year ended June 30, 2018**

|   | <u>Budget Amounts</u> |              | Actual<br>Amounts | Variance with<br>Final Budget |
|---|-----------------------|--------------|-------------------|-------------------------------|
|   | Original              | Final        |                   |                               |
| <b>Revenues</b>   |                       |              |                   |                               |
| Intergovernmental   |                       |              |                   |                               |
| Federal direct  | \$ 589,973            | \$ 652,501   | \$ 670,092        | \$ 17,591                     |
| Federal through state and local                           | 540,000               | 691,100      | 1,475,549         | 784,449                       |
| State   | 124,276,478           | 125,544,757  | 123,729,502       | (1,815,255)                   |
| Local   |                       |              |                   |                               |
| Property taxes  | 80,937,699            | 80,937,699   | 81,727,108        | 789,409                       |
| Charges for services                                      | 2,154,296             | 3,285,944    | 3,904,428         | 618,484                       |
| Rental income   | -                     | 24,123       | 24,123            | -                             |
| Interest income   | 150,000               | 152,639      | 445,175           | 292,536                       |
| Miscellaneous   | 675,000               | 1,124,834    | 1,863,968         | 739,134                       |
| Total revenues  | 209,323,446           | 212,413,597  | 213,839,945       | 1,426,348                     |
| <b>Expenditures</b>                                       |                       |              |                   |                               |
| Current - education                                       |                       |              |                   |                               |
| Instructional services                                    | 158,313,346           | 159,799,020  | 148,010,024       | 11,788,996                    |
| Pupil services  | 8,536,649             | 9,428,759    | 7,737,104         | 1,691,655                     |
| Instructional media services                              | 2,137,450             | 2,531,967    | 2,475,804         | 56,163                        |
| Instructional and curriculum<br>development services      | 3,251,127             | 3,519,706    | 3,251,185         | 268,521                       |
| Instructional staff training services                     | 1,443,643             | 1,692,163    | 1,486,049         | 206,114                       |
| Instruction related technology                            | 1,724                 | 2,543        | 724               | 1,819                         |
| School board  | 913,015               | 921,579      | 880,062           | 41,517                        |
| General administrative services                           | 667,712               | 704,347      | 691,297           | 13,050                        |
| School administrative services                            | 13,567,141            | 14,434,649   | 14,274,547        | 160,102                       |
| Facilities acquisition and construction                   | 728,652               | 775,109      | 713,506           | 61,603                        |
| Fiscal services   | 1,677,217             | 1,715,842    | 1,615,857         | 99,985                        |
| Food services   | -                     | 2,829        | 2,815             | 14                            |
| Central services  | 1,882,958             | 2,166,124    | 1,720,255         | 445,869                       |
| Pupil transportation services                             | 8,759,616             | 8,925,253    | 8,468,130         | 457,123                       |
| Plant operations  | 17,883,828            | 18,767,939   | 16,969,436        | 1,798,503                     |
| Maintenance services                                      | 5,018,725             | 5,240,252    | 4,833,759         | 406,493                       |
| Administrative technology services                        | 3,379,858             | 3,500,228    | 3,219,762         | 280,466                       |
| Community services  | 2,055,398             | 2,207,534    | 1,904,805         | 302,729                       |
| Capital outlay  | 2,225,764             | 1,213,779    | 695,615           | 518,164                       |
| Total current   | 232,443,823           | 237,549,622  | 218,950,736       | 18,598,886                    |
| Excess (deficit) of revenues over<br>(under) expenditures | (23,120,377)          | (25,136,025) | (5,110,791)       | 20,025,234                    |
| Other financing sources (uses)                            |                       |              |                   |                               |
| Transfers in  | 3,627,328             | 3,030,423    | 3,812,539         | 782,116                       |
| Total other financing sources (uses)                      | 3,627,328             | 3,030,423    | 3,812,539         | 782,116                       |
| Net changes in fund balance                               | (19,493,049)          | (22,105,602) | (1,298,252)       | 20,807,350                    |
| Fund balance - beginning                                  | 27,754,914            | 27,754,914   | 27,754,914        | -                             |
| Fund balance - ending                                     | \$ 8,261,865          | \$ 5,649,312 | \$ 26,456,662     | \$ 20,807,350                 |

See accompanying notes.

**Bay County District School Board**  
**Statement of Net Position –**  
**Proprietary Funds**  
**June 30, 2018**

|  | <b>Business-type<br/>Activities - Beacon<br/>Learning Center</b> | <b>Governmental<br/>Activities - Internal<br/>Service Fund</b> |
|--|--|--|
| <b>Assets</b>  |  |  |
| Current assets   |  |  |
| Cash and cash equivalents                                  | \$ 3,072,334   | \$ 24,903,835  |
| Accounts receivable, net                                   | 1,500  | -  |
| Due from other agencies                                    | 1,988  | -  |
| Due from other funds                                       | -  | 6  |
| Prepaid expenses   | -  | 1,034,267  |
| Other current assets                                       | -  | 1,566,435  |
| <b>Total current assets</b>                                | <b>3,075,822</b>   | <b>27,504,543</b>  |
| Noncurrent assets  |  |  |
| Capital assets   |  |  |
| Property, plant and equipment                              | 258,937  | -  |
| Less accumulated depreciation                              | (220,904)  | -  |
| <b>Total noncurrent assets</b>                             | <b>38,033</b>  | <b>-</b>   |
| <b>Total assets</b>  | <b>3,113,855</b>   | <b>27,504,543</b>  |
| Deferred outflows of resources                             | 331,483  | 223,471  |
| <b>Total assets and deferred outflows of resources</b>     | <b>3,445,338</b>   | <b>27,728,014</b>  |
| <b>Liabilities</b>   |  |  |
| Current liabilities  |  |  |
| Accounts payable   | 8,038  | 88,499   |
| Accrued compensated absences                               | 50,748   | 7,609  |
| Unpaid claims liability                                    | -  | 5,068,241  |
| Due to other funds   | 68,691   | 3,377  |
| Net pension liability                                      | 7,200  | 4,800  |
| Unearned revenue   | 317,665  | -  |
| <b>Total current liabilities</b>                           | <b>452,342</b>   | <b>5,172,526</b>   |
| Noncurrent liabilities                                     |  |  |
| Accrued compensated absences                               | 202,992  | 30,435   |
| Net pension liability                                      | 786,632  | 530,362  |
| Other postemployment benefits                              | 25,377   | 20,301   |
| Unpaid claims liability                                    | -  | 11,139,462   |
| <b>Total noncurrent liabilities</b>                        | <b>1,015,001</b>   | <b>11,720,560</b>  |
| <b>Total liabilities</b>                                   | <b>1,467,343</b>   | <b>16,893,086</b>  |
| Deferred inflows of resources                              | 73,762   | 49,728   |
| <b>Total liabilities and deferred inflows of resources</b> | <b>1,541,105</b>   | <b>16,942,814</b>  |
| <b>Net position</b>  |  |  |
| Net investment in capital assets                           | 38,033   | -  |
| Unrestricted   | 1,866,200  | 10,785,200   |
| <b>Total net pension</b>                                   | <b>\$ 1,904,233</b>  | <b>\$ 10,785,200</b>   |

See accompanying notes.

**Bay County District School Board**  
**Statement of Revenues, Expenses, and Changes in Net Position –**  
**Proprietary Funds**  
**Year ended June 30, 2018**

|   | <b>Business-type<br/>Activities - Beacon<br/>Learning Center</b> | <b>Governmental<br/>Activities - Internal<br/>Service Fund</b> |
|---|--|--|
| <b>Operating revenues</b>                         |  |  |
| Charges for services                              | \$ 1,550,878   | \$ 28,460,753  |
| <b>Total operating revenues</b>                   | <b>1,550,878</b>   | <b>28,460,753</b>  |
| <b>Operating expenses</b>                         |  |  |
| Salaries  | 955,493  | 382,377  |
| Employee benefits                                 | 318,868  | 159,072  |
| Purchased services                                | 300,978  | 3,007,886  |
| Materials and supplies                            | 22,227   | 4,555  |
| Small equipment                                   | 1,361  | 122  |
| Insurance claims                                  | -  | 18,973,834   |
| Insurance premiums                                | -  | 3,244,108  |
| Other expenses                                    | 88,095   | -  |
| Depreciation                                      | 11,508   | -  |
| <b>Total operating expenses</b>                   | <b>1,698,530</b>   | <b>25,771,954</b>  |
| <b>Net operating income (loss)</b>                | <b>(147,652)</b>   | <b>2,688,799</b>   |
| <b>Nonoperating revenues</b>                      |  |  |
| Interest income                                   | 41,053   | 293,484  |
| <b>Total nonoperating revenues</b>                | <b>41,053</b>  | <b>293,484</b>   |
| <b>Changes in net position</b>                    | <b>(106,599)</b>   | <b>2,982,283</b>   |
| Net position - beginning (as originally reported) | 2,035,091  | 8,325,582  |
| Restatement adjustment/prior period adjustment    | (24,259)   | (522,665)  |
| <b>Net position - beginning (as restated)</b>     | <b>2,010,832</b>   | <b>7,802,917</b>   |
| <b>Net position - ending</b>                      | <b>\$ 1,904,233</b>  | <b>\$ 10,785,200</b>   |

See accompanying notes.

**Bay County District School Board  
Statement of Cash Flows – Proprietary Funds  
Year ended June 30, 2018**

|  | <b>Business-type<br/>Activities - Beacon<br/>Learning Center</b> | <b>Governmental<br/>Activities - Internal<br/>Service Fund</b> |
|--|--|--|
| <b>Operating activities</b>  |  |  |
| Receipts for services  | \$ 1,519,812   | \$ 27,541,990  |
| Payments to suppliers  | (409,216)  | (6,321,518)  |
| Payments to employees  | (1,200,968)  | (531,960)  |
| Payments for insurance claims and related fees                       | -  | (20,204,867)   |
| Net cash provided (used) by operating activities                     | (90,372)   | 483,645  |
| <b>Capital and related financing activities</b>                      |  |  |
| Payments to/(from) other funds                                       | (1,491)  | 3,707,046  |
| Purchase of capital assets   | (1,970)  | -  |
| Net cash provided (used) by capital and related financing activities | (3,461)  | 3,707,046  |
| <b>Investing activities</b>  |  |  |
| Interest received  | 41,053   | 293,484  |
| Net cash provided by investing activities                            | 41,053   | 293,484  |
| Net increase (decrease) in cash and cash equivalents                 | (52,780)   | 4,484,175  |
| Cash and cash equivalents - beginning                                | 3,125,114  | 20,419,660   |
| Cash and cash equivalents - ending                                   | \$ 3,072,334   | \$ 24,903,835  |

(Continued)

See accompanying notes.

**Bay County District School Board**  
**Statement of Cash Flows – Proprietary Funds (Continued)**  
**Year ended June 30, 2018**

|  | Business-type<br>Activities - Beacon<br>Learning Center | Governmental<br>Activities - Internal<br>Service Fund |
|--|---|---|
| <b>Reconciliation of net operating income (loss) to net cash provided (used) by operating activities</b> |   |   |
| Net operating income (loss)  | \$ (147,652)  | \$ 2,688,799  |
| Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities |   |   |
| Depreciation   | 11,508  | -   |
| (Increase) decrease in assets  |   |   |
| Accounts receivable, net   | 825   | -   |
| Due from other governmental units  | (1,988)   | -   |
| Prepaid expenses   | -   | (64,739)  |
| Other current assets   | -   | (918,763)   |
| (Increase) decrease in deferred outflows of resources  | (19,079)  | (31,547)  |
| Increase (decrease) in liabilities   |   |   |
| Accounts payable   | 4,205   | (2,313,922)   |
| Accrued expenses   | (760)   | (108)   |
| Accrued compensated absences   | 2,733   | (5,162)   |
| Unpaid claims liability  | -   | 1,082,889   |
| Unearned revenue   | (29,903)  | -   |
| Net pension liability  | 29,448  | 19,853  |
| Other postemployment benefits  | 1,118   | 894   |
| Increase (decrease) in deferred inflows of resources   | 59,173  | 25,451  |
| Total adjustments  | 57,280  | (2,205,154)   |
| Net cash provided (used) by operating activities   | \$ (90,372)   | \$ 483,645  |

See accompanying notes.

**Bay County District School Board**  
**Statement of Fiduciary Assets and Liabilities – Fiduciary Funds**  
**June 30, 2018**

|                           | <b>Agency Funds</b> |           |
|---------------------------|---------------------|-----------|
| <b>Assets</b>             |                     |           |
| Cash and cash equivalents | \$                  | 2,984,671 |
| Accounts receivable, net  |                     | 32,897    |
| Inventories               |                     | 80,932    |
| <hr/>                     |                     |           |
| Total assets              | \$                  | 3,098,500 |
| <hr/>                     |                     |           |
| <b>Liabilities</b>        |                     |           |
| Accounts payable          | \$                  | 171,920   |
| Internal accounts payable |                     | 2,926,580 |
| <hr/>                     |                     |           |
| Total liabilities         | \$                  | 3,098,500 |
| <hr/>                     |                     |           |

See accompanying notes.



**Bay County District School Board**  
**Combining Statement of Net Position – Discretely Presented Component Units**  
**June 30, 2018**

|  | Bay Haven<br>Charter<br>Academy, Inc. | Palm Bay<br>Educational<br>Group, Inc. | Chautauqua<br>Charter<br>School, Inc. | Community<br>Charter<br>Academy, Inc. | Rising<br>Leaders<br>Academy, Inc. | Bay<br>Education<br>Foundation, Inc. | Bay<br>Haven<br>Foundation | Total<br>Component<br>Units |
|--|---------------------------------------|--|---------------------------------------|---------------------------------------|------------------------------------|--------------------------------------|----------------------------|-----------------------------|
| <b>Assets</b>  |                                       |  |                                       |                                       |                                    |                                      |                            |                             |
| Current assets   |                                       |  |                                       |                                       |                                    |                                      |                            |                             |
| Cash and cash equivalents                              | \$ 13,660,466                         | \$ 1,019,270                           | \$ 626,124                            | \$ 1,227,374                          | \$ 393,531                         | \$ 557,042                           | \$ 194,930                 | \$ 17,678,737               |
| Investments  | 3,377,200                             | -                                      | -                                     | -                                     | -                                  | -                                    | -                          | 3,377,200                   |
| Accounts receivable, net                               | 25,133                                | -                                      | -                                     | 3,150                                 | 43                                 | 2,650,000                            | -                          | 2,678,326                   |
| Note receivable  | -                                     | 75,000                                 | -                                     | -                                     | -                                  | -                                    | -                          | 75,000                      |
| Due from other agencies                                | -                                     | 20,231                                 | 41,005                                | -                                     | 180                                | -                                    | -                          | 61,416                      |
| Prepaid expenses                                       | 85,214                                | 34,662                                 | -                                     | 9,698                                 | 46,640                             | -                                    | -                          | 176,214                     |
| Inventories  | 6,266                                 | -                                      | -                                     | -                                     | -                                  | -                                    | -                          | 6,266                       |
| Other assets   | 11,426                                | -                                      | -                                     | 12,410                                | -                                  | -                                    | -                          | 23,836                      |
| <b>Total current assets</b>                            | <b>17,165,705</b>                     | <b>1,149,163</b>                       | <b>667,129</b>                        | <b>1,252,632</b>                      | <b>440,394</b>                     | <b>3,207,042</b>                     | <b>194,930</b>             | <b>24,076,995</b>           |
| Noncurrent assets                                      |                                       |  |                                       |                                       |                                    |                                      |                            |                             |
| Capital assets   |                                       |  |                                       |                                       |                                    |                                      |                            |                             |
| Nondepreciable   | 2,612,870                             | 1,505,200                              | -                                     | 2,000,000                             | 107,031                            | -                                    | -                          | 6,225,101                   |
| Depreciable, net                                       | 36,802,641                            | 3,774,925                              | 42,249                                | 9,795,033                             | 392,195                            | -                                    | -                          | 50,807,043                  |
| <b>Total noncurrent assets</b>                         | <b>39,415,511</b>                     | <b>5,280,125</b>                       | <b>42,249</b>                         | <b>11,795,033</b>                     | <b>499,226</b>                     | <b>-</b>                             | <b>-</b>                   | <b>57,032,144</b>           |
| <b>Total assets</b>                                    | <b>56,581,216</b>                     | <b>6,429,288</b>                       | <b>709,378</b>                        | <b>13,047,665</b>                     | <b>939,620</b>                     | <b>3,207,042</b>                     | <b>194,930</b>             | <b>81,109,139</b>           |
| Deferred outflows of resources                         | 5,289,471                             | 1,058,329                              | 111,199                               | 1,279,482                             | 287,919                            | -                                    | -                          | 8,026,400                   |
| <b>Total assets and deferred outflows of resources</b> | <b>61,870,687</b>                     | <b>7,487,617</b>                       | <b>820,577</b>                        | <b>14,327,147</b>                     | <b>1,227,539</b>                   | <b>3,207,042</b>                     | <b>194,930</b>             | <b>89,135,539</b>           |
| <b>Liabilities</b>                                     |                                       |  |                                       |                                       |                                    |                                      |                            |                             |
| Current liabilities                                    |                                       |  |                                       |                                       |                                    |                                      |                            |                             |
| Accounts payable                                       | 488,297                               | 133,306                                | 39,477                                | 23,897                                | 4,265                              | -                                    | 760                        | 690,002                     |
| Accrued salaries and benefits                          | 27,553                                | 144,683                                | -                                     | 200,173                               | 51,403                             | -                                    | -                          | 423,812                     |
| Unearned revenue                                       | 39,573                                | 8,250                                  | -                                     | -                                     | 324                                | -                                    | -                          | 48,147                      |
| Matured interest payable                               | 607,639                               | -                                      | -                                     | -                                     | -                                  | -                                    | -                          | 607,639                     |
| <b>Total current liabilities</b>                       | <b>1,163,062</b>                      | <b>286,239</b>                         | <b>39,477</b>                         | <b>224,070</b>                        | <b>55,992</b>                      | <b>-</b>                             | <b>760</b>                 | <b>1,769,600</b>            |

(Continued)

See accompanying notes.

**Bay County District School Board**  
**Combining Statement of Net Position – Discretely Presented Component Units**  
**June 30, 2018**

|  | Bay Haven<br>Charter<br>Academy, Inc. | Palm Bay<br>Educational<br>Group, Inc. | Chautauqua<br>Charter<br>School, Inc. | Community<br>Charter<br>Academy, Inc. | Rising<br>Leaders<br>Academy, Inc. | Bay<br>Education<br>Foundation, Inc. | Bay<br>Haven<br>Foundation | Total<br>Component<br>Units |
|--|---------------------------------------|--|---------------------------------------|---------------------------------------|------------------------------------|--------------------------------------|----------------------------|-----------------------------|
| <b>Noncurrent liabilities</b>                              |                                       |  |                                       |                                       |                                    |                                      |                            |                             |
| Due within one year  |                                       |  |                                       |                                       |                                    |                                      |                            |                             |
| Accrued compensated absences                               | \$ 35,441                             | \$ -                                   | \$ -                                  | \$ -                                  | \$ -                               | \$ -                                 | \$ -                       | \$ 35,441                   |
| Bonds payable  | 375,000                               | -                                      | -                                     | -                                     | -                                  | -                                    | -                          | 375,000                     |
| Obligations under capital leases                           | 84,075                                | 19,687                                 | -                                     | 19,390                                | -                                  | -                                    | -                          | 123,152                     |
| Notes payable  | -                                     | 1,091,534                              | -                                     | 266,250                               | 21,710                             | -                                    | -                          | 1,379,494                   |
| Due in more than one year                                  |                                       |  |                                       |                                       |                                    |                                      |                            |                             |
| Accrued compensated absences                               | 72,444                                | -                                      | -                                     | -                                     | -                                  | -                                    | -                          | 72,444                      |
| Notes payable  | -                                     | 3,763,488                              | -                                     | 6,994,928                             | 364,313                            | -                                    | -                          | 11,122,729                  |
| Unearned contribution                                      | -                                     | -                                      | -                                     | 4,703,921                             | -                                  | -                                    | -                          | 4,703,921                   |
| Bonds payable  | 34,537,386                            | -                                      | -                                     | -                                     | -                                  | -                                    | -                          | 34,537,386                  |
| Net pension liability                                      | 10,583,951                            | 960,223                                | 254,267                               | 1,732,216                             | 381,333                            | -                                    | -                          | 13,911,990                  |
| Obligations under capital leases                           | 635,619                               | 23,065                                 | -                                     | 1,686                                 | -                                  | -                                    | -                          | 660,370                     |
| <b>Total noncurrent liabilities</b>                        | <b>46,323,916</b>                     | <b>5,857,997</b>                       | <b>254,267</b>                        | <b>13,718,391</b>                     | <b>767,356</b>                     | <b>-</b>                             | <b>-</b>                   | <b>66,921,927</b>           |
| <b>Total liabilities</b>                                   | <b>47,486,978</b>                     | <b>6,144,236</b>                       | <b>293,744</b>                        | <b>13,942,461</b>                     | <b>823,348</b>                     | <b>-</b>                             | <b>760</b>                 | <b>68,691,527</b>           |
| Deferred inflows of resources                              | 780,204                               | 50,431                                 | 46,349                                | 89,517                                | 20,569                             | -                                    | -                          | 987,070                     |
| <b>Total liabilities and deferred inflows of resources</b> | <b>48,267,182</b>                     | <b>6,194,667</b>                       | <b>340,093</b>                        | <b>14,031,978</b>                     | <b>843,917</b>                     | <b>-</b>                             | <b>760</b>                 | <b>69,678,597</b>           |
| <b>Net position</b>  |                                       |  |                                       |                                       |                                    |                                      |                            |                             |
| Net investment in capital assets                           | 6,198,020                             | 207,351                                | 42,249                                | -                                     | 113,203                            | -                                    | -                          | 6,560,823                   |
| Restricted   |                                       |  |                                       |                                       |                                    |                                      |                            |                             |
| Debt service   | 796,358                               | -                                      | -                                     | -                                     | -                                  | -                                    | -                          | 796,358                     |
| Other purposes   | -                                     | -                                      | -                                     | -                                     | -                                  | 87,532                               | 196,303                    | 283,835                     |
| Unrestricted   | 6,609,127                             | 1,085,599                              | 438,235                               | 295,169                               | 270,419                            | 3,119,510                            | (2,133)                    | 11,815,926                  |
| <b>Total net position</b>                                  | <b>\$ 13,603,505</b>                  | <b>\$ 1,292,950</b>                    | <b>\$ 480,484</b>                     | <b>\$ 295,169</b>                     | <b>\$ 383,622</b>                  | <b>\$ 3,207,042</b>                  | <b>\$ 194,170</b>          | <b>\$ 19,456,942</b>        |

See accompanying notes.

**Bay County District School Board**  
**Combining Statement of Activities – Discretely Presented Component Units**  
**Year ended June 30, 2018**

|   | Bay Haven<br>Charter<br>Academy, Inc. | Palm Bay<br>Educational<br>Group, Inc. | Chautauqua<br>Charter<br>School, Inc. | Community<br>Charter<br>Academy, Inc. | Rising<br>Leaders<br>Academy, Inc. | Bay<br>Education<br>Foundation, Inc. | Bay<br>Haven<br>Foundation | Total<br>Component<br>Units |
|---|---------------------------------------|--|---------------------------------------|---------------------------------------|------------------------------------|--------------------------------------|----------------------------|-----------------------------|
| <b>Revenues</b>   |                                       |  |                                       |                                       |                                    |                                      |                            |                             |
| Charges for services  | \$ 1,590,702                          | \$ 225,134                             | \$ -                                  | \$ 228,153                            | \$ -                               | \$ -                                 | \$ -                       | \$ 2,043,989                |
| Operating grants and contributions                              | 449,227                               | 730,144                                | 60,358                                | 23,406                                | -                                  | -                                    | -                          | 1,263,135                   |
| Capital grants and contributions                                | -                                     | 95,181                                 | 22,912                                | 322,402                               | 33,789                             | -                                    | -                          | 474,284                     |
| Grants and contributions not<br>restricted to specific purposes | 23,191,986                            | 5,346,271                              | 892,206                               | 4,242,595                             | 1,435,681                          | 1,254,305                            | 465,564                    | 36,828,608                  |
| Investment earnings   | 47,853                                | -                                      | -                                     | -                                     | -                                  | 38,652                               | 206                        | 86,711                      |
| Miscellaneous   | 103,962                               | -                                      | -                                     | -                                     | -                                  | -                                    | -                          | 103,962                     |
| <b>Total revenues</b>   | <b>25,383,730</b>                     | <b>6,396,730</b>                       | <b>975,476</b>                        | <b>4,816,556</b>                      | <b>1,469,470</b>                   | <b>1,292,957</b>                     | <b>465,770</b>             | <b>40,800,689</b>           |
| <b>Expenses</b>   |                                       |  |                                       |                                       |                                    |                                      |                            |                             |
| Instructional services  | 12,990,196                            | 2,943,586                              | 648,577                               | 3,022,155                             | 704,965                            | -                                    | -                          | 20,309,479                  |
| Instructional support services                                  | -                                     | 122,577                                | -                                     | -                                     | 1,388                              | -                                    | -                          | 123,965                     |
| Student support services  | -                                     | 15,926                                 | -                                     | -                                     | -                                  | -                                    | -                          | 15,926                      |
| Pupil services  | 648,365                               | -                                      | 69,083                                | -                                     | -                                  | -                                    | -                          | 717,448                     |
| Instructional media services                                    | 61,418                                | -                                      | -                                     | -                                     | -                                  | -                                    | -                          | 61,418                      |
| Instructional and curriculum<br>development services            | -                                     | -                                      | -                                     | 28,786                                | -                                  | -                                    | -                          | 28,786                      |
| Instructional staff training services                           | 69,620                                | 8,951                                  | -                                     | -                                     | 9,696                              | -                                    | -                          | 88,267                      |
| Instruction related technology                                  | 124,279                               | 41,060                                 | 149                                   | -                                     | 4,654                              | -                                    | -                          | 170,142                     |
| School board  | 105,521                               | 278,479                                | 60,114                                | 79,171                                | 42,101                             | -                                    | -                          | 565,386                     |
| General administrative services                                 | 1,288,773                             | 1,909                                  | -                                     | -                                     | -                                  | 110,962                              | -                          | 1,401,644                   |
| School administrative services                                  | 1,869,397                             | 937,715                                | 47,563                                | 295,912                               | 230,713                            | -                                    | -                          | 3,381,300                   |
| Facilities acquisition and construction                         | -                                     | 147,937                                | 21,000                                | -                                     | 55,097                             | -                                    | -                          | 224,034                     |
| Fiscal services   | 25,626                                | 160,724                                | 26,338                                | 115,855                               | 57,502                             | -                                    | -                          | 386,045                     |
| Food services   | 665,393                               | 235,484                                | -                                     | -                                     | 8,430                              | -                                    | -                          | 909,307                     |
| Central services  | -                                     | 39,650                                 | -                                     | -                                     | -                                  | -                                    | -                          | 39,650                      |
| Pupil transportation services                                   | 332,398                               | 3,381                                  | 22,725                                | -                                     | 3,191                              | -                                    | -                          | 361,695                     |

(Continued)

See accompanying notes.

**Bay County District School Board**  
**Combining Statement of Activities – Discretely Presented Component Units (Continued)**  
**Year ended June 30, 2018**

|   | Bay Haven<br>Charter<br>Academy, Inc. | Palm Bay<br>Educational<br>Group, Inc. | Chautauqua<br>Charter<br>School, Inc. | Community<br>Charter<br>Academy, Inc. | Rising<br>Leaders<br>Academy, Inc. | Bay<br>Education<br>Foundation, Inc. | Bay<br>Haven<br>Foundation | Total<br>Component<br>Units |
|---|---------------------------------------|--|---------------------------------------|---------------------------------------|------------------------------------|--------------------------------------|----------------------------|-----------------------------|
| Plant operations                                  | \$ 1,396,084                          | \$ 417,486                             | \$ 26,342                             | \$ 442,020                            | \$ 95,688                          | \$ -                                 | \$ -                       | \$ 2,377,620                |
| Maintenance services                              | 317,193                               | 83,856                                 | 2,803                                 | 31,143                                | 66,987                             | -                                    | -                          | 501,982                     |
| Community services                                | 296,082                               | 81,069                                 | 1,680                                 | 30,971                                | 7,832                              | 4,338,308                            | 467,986                    | 5,223,928                   |
| Unallocated interest on long-term debt            | 1,886,896                             | 285,235                                | -                                     | 314,371                               | 13,257                             | -                                    | -                          | 2,499,759                   |
| Unallocated depreciation                          | 1,487,249                             | 231,672                                | 5,206                                 | 352,008                               | 26,046                             | -                                    | -                          | 2,102,181                   |
| <b>Total expenses</b>                             | <b>23,564,490</b>                     | <b>6,036,697</b>                       | <b>931,580</b>                        | <b>4,712,392</b>                      | <b>1,327,547</b>                   | <b>4,449,270</b>                     | <b>467,986</b>             | <b>41,489,962</b>           |
| <b>Change in net position</b>                     | <b>1,819,240</b>                      | <b>360,033</b>                         | <b>43,896</b>                         | <b>104,164</b>                        | <b>141,923</b>                     | <b>(3,156,313)</b>                   | <b>(2,216)</b>             | <b>(689,273)</b>            |
| Net position - beginning (as originally reported) | 11,784,265                            | 862,507                                | 436,588                               | 191,005                               | 308,185                            | 6,363,355                            | 196,386                    | 20,142,291                  |
| Prior period adjustments                          | -                                     | 70,410                                 | -                                     | -                                     | (66,486)                           | -                                    | -                          | 3,924                       |
| Net position - beginning (as restated)            | 11,784,265                            | 932,917                                | 436,588                               | 191,005                               | 241,699                            | 6,363,355                            | 196,386                    | 20,146,215                  |
| <b>Net position - ending</b>                      | <b>\$ 13,603,505</b>                  | <b>\$ 1,292,950</b>                    | <b>\$ 480,484</b>                     | <b>\$ 295,169</b>                     | <b>\$ 383,622</b>                  | <b>\$ 3,207,042</b>                  | <b>\$ 194,170</b>          | <b>\$ 19,456,942</b>        |

See accompanying notes.

# Bay County District School Board

## Notes to Financial Statements

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *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 associated with the District's transportation and maintenance departments and school board office are allocated to the student transportation services, operation of plant, and central services functions, while remaining depreciation expense is not readily associated with a particular function and is reported as unallocated.

#### *Reporting Entity*

The Bay County District School Board (Board) has direct responsibility for operation, control, and supervision of district schools and is considered the 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, Florida.

The criteria for determining if other entities are 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 entities for which the Board is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete.

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

## Bay County District School Board Notes to Financial Statements

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 9. 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 two foundations and the District's eleven charter schools. A separate column is used to emphasize that they are legally separate from the District.

Bay Education Foundation, Inc., (Foundation) is a separate nonprofit corporation organized and operated as a direct-support organization 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 of the District. Bay Haven Foundation, is a separate nonprofit corporation organized and operated as a direct-support organization to receive, hold, invest, and administer property and to make expenditures to, and for the benefit of, Bay Haven Charter Academy, Inc. and thereby the District.

The charter schools of the District are: 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; Palm Bay Educational Group, Inc., d/b/a Palm Bay Preparatory Academy, Palm Bay Preparatory Elementary Academy, and Central High School; Chautauqua Charter School, Inc., d/b/a Chautauqua Learn and Serve Charter School; Community Charter Academy, Inc., d/b/a University Academy, Inc.; and Rising Leaders Academy, Inc.

The charter schools are nonprofit 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 Board. The charter schools are considered to be component units of the District because: they are fiscally dependent on the District to levy taxes for their support; the District established the charter schools and therefore are financially accountable for them; 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 District may choose not to renew the charters as specified in the charters, but the District must notify the charter schools in writing at least 90 days prior to the charter's expiration. During the term of the charter, the District may also terminate the charter if good cause is shown. Pursuant to Section 1002.33(8)(e), Florida Statutes, in the event a charter school is dissolved or terminated, any encumbered funds, and all school property purchased with public funds, shall revert to the District.

## Bay County District School Board Notes to Financial Statements

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Copies of the separate financial statements for the foundations and charter schools are available at the Board's administrative office at 1311 Balboa Avenue, Panama City, Florida 32401.

#### ***Basis of Presentation***

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 the business-type activities column incorporates data from the enterprise fund. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Fiduciary funds are excluded from the government-wide presentation.

Government-wide Financial Statements - The statement of net position and the statement of activities, present information about the District as a whole. These statements include the nonfiduciary financial activity of the District and its component units. The statements distinguish between governmental activities and business-type activities.

Government-wide financial statements are prepared using the flow of economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities 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 associated with the pupil transportation services, central services, and plant operations functions is allocated to those functions, with remaining depreciation expense reported as unallocated.

Program revenues include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues 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.

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

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

## Bay County District School Board Notes to Financial Statements

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.
- 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, notes and bonds payable.
- 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.
- Capital Projects – Other Fund – to account for the financial resources generated by the issuance of certificates of participation, sales tax anticipation notes, and the discretionary sales surtax to be used for educational outlay needs, including new construction, renovation, remodeling projects, and technology equipment.

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 Fund – to account for the District’s self-insurance programs.
- Agency Funds – to account for resources of the school internal funds, which are used to administer moneys collected at several schools in connection with student athletic, class, club and other school activities.

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 funds) 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 transfers out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.



**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***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 flow of 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 flow of 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, 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 capital 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 flow of economic resources measurement focus and the accrual basis of accounting. 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 principal operating revenues of the District's enterprise fund are charges for online educational resources and professional development courses. Operating expenses include salaries, benefits, materials, purchased services, capital outlay, and depreciation related to the development of these online educational resources and professional development courses. All revenues and expenses not

## Bay County District School Board Notes to Financial Statements

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

meeting this definition are reported as nonoperating revenues and expenses. The principal operating revenues of the District's internal service funds are charges for property casualty and workers' compensation insurance.

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.

The agency funds have no measurement focus but utilize the accrual basis of accounting for reporting its assets and liabilities. The Foundations are accounted for as a nonprofits and use 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.

#### ***Cash, Cash Equivalents, and Investments***

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

Cash deposits are held by banks that are qualified public depositories under Florida law. 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. The District's investments 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. These investments are reported at fair value, which is amortized cost.

#### ***Inventories***

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are measured at net realizable value and stated at average cost, except that United States Department of Agriculture surplus commodities 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. Although the costs of inventories are recorded as expenditures when used rather than purchased, a fund balance reserve is established at fiscal year-end to indicate that inventories do not constitute available expendable resources even though inventories are a component of current assets.

# Bay County District School Board

## Notes to Financial Statements

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *Prepays*

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

#### *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. Capital assets 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 and having a useful service life of more than one year. Such assets are recorded at historical cost or estimated historical cost if historical cost is unknown. Donated assets are recorded at acquisition value at the date of donation.

Interest costs incurred during construction of capital assets are not considered material and are not capitalized as part of the cost of construction.

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

| <b>Description</b>                           | <b>Estimated Lives</b> |
|--|------------------------|
| 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 | 5 years                |

#### *Pensions*

In the government-wide statement of net position, liabilities are recognized for the District's proportionate share of each pension plan's net pension liability. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, information about the fiduciary net position of the Florida Retirement System (FRS) defined benefit pension plan and the Health Insurance Subsidy (HIS) defined benefit plan and additions to/deductions from FRS and 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 the benefit terms. Investments are reported at fair value.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***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. In the governmental fund financial statements, bonds and other long-term obligations are not recognized as liabilities until due.

***Compensated Absences***

In the government-wide financial statements, accrued compensated absences (i.e., paid absences for employee vacation leave and sick leave) are shown as liabilities to the extent that it is probable that the benefits will result in compensation to the employee through paid time-off or other means such as termination payments. A liability for these amounts is reported in the governmental fund financial statements only if it has matured, such as for occurrences of employee resignations and retirements. The liability for accrued compensated absences includes estimated payroll taxes, where applicable.

***Deferred Outflows and 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, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expenditure/expense) until then. The District has two types of items that qualify for reporting in this category, deferred outflows related to pensions and deferred loss from debt refunding. The deferred loss from debt refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of item that qualifies for reporting in this category, deferred inflows of resources related to pensions.

***Net Position***

Net position is classified in three categories. The general meaning of each is as follows:

Net investment in capital assets - represents the cost of capital assets, less accumulated depreciation reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets.

Restricted - This category includes resources restricted by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation.

Unrestricted - indicates that portion of net position that is available for future periods.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***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.

***Fund Balance Policies***

Fund balance of governmental funds is reported in various categories based on the nature of limitations requiring the use of resources for specific purposes.

The nonspendable fund balance classification includes the resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The nonspendable fund balance as of June 30, 2018, of \$1,039,718 is from prepaids and inventories which are not in spendable form.

The restricted fund balance classification includes resources restricted by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation. The balance as of June 30, 2018, of \$28,482,186 is restricted by creditors for repayment of debt issued, state required carryover programs, food service, and capital projects. The balance as of June 30, 2018 of \$ 28,470,795 is restricted by enabling legislation.

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 balance at June 30, 2018.

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 authorized the assignment of fund balance. The Board may assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent years 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. The assigned fund balance as of June 30, 2018, of \$579,542 is from purchase orders issued and outstanding at year-end.

The unassigned fund balance classification is the residual classification for the District's fund balance. The balance as of June 30, 2018 is \$23,936,397.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Fund Balance Flow Assumptions***

The District may fund outlays for a particular purpose from both restricted and unrestricted resources (committed, assigned, and unassigned). 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, and then unassigned fund balance.

***Program Revenues***

Amounts reported as program revenues include charges paid by the recipient of 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.

***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 FDOE. 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 for a period of nine months following the date of the original reporting. Such amendments may impact funding allocations for subsequent years. FDOE may also adjust subsequent fiscal period allocations based on 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 year the adjustments are made.

The State provides financial assistance to administer certain educational programs. The 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 year to be expended for the same educational programs. 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.

## Bay County District School Board Notes to Financial Statements

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 FDOE.

#### ***District Property Taxes***

The District 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 District adopted the 2017 tax levy on September 7, 2017. 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.

#### ***Capital Outlay Surtax***

In November 2010, the voters of Bay County approved a half-cent school capital outlay surtax on taxable sales in the County for 10 years, effective January 1, 2011, to pay construction costs of certain school facilities and related costs in accordance with Section 212.055(6), Florida Statutes.

#### ***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.

## Bay County District School Board Notes to Financial Statements

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ significantly from those estimates.

#### *Subsequent Events*

Management of the District has evaluated subsequent events through March 29, 2019, the date the financial statements were available to be issued.

### NOTE 2 - ACCOUNTING CHANGES

As a plan sponsor, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which requires employers of single-employer defined benefit plans to report the employers' other postemployment benefits (OPEB) plan liabilities. The requirements of this statement are being applied retroactively by restating the actuarially determined liabilities of \$4,851,840 and deferred inflows of resources of \$0, at July 1, 2017, the date of transition.

### NOTE 3 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The following is an explanation of differences between the general fund balance sheet and statement of net position:

The total fund balance of the District's governmental funds (\$54,037,843) differs from the net position of governmental activities (\$174,442,799) reported in the statement of net position. This difference results primarily for the long-term economic resources focus of the statement of net position when compared to the current financial resources focus of the governmental fund balance sheet.

#### *Capital Related Items*

When capital assets (improvements other than buildings, buildings and fixed equipment, furniture, fixtures, and equipment, motor vehicles, and audio visual material and computer software) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, they are capitalized and depreciated in the statement of net position.



**Bay County District School Board  
Notes to Financial Statements**

**NOTE 3 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)**

|  |                |
|--|----------------|
| Cost of capital assets                         | \$ 690,087,210 |
| Accumulated depreciation                       | (399,266,313)  |
| <hr/>  |                |
| Capital assets net of accumulated depreciation | \$ 290,820,897 |
| <hr/>  |                |

***Long-term Debt***

Long-term liabilities applicable to the District's governmental activities are not reported as fund liabilities. All liabilities are reported in the statement of net position.

|                                       |                |
|---------------------------------------|----------------|
| Bonds payable                         | \$ 173,000     |
| Notes payable                         | 16,371,000     |
| Certificates of participation payable | 68,403,800     |
| Other postemployment benefits         | 5,029,783      |
| Net pension liability                 | 122,472,084    |
| Accrued compensated absences          | 11,870,806     |
| <hr/>                                 |                |
| Total long-term liabilities           | \$ 224,320,473 |
| <hr/>                                 |                |

***Deferred Inflows and Outflows of Resources***

Deferred inflows and outflows related to the pension plans and loss from debt refunding applicable to the District's governmental activities are not reported as fund assets and liabilities. All deferred inflows and outflows of resources are reported in the statement of net position.

|  |               |
|--|---------------|
| Deferred outflows of resources related to pensions       | \$ 51,141,116 |
| Deferred inflows of resources related to pensions        | (11,379,941)  |
| Deferred outflows of resources related to debt refunding | 3,358,157     |
| <hr/>  |               |
| Deferred outflows and inflows of resources               | \$ 43,119,332 |
| <hr/>  |               |

***Internal service fund***

Internal service funds are reported as enterprise funds at the fund level but are reported as governmental activities in the government-wide financial statements.

|   |               |
|---|---------------|
| Total assets and deferred outflows of resources     | \$ 27,728,014 |
| Total liabilities and deferred inflows of resources | (16,942,814)  |
| <hr/>   |               |
| Total internal service fund                         | \$ 10,785,200 |
| <hr/>   |               |

## Bay County District School Board Notes to Financial Statements

### NOTE 3 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

The following is an explanation of the differences between the governmental funds statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and change in net position of governmental activities as reported in the government-wide statement of activities. One of those reconciliation elements is governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these capital assets are allocated over their estimated useful lives and reported as depreciation expense. The details of this difference are as follows:

|   |    |              |
|---|----|--------------|
| Capital outlay  | \$ | 23,933,244   |
| Depreciation  |    | (26,805,037) |
| <hr/>   |    |              |
| Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at change in net position of governmental activities | \$ | (2,871,793)  |
| <hr/>   |    |              |

Another element of that reconciliation states the net effect of miscellaneous noncash transactions involving capital assets (i.e. sales, trade-ins, adjustments, and donations) is to increase net position. The details of this difference are as follows:

|                          |    |        |
|--------------------------|----|--------|
| Donation of fixed assets | \$ | 63,350 |
| <hr/>                    |    |        |

Another element of that reconciliation states that the issuance of long-term debt (i.e., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The detail of this difference is as follows:

|   |    |             |
|---|----|-------------|
| Principal payments and payments to bond refunding escrow  | \$ | 11,004,700  |
| Amortization of loss on debt refunding  |    | (305,287)   |
| Debt proceeds   |    | (5,000,000) |
| <hr/>   |    |             |
| Net adjustment to increase net changes in fund balances - total governmental funds to arrive at change in net position of governmental activities | \$ | 5,699,413   |
| <hr/>   |    |             |

Another element of that reconciliation is 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 governmental funds (e.g. compensated absences, changes in net pension liability, and amortization of deferred gains on losses on bond refunding). The detail of this difference is as follows:

## Bay County District School Board Notes to Financial Statements

### NOTE 3 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

|   |    |             |
|---|----|-------------|
| Change in accrued compensated absences  | \$ | 139,408     |
| Change in other postemployment benefits liability   |    | (221,609)   |
| Change in net pension liability   |    | (4,543,193) |
| Change in deferred inflows of resources related to pensions   |    | (6,712,078) |
| Change in deferred outflows of resources related to pensions  |    | 5,190,052   |
| <hr/>   |    |             |
| Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at change in net position of governmental activities | \$ | (6,147,420) |
| <hr/> <hr/>   |    |             |

Internal service funds are reported as enterprise funds at the fund level but as governmental activities at the government-wide level. The detail of this difference is as follows:

|   |    |              |
|---|----|--------------|
| Total revenues  | \$ | 28,754,237   |
| Total expenses  |    | (25,771,954) |
| <hr/>   |    |              |
| Net adjustment to increase net changes in fund balances - total governmental funds to arrive at change in net position of governmental activities | \$ | 2,982,283    |
| <hr/> <hr/>   |    |              |

### NOTE 4 - BUDGETARY COMPLIANCE AND ACCOUNTABILITY

The District follows procedures established by state statutes and 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 funds in accordance with procedures and time requirements prescribed by Florida Statutes and SBE rules.  
  
Appropriations are controlled at the object level (e.g., salaries, purchased services, and capital outlay) within each activity (e.g., instruction, pupil personnel 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 appropriations.

**NOTE 5 - DEPOSITS AND INVESTMENTS**

***Credit Risk***

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Section 218.415(16), Florida Statutes, authorizes the District to invest surplus funds in the following:

- a) The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, as provided in s. 163.01
- b) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency
- c) Interest-bearing time deposits or savings accounts in qualified public depositories as defined in s. 280.02
- d) Direct obligations of the United States Treasury
- e) Federal agencies and instrumentalities
- f) Rated or unrated bonds, notes, or instruments backed by the full faith and credit of the government of Israel
- g) Securities of, or other interests in, any open-end or closed-end management-type investment company or investment trust registered under the Investment Company Act of 1940, 15 U.S.C. ss. 80a-1 et seq., as amended from time to time, provided that the portfolio of such investment company or investment trust is limited to obligations of the United States Government or any agency or instrumentality thereof and to repurchase agreements fully collateralized by such United States Government obligations, and provided that such investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian
- h) Other investments authorized by law or by ordinance for a county or a municipality
- i) Other investments authorized by law or by resolution for a school district or a special district

The District's investment policy limits investments to those prescribed by Florida Statutes as well as sets certain additional limitations on portfolio composition by type of investment as well as minimum rating requirements and maximum maturity limitations for certain investments.

- 1) The Florida State Board of Administration's Local Government Surplus Funds Trust Fund (SBA) or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in section 163.01 Florida Statutes
  - a) Portfolio composition - A maximum of forty percent of available monies may be invested in any one investment pool. A combined maximum of sixty percent of available monies may be invested in all such qualified pools.
  - b) Rating requirements - Eligible pools shall be rated "AAAm" or "AAAm-G" or better by Standard & Poor's, or the equivalent by another rating agency.
- 2) United States government securities: Negotiable direct obligations, or obligations the principal and interest of which are unconditionally guaranteed by the United States Government; including but not limited to notes, bills, bonds, strips, and state and local government series securities
  - a) Portfolio composition - A maximum of 100% of available monies may be invested in the United States government securities.

## Bay County District School Board Notes to Financial Statements

### NOTE 5 - DEPOSITS AND INVESTMENTS (CONTINUED)

- b) Maturity limitations - The maximum length to maturity of any direct investment in the United States government securities is five years from the date of purchase.
- 3) United States government agency securities: bonds, debentures, notes or callables issued or guaranteed by United States governments agencies, provided such obligations are backed by the full faith and credit of the United States government. Such securities may include, but are not limited to the following:
  - a) United States export/import bank - Direct obligations or fully guaranteed certificates of beneficial ownership
  - b) Farmer Home Administration - Certificates of beneficial ownership
  - c) Federal Financing Bank - Discount notes, notes and bonds
  - d) Federal Housing Administration Debentures
  - e) General Services Administration
  - f) United States Maritime Administration Guaranteed - Title XI financing
  - g) New Communities Debentures - United States government guaranteed debentures
  - h) United States Public Housing Notes and Bonds - United States government guaranteed public housing notes and bonds
  - i) United States Department of Housing and Urban Development - Project notes and local authority bonds
  - j) Portfolio composition - A maximum of sixty percent (60%) of available monies may be invested in United States government agencies and a maximum of forty percent (40%) in the securities any one such agency.
  - k) Maturity limitations - The maximum length to maturity for an investment in any United States government agency security is five years from the date of purchase.
- 4) United States government enterprises and instrumentalities
  - a) Securities of United States government enterprises and instrumentalities are not eligible investments under this policy, unless recommended by the superintendent and approved by the board in advance.
- 5) Interest bearing time deposits, saving accounts, or demand deposit accounts
  - a) Purchase authorization - The superintendent may invest in nonnegotiable interest bearing time certificates of deposit, savings accounts and interest bearing demand deposit accounts (checking accounts) in banks organized under the laws of this state and/or in national banks organized under the laws of the United States. Eligible institutions must be members of the Federal Deposit Insurance Corporation (FDIC) and any investments/deposits must be secured by the Florida Security for Public Deposits Act, Florida Statutes, Chapter 280. In addition, to the extent allowed by 218.415(23), Florida Statutes, the superintendent may invest in eligible certificates of deposit and other financial instruments that are fully guaranteed/insured by the FDIC or collateralized with securities eligible under this policy.
  - b) Portfolio composition - A maximum of sixty percent of available monies may be invested in non-negotiable interest bearing time certificates of deposit or savings accounts which are not 100% insured by the FDIC, but which do meet the requirements above. A maximum of seventy-five percent of available monies may be invested in nonnegotiable interest bearing time certificates of deposit or savings accounts which are 100% insured by the FDIC.

**NOTE 5 - DEPOSITS AND INVESTMENTS (CONTINUED)**

From time to time, the superintendent may deposit monies in demand deposit accounts/money market accounts in banks other than the District's primary depository bank. Any such deposits shall be subject to a maximum of thirty percent and must be secured by the Florida Security for Public Deposits Act, Florida Statutes Chapter 280. Upon opening such accounts, the superintendent shall provide appropriate disclosure to the board.

- c) Limits on individual issuers - A maximum of fifteen percent of available monies may be deposited with any one issuer where the investment is not one hundred percent insured by the FDIC.

The term of such certificates shall be consistent with the District's short-term cash flow requirements and in no event shall the maximum maturity on any certificate be greater than one year from the date of purchase unless recommended by the superintendent and approved by the board in advance.

- 6) Money market funds: Securities and Exchange Commission registered money market funds with the highest credit quality rating from a rating agency. The funds must be registered and in compliance with 17 C.F.R. 270.2a-7 of the Federal Code of Regulations.
  - a) Eligible funds - Shares in open-end, no-load provided such funds are registered under the Federal Investment Company Act of 1940 and operated in accordance with 17 C.F.R. 270.2a-7
  - b) Portfolio composition - A maximum of thirty percent of available monies may be invested in any one registered 2a-7 money market fund. A combined maximum of fifty percent of available monies may be invested in all registered 2a-7 money market funds.
  - c) Limits of individual issuers - A maximum of thirty percent of available monies may be invested with any one SEC Rule 2a-7 money market fund.
  - d) Rating requirements - The funds shall be rated "AAAm" or "AAAm-G" or better by Standard & Poor's, or the equivalent by another rating agency.
  - e) Due diligence requirements - A thorough review of any investment in a fund is required prior to investing, and on a continual basis thereafter. The basis for such review shall be contained in the administrative procedures developed by the superintendent.
- 7) Investment Company Act of 1940: 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
  - a) Investment authorization shares in open-end or closed-end funds registered under the Federal Investment Company Act of 1940. Such investments are limited to core-funds only.
  - b) Portfolio composition - A maximum of twenty percent of available monies may be invested in mutual funds.
  - c) Limits of individual issuers - A maximum of twenty percent of available monies may be invested with any one non-SEC Rule 2a-7 investment mutual fund.
  - d) Rating requirements - The mutual funds shall be rated "AAAm" or "AAAm-G" or better by Standard & Poor's, or the equivalent by another nationally recognized rating agency.
  - e) Due diligence requirements - A thorough review of any investment mutual fund is required prior to investing, and on a continual basis. The basis for such review shall be contained in the administrative procedures developed by the superintendent.
- 8) State and/or local government taxable and or tax-exempt debt: general obligation, revenue bonds, and certificates of participation issued by state and/or local governments

**NOTE 5 - DEPOSITS AND INVESTMENTS (CONTINUED)**

- a) Rating requirements - a.) long-term: must constitute pre-refunded obligations escrowed in United States Treasury Securities, or must have long-term debt ratings; b.) must be in one of the three highest rating categories by at least one of the nationally recognized credit rating agencies; and c.) short-term: ratings must be in the highest short-term rating category by at least one of the nationally recognized credit rating agencies
- b) Portfolio composition - A maximum of twenty five percent of available monies may be invested in state and/or local government taxable and or tax-exempt debt.
- c) Maturity limitations - The maximum length to maturity of any direct investment in the United States government securities is five years from the date of purchase.
- 9) Other investments permitted by the state statute and not prohibited by this policy as may be recommended by the superintendent and approved in advance by the board
  - a) Investment authorization - The superintendent may invest in other investments permitted by the state statute with advance approval of the board.
  - b) Portfolio composition - A maximum of ten percent of available monies, or such other amount recommended by the superintendent and approved by the board, may be invested in other investments permitted by the state statute.
- 10) Due diligence requirements - A thorough review of any other investment permitted by the state statute and not prohibited by this policy is required prior to investing, and on a continual basis.

The District's investments 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. These investments are reported at fair value, which is amortized cost. The District's investment in Florida PRIME is rated AAAM by Standard & Poor's.

Cash deposits are held by banks that are qualified public depositories under Florida law or through the Federally Insured Cash Account (FICA) program, which complies with 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 the FDIC, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes.

***Custodial Credit Risk***

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to the District. The District does not have a policy for custodial credit risk. All bank balances of the District were fully insured or collateralized as required by Chapter 280, Florida Statutes at June 30, 2018.

***Concentration of Credit Risk***

As of June 30, 2018, the District did not hold any investments that were considered to be a concentration of credit risk.

## Bay County District School Board Notes to Financial Statements

### NOTE 5 - DEPOSITS AND INVESTMENTS (CONTINUED)

At June 30, 2018, the District had the following investments and maturities:

| Deposits and investments                      | Maturities     | Fair Value           |
|---|----------------|----------------------|
| State Board of Administration (SBA):          |                |                      |
| Florida Prime (1)                             | 30 Day Average | \$ 35,377,127        |
| Federated Government Obligations Fund (1) (2) | 23 Day Average | 6,479,371            |
| <b>Total</b>                                  |                | <b>\$ 41,856,498</b> |

(1) Investments reported as cash equivalents for financial statement reporting purposes.

(2) The Federated Government Obligations Fund invests exclusively in obligations issued or guaranteed as to principal and interest by the United States Government or its agencies or instrumentalities, and repurchase agreements secured by such instruments. Shares in this fund are held as investments in the accounts governed by the trust agreements to the District's issues of Certificates of Participation, Series 2007, 2010, 2013, and 2015.

#### ***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 the Federated Government Obligations Fund is 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. The District's investment policy limits the length of 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 five years. Investments of construction funds that are proceeds of tax-exempt debt issues shall have maturities of no longer than three years.

Florida PRIME and Federated Government Obligations Fund 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. The dollar WAM of Florida PRIME at June 30, 2018, is 30 days. Next interest rate reset dates for floating rate securities are used in the calculation of the WAM. The weighted average life (WAL) of Florida PRIME at June 30, 2018, is 76 days.



## Bay County District School Board Notes to Financial Statements

### NOTE 5 - DEPOSITS AND INVESTMENTS (CONTINUED)

For Florida PRIME, with regard to redemption gates, Chapter 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 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, the Investment Advisory Council, and the Participant Local Government 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 Executive Director may extend the moratorium 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.”

With regard to liquidity fees, Florida Statutes section 218.409(4) provides authority for the SBA to impose penalties for early withdrawal, subject to disclosure in the enrollment materials of the amount and purpose of such fees.

### NOTE 6 - CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the tables below:

| <b>Governmental Activities</b>                    | <b>June 30, 2017</b> | <b>Additions</b>  | <b>Deletions</b> | <b>June 30, 2018</b> |
|---|----------------------|-------------------|------------------|----------------------|
| Capital assets not being depreciated              |                      |                   |                  |                      |
| Land  | \$ 16,260,850        | \$ 85,608         | \$ -             | \$ 16,346,458        |
| Construction in progress                          | 10,141,966           | 4,745,143         | 9,341,039        | 5,546,070            |
| <b>Total capital assets not being depreciated</b> | <b>26,402,816</b>    | <b>4,830,751</b>  | <b>9,341,039</b> | <b>21,892,528</b>    |
| Capital assets being depreciated                  |                      |                   |                  |                      |
| Improvements other than buildings                 | 14,940,318           | 754,445           | -                | 15,694,763           |
| Buildings and fixed equipment                     | 568,521,024          | 23,897,783        | -                | 592,418,807          |
| Furniture, fixtures, and equipment                | 34,705,742           | 2,923,405         | 1,783,596        | 35,845,551           |
| Motor vehicles                                    | 14,568,050           | 929,810           | 267,148          | 15,230,712           |
| Audio visual materials and computer software      | 9,003,410            | 1,439             | -                | 9,004,849            |
| <b>Total capital assets being depreciated</b>     | <b>641,738,544</b>   | <b>28,506,882</b> | <b>2,050,744</b> | <b>668,194,682</b>   |

**Bay County District School Board  
Notes to Financial Statements**

**NOTE 6 - CHANGES IN CAPITAL ASSETS (CONTINUED)**

| <b>Governmental Activities</b>   | <b>June 30, 2017</b> | <b>Additions</b>  | <b>Deletions</b> | <b>June 30, 2018</b> |
|--|----------------------|-------------------|------------------|----------------------|
| Less accumulated depreciation  |                      |                   |                  |                      |
| Improvements other than buildings  | \$ 7,033,218         | \$ 661,787        | \$ -             | \$ 7,695,005         |
| Buildings and fixed equipment  | 322,813,253          | 21,968,665        | -                | 344,781,918          |
| Furniture, fixtures, and equipment   | 25,180,245           | 3,157,602         | 1,783,596        | 26,554,251           |
| Motor vehicles   | 10,552,549           | 983,890           | 267,148          | 11,269,291           |
| Audio visual materials and<br>computer software                            | 8,932,755            | 33,093            | -                | 8,965,848            |
| <b>Total accumulated depreciation</b>                                      | <b>374,512,020</b>   | <b>26,805,037</b> | <b>2,050,744</b> | <b>399,266,313</b>   |
| Total capital assets being depreciated,<br>net of accumulated depreciation | 267,226,524          | 1,701,845         | -                | 268,928,369          |
| Total governmental activities'<br>capital assets, net                      | \$ 293,629,340       | \$ 6,532,596      | \$ 9,341,039     | \$ 290,820,897       |

| <b>Business-type Activities</b>  | <b>June 30, 2017</b> | <b>Additions</b> | <b>Deletions</b> | <b>June 30, 2018</b> |
|--|----------------------|------------------|------------------|----------------------|
| Capital assets being depreciated   |                      |                  |                  |                      |
| Furniture, fixtures, and equipment   | \$ 156,008           | \$ 1,970         | \$ -             | \$ 157,978           |
| Motor vehicles   | 16,367               | -                | -                | 16,367               |
| Audio visual materials and<br>computer software                            | 84,592               | -                | -                | 84,592               |
| <b>Total capital assets being<br/>depreciated</b>                          | <b>256,967</b>       | <b>1,970</b>     | <b>-</b>         | <b>258,937</b>       |
| Less accumulated depreciation  |                      |                  |                  |                      |
| Furniture, fixtures, and equipment   | 132,584              | 5,470            | -                | 138,054              |
| Motor vehicles   | 16,367               | -                | -                | 16,367               |
| Audio visual materials and<br>computer software                            | 60,445               | 6,038            | -                | 66,483               |
| <b>Total accumulated depreciation</b>                                      | <b>209,396</b>       | <b>11,508</b>    | <b>-</b>         | <b>220,904</b>       |
| Total capital assets being depreciated,<br>net of accumulated depreciation | 47,571               | (9,538)          | -                | 38,033               |
| Total business-type activities'<br>capital assets, net                     | \$ 47,571            | \$ (9,538)       | \$ -             | \$ 38,033            |

**Bay County District School Board  
Notes to Financial Statements**

**NOTE 6 - CHANGES IN CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to functions as follows:

| <b>Function</b>                      | <b>Amount</b>        |
|--------------------------------------|----------------------|
| <b>Governmental activities</b>       |                      |
| Pupil transportation services        | \$ 771,624           |
| Plant operations                     | 53,498               |
| Central services                     | 158,768              |
| Unallocated                          | 25,821,147           |
| <b>Total governmental activities</b> | <b>\$ 26,805,037</b> |
| <b>Business-type activities</b>      |                      |
| Beacon Learning Center               | \$ 11,508            |

**NOTE 7 - NOTES PAYABLE**

The notes payable balance at June 30, 2018 was comprised of the following:

**Sales Tax Revenue Anticipation Note, Series 2013**

The District borrowed \$25,115,000 on March 26, 2013, under provisions of Section 1011.14, Florida Statutes at 1.5 percent. Proceeds were used for various construction and renovation projects included in the list of projects approved by the half-cent sales tax committee. The note matures in September 2020 and is secured by a pledge of the District's sales tax revenues. For the year ended June 30, 2018 principal and interest payments on the note were 24% of pledged revenues. The total principal and interest remaining to be paid on the note is \$11,585,264. Total principal and interest paid during the fiscal year and total pledged revenues were \$5,148,889 and \$21,101,003, respectively.

\$ 11,371,000

**Revenue Anticipation Note, Series 2018**

The District borrowed \$5,000,000 on June 1, 2018, under provisions of Section 1011.14, Florida Statutes at 2.65 percent. Proceeds were used for the design and implementation of safety and security projects at existing facilities. The note is secured by a pledge of all legally available revenues. The note matures June 1, 2019 with extensions allowed at the board's discretion to June 1, 2023. As of June 30, 2018, the board has not exercised any of the available extensions, so the balance is considered due within one year. The total principal and interest remaining to be paid on the note is \$5,132,501.

5,000,000

Total notes payable

16,371,000

Less current portion

10,007,000

Notes payable – noncurrent portion

\$ 6,364,000

**Bay County District School Board  
Notes to Financial Statements**

**NOTE 7 - NOTES PAYABLE (CONTINUED)**

Future minimum debt service requirements on the notes are as follows:

| Year ending June 30, | Total                | Principal            | Interest          |
|----------------------|----------------------|----------------------|-------------------|
| 2019                 | \$ 10,281,989        | \$ 10,007,000        | \$ 274,989        |
| 2020                 | 5,148,968            | 5,082,000            | 66,968            |
| 2021                 | 1,286,808            | 1,282,000            | 4,808             |
| <b>Total</b>         | <b>\$ 16,717,765</b> | <b>\$ 16,371,000</b> | <b>\$ 346,765</b> |

**NOTE 8 - BONDS PAYABLE**

Bonds payable at June 30, 2018, are as follows:

| Bond type                  | Amount<br>Outstanding | Interest Rate<br>(Percent) | Annual<br>Maturity To |
|----------------------------|-----------------------|----------------------------|-----------------------|
| State school bonds:        |                       |                            |                       |
| Series 2009A, refunding    | \$ 15,000             | 4.0 - 5.0                  | 2019                  |
| Series 2014B, refunding    | 158,000               | 2.0 - 5.0                  | 2020                  |
| <b>Total bonds payable</b> | <b>\$ 173,000</b>     |                            |                       |

The bonds were issued on behalf of the District by the SBE to finance capital outlay projects of the District. The bonds mature serially, and are secured by a pledge of the District's portion of the state motor vehicle license tax. The state's full faith and credit is also pledged as security for these bonds. Principal and interest payments, investment of debt service fund resources, and compliance with reserve requirements are administered by the SBE and the SBA.

Current year principal and interest payments on the Series 2009A bonds were 4% of pledged revenues. The total principal and interest remaining to be paid on the bonds is \$15,750. Principal and interest paid for the current year and total pledged revenues were \$27,000 and \$710,376, respectively.

Annual principal and interest payments on the Series 2014B bonds are 99% of pledged revenues. The total principal and interest remaining to be paid on the bonds is \$165,090. Principal and interest paid for the current year and total pledged revenues were \$700,570 and \$710,376, respectively.

**Bay County District School Board  
Notes to Financial Statements**

**NOTE 8 - BONDS PAYABLE (CONTINUED)**

Future minimum debt service requirements on the bonds outstanding as of June 30, 2018, are as follows:

| Year ending June 30, | Total             | Principal         | Interest        |
|----------------------|-------------------|-------------------|-----------------|
| 2019                 | \$ 98,220         | \$ 92,000         | \$ 6,220        |
| 2020                 | 82,620            | 81,000            | 1,620           |
| <b>Total</b>         | <b>\$ 180,840</b> | <b>\$ 173,000</b> | <b>\$ 7,840</b> |

**NOTE 9 - 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 Finance Corporation (Corporation) whereby the District secured financing of various educational facilities in the total amount of \$23,715,000. The financing was accomplished through the issuance of Certificates of Participation, Series 1994 to be repaid from the proceeds of rents paid by the District.

On February 1, 1999, the District amended the above master lease-purchase agreement, whereby the District secured additional financing of educational facilities in the amount of \$41,500,000. The financing was accomplished through the issuance of Certificates of Participation, Series 1999, to be repaid from the proceeds of rents paid by the District. As noted below, the District issued Refunding Certificates of Participation Series 2010 to refund the outstanding Refunding Certificates of Participation, Series 1999.

On July 1, 2004, the District again amended the master lease-purchase agreement, whereby the District secured additional financing of educational facilities in the amount of \$11,310,000. The financing was accomplished through the issuance of Certificates of Participation Series 2004 to be repaid from the proceeds of rents paid by the District. As noted below and in note 10 - Defeased Debt, the District issued Refunding Certificates of Participation Series 2013 to refund the outstanding Certificates of Participation Series 2004.

On April 1, 2007 the District amended the master lease-purchase agreement, whereby the District secured additional financing of educational facilities in the amount of \$49,330,000. The financing was accomplished through the issuance of Certificates of Participation, Series 2007, to be repaid from the proceeds of rents paid by the District. As noted below and in note 10 - Defeased Debt, the District issued Refunding Certificates of Participation, Series 2015, to refund the outstanding Certificates of Participation, Series 2007.

On July 16, 2010 the District amended the master lease-purchase agreement, whereby the District issued Refunding Certificates of Participation, Series 2010, in the amount of \$37,090,000 to refund the outstanding Refunding Certificates of Participation, Series 1999.

**NOTE 9 - CERTIFICATES OF PARTICIPATION (CONTINUED)**

On July 25, 2013 the District amended the master lease-purchase agreement, whereby the District issued Refunding Certificates of Participation, Series 2013, in the amount of \$7,152,900 to refund the outstanding Refunding Certificates of Participation, Series 2004.

On March 18, 2015 the District amended the master lease-purchase agreement, whereby the District issued Refunding Certificates of Participation, Series 2015, in the amount of \$49,065,000 to refund the outstanding Refunding Certificates of Participation, Series 2007.

As a condition of these financing arrangements, 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 of the outstanding 1999 Certificates, 2004 Certificates, 2007 Certificates, and 2008 Certificates, or (b) June 30, 2034. 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, 2034.

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, and Deer Point Elementary School.

The Refunding Certificates of Participation, Series 2010, include outstanding serial certificates maturing from 2012 through 2023. These payments are payable by the District, semiannually, on July 1 and January 1 at interest rates ranging from 2.25 to 4.50 percent.

The Refunding Certificates of Participation, Series 2013, include outstanding serial certificates maturing from 2014 through 2023. These payments are payable by the District, semiannually, on July 1 and January 1 at an interest rate of 2.21 percent.

The Refunding Certificates of Participation, Series 2015, include outstanding serial certificates maturing from 2017 through 2029. These payments are payable by the District, semiannually, on July 1 and January 1 at an interest rate of 2.56 percent.

**Bay County District School Board  
Notes to Financial Statements**

**NOTE 9 - CERTIFICATES OF PARTICIPATION (CONTINUED)**

The following is a schedule of future minimum lease payments required under the master lease-purchase agreement as of June 30:

| Year ending June 30, | Total                | Principal            | Interest             |
|----------------------|----------------------|----------------------|----------------------|
| 2019                 | \$ 7,567,773         | \$ 5,549,400         | \$ 2,018,373         |
| 2020                 | 7,566,841            | 5,728,800            | 1,838,041            |
| 2021                 | 7,568,254            | 5,925,500            | 1,642,754            |
| 2022                 | 7,569,902            | 6,129,500            | 1,440,402            |
| 2023                 | 7,546,503            | 6,320,600            | 1,225,903            |
| 2024-2028            | 35,160,424           | 31,745,000           | 3,415,424            |
| 2029                 | 7,184,328            | 7,005,000            | 179,328              |
| <b>Total</b>         | <b>\$ 80,164,025</b> | <b>\$ 68,403,800</b> | <b>\$ 11,760,225</b> |

**NOTE 10 - DEFEASED DEBT**

On March 18, 2015, the Board issued \$49,065,000 in Refunding Certificates of Participation, Series 2015, with an interest rate of 2.56 percent to refund the District's Refunding Certificates of Participation, Series 2007. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$4,579,305. This difference is reported as a deferred amount on refunding. The District completed the refunding to reduce its debt service payments over fifteen years by \$7,263,260 and obtain an economic gain of \$5,783,678. The net proceeds of \$48,764,305 (after payment of \$300,695 in attorney fees and other issuance costs) were deposited with the trustee. On July 2017, the District called the Refunding Certificates of Participation, Series 2007, totaling \$44,185,000, at 100 percent.

**NOTE 11 - CHANGES IN LONG-TERM LIABILITIES**

The following is a summary of changes in long-term liabilities for the year ended June 30, 2018:

| Governmental Activities                         | Beginning<br>Balance | Additions | Deductions | Ending<br>Balance | Due in<br>One Year |
|---|----------------------|-----------|------------|-------------------|--------------------|
| Bonds payable                                   | \$ 860,000           | \$ -      | \$ 687,000 | \$ 173,000        | \$ 92,000          |
| Notes payable                                   | 16,303,000           | 5,000,000 | 4,932,000  | 16,371,000        | 10,007,000         |
| Certificates of participation payable           | 73,789,500           | -         | 5,385,700  | 68,403,800        | 5,549,400          |
| Estimated insurance claims payable - nonmedical | 15,124,814           | 1,380,142 | 2,682,747  | 13,822,209        | 2,682,747          |

**Bay County District School Board  
Notes to Financial Statements**

**NOTE 11 - CHANGES IN LONG-TERM LIABILITIES (CONTINUED)**

| <b>Governmental Activities</b>       | <b>Beginning<br/>Balance</b> | <b>Additions</b>     | <b>Deductions</b>    | <b>Ending<br/>Balance</b> | <b>Due in<br/>One Year</b> |
|--------------------------------------|------------------------------|----------------------|----------------------|---------------------------|----------------------------|
| Estimated insurance                  |                              |                      |                      |                           |                            |
| claims payable - medical             | \$ 2,388,001                 | \$ 18,174,990        | \$ 18,177,497        | \$ 2,385,494              | \$ 2,385,494               |
| Accrued compensated                  |                              |                      |                      |                           |                            |
| absences                             | 12,053,420                   | 724,869              | 869,439              | 11,908,850                | 2,381,770                  |
| Net pension liability                | 118,444,200                  | 4,563,046            | -                    | 123,007,246               | 1,112,900                  |
| Other postemployment                 |                              |                      |                      |                           |                            |
| benefits liability                   | 4,827,581                    | 636,077              | 413,574              | 5,050,084                 | -                          |
| <b>Total governmental activities</b> | <b>\$ 243,790,516</b>        | <b>\$ 30,479,124</b> | <b>\$ 33,147,957</b> | <b>\$ 241,121,683</b>     | <b>\$ 24,211,311</b>       |

| <b>Business-type Activities</b>       | <b>Beginning<br/>Balance</b> | <b>Additions</b> | <b>Deductions</b> | <b>Ending<br/>Balance</b> | <b>Due in<br/>One Year</b> |
|---------------------------------------|------------------------------|------------------|-------------------|---------------------------|----------------------------|
| Accrued compensated                   |                              |                  |                   |                           |                            |
| absences                              | \$ 251,007                   | \$ 11,677        | \$ 8,944          | \$ 253,740                | \$ 50,748                  |
| Net pension liability                 | 764,384                      | 29,448           | -                 | 793,832                   | 7,200                      |
| Other postemployment                  |                              |                  |                   |                           |                            |
| benefits liability                    | 24,259                       | 3,196            | 2,078             | 25,377                    | -                          |
| <b>Total business-type activities</b> | <b>\$ 1,039,650</b>          | <b>\$ 44,321</b> | <b>\$ 11,022</b>  | <b>\$ 1,072,949</b>       | <b>\$ 57,948</b>           |

In the governmental activities, accrued compensated absences, net pension liability, and other postemployment benefits liability are generally liquidated with resources of the general fund. Estimated insurance claims payable is generally liquidated with resources of the internal service fund.

**NOTE 12 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

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

| <b>June 30, 2018</b>                              | <b>Receivables</b>  | <b>Payables</b>     |
|---|---------------------|---------------------|
| General fund                                      | \$ 1,107,746        | \$ 23,078           |
| Capital projects - local capital improvement fund | -                   | 598,964             |
| Beacon Learning Center                            | -                   | 68,691              |
| Nonmajor governmental funds                       | 23,078              | 436,720             |
| Internal service fund                             | 6                   | 3,377               |
| <b>Total</b>                                      | <b>\$ 1,130,830</b> | <b>\$ 1,130,830</b> |

Interfund receivables and payables are primarily to reimburse the general fund for expenditures paid on behalf of other funds.



**Bay County District School Board  
Notes to Financial Statements**

**NOTE 12 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)**

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

| <b>June 30, 2018</b>                              | <b>Transfers In</b>  | <b>Transfers Out</b> |
|---|----------------------|----------------------|
| General fund                                      | \$ 3,812,539         | \$ -                 |
| Capital projects - local capital improvement fund | -                    | 9,945,409            |
| Capital projects - other fund                     | -                    | 5,148,939            |
| Debt service fund                                 | 12,720,938           | -                    |
| Nonmajor governmental funds                       | -                    | 1,439,129            |
| <b>Total</b>                                      | <b>\$ 16,533,477</b> | <b>\$ 16,533,477</b> |

The interfund transfers are mainly to provide for debt repayments and to assist in financing maintenance operations of the District.

**NOTE 13 - SCHEDULE OF STATE REVENUE SOURCES**

The following is a schedule of the District's state revenue sources for the year ended June 30, 2018:

|   | <b>Amount</b>         |
|---|-----------------------|
| Florida Education Finance Program                           | \$ 83,801,475         |
| Categorical Educational Program - Class Size Reduction      | 30,480,046            |
| Workforce Development Program                               | 2,785,503             |
| Voluntary prekindergarten                                   | 1,544,899             |
| School recognition  | 1,427,818             |
| Motor Vehicle License Tax (capital outlay and debt service) | 710,376               |
| Charter school capital outlay                               | 821,738               |
| Racing commission funds                                     | 211,083               |
| Capital outlay and debt service distributed                 | 256,498               |
| Other miscellaneous   | 4,363,216             |
| <b>Total</b>  | <b>\$ 126,402,652</b> |

The accounting policies related to certain state revenue sources are described in note 1.

## Bay County District School Board Notes to Financial Statements

### NOTE 14 - PROPERTY TAXES

The following is a summary of millage rates and taxes levied on the 2017 tax roll for the 2017-2018 fiscal year.

|                                  | Millage Rate | Taxes Levied          |
|----------------------------------|--------------|-----------------------|
| General fund                     |              |                       |
| Nonvoted school tax              |              |                       |
| Required local effort            | 4.303        | \$ 71,865,368         |
| Basic discretionary local effort | 0.748        | 12,492,516            |
| Capital projects funds           |              |                       |
| Nonvoted tax                     |              |                       |
| Local capital improvements       | 1.29         | 21,544,579            |
| <b>Total</b>                     | <b>6.341</b> | <b>\$ 105,902,463</b> |

### NOTE 15 - DEFINED BENEFIT PENSION PLANS

#### *General Information*

The Florida Retirement System (FRS) was created pursuant to Chapter 121, Florida Statutes, in order to provide a defined benefit pension plan for participating public employees. 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 Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of state-administered retirement systems in paying health insurance costs.

Essentially all regular employees of the District are eligible to enroll as members of the state-administered FRS. Provisions relating to 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. FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost-sharing multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of FRS, which includes its financial statements, required supplementary information, actuarial reports, and other relevant information, is available from the Florida Department of Management Services Web site ([www.dms.myflorida.com](http://www.dms.myflorida.com)).

**NOTE 15 - DEFINED BENEFIT PENSION PLANS (CONTINUED)**

***Florida Retirement System 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 as follows:

- 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 program, 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'

**Bay County District School Board  
Notes to Financial Statements**

**NOTE 15 - DEFINED BENEFIT PENSION PLANS (CONTINUED)**

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> |
|---|----------------------|
| <b>Regular members initially enrolled before July 1, 2011</b>         |                      |
| Retirement up to age 62 or up to 30 years of service                  | 1.60                 |
| Retirement at age 63 or with 31 years of service                      | 1.63                 |
| Retirement at age 64 or with 32 years of service                      | 1.65                 |
| Retirement at age 65 or with 33 or more years of service              | 1.68                 |
| <b>Regular members initially enrolled on or after July 1, 2011</b>    |                      |
| Retirement up to age 65 or up to 33 years of service                  | 1.60                 |
| Retirement at age 66 or with 34 years of service                      | 1.63                 |
| Retirement at age 67 or with 35 years of service                      | 1.65                 |
| Retirement at age 68 or with 36 or more years of service              | 1.68                 |
| <b>Elected County Officers</b>  | 3.00                 |
| <b>Special Risk</b>   |                      |
| Service on and after October 1, 1974                                  | 3.00                 |

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

***Health Insurance Subsidy 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.

## Bay County District School Board Notes to Financial Statements

### NOTE 15 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

#### *Benefits Provided*

For the fiscal year ended June 30, 2018, 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 Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2017-2018 fiscal year were as follows:

| Class  | Percent of Gross Salary |              |
|--|-------------------------|--------------|
|  | Employee                | Employer (1) |
| FRS, regular   | 3.00                    | 7.92         |
| FRS, elected county official                               | 3.00                    | 45.50        |
| FRS, special risk  | 3.00                    | 23.27        |
| DROP – applicable to members from all of the above classes | 0.00                    | 13.26        |
| FRS, reemployed retiree                                    | note (2)                | note (2)     |

#### Notes:

- 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 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, 2018, the contribution rate was 1.66 percent of payroll pursuant to Section 112.363, Florida Statutes. 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, including employee contributions, totaled \$7,805,187 to FRS and \$2,081,094 to the HIS Plan for the fiscal year ended June 30, 2018. The District contributed 100% of its statutorily required contributions for the current and preceding three years.

**Bay County District School Board  
Notes to Financial Statements**

**NOTE 15 - DEFINED BENEFIT PENSION PLANS (CONTINUED)**

***Pension Liabilities and Pension Expense***

The District reports a liability for its proportionate share of net pension liabilities. Net pension liabilities were measured as of June 30, 2017, and the total pension liabilities used to calculate the net pension liability were determined by an actuarial valuation dated July 1, 2017. The District's proportions of the net pension liabilities were based on the District's actuarially determined share of contributions to the pension plans, relative to the contributions of all participating entities.

|                           | <b>FRS</b>    | <b>HIS</b>    |
|---------------------------|---------------|---------------|
| Net pension liability     | \$ 82,169,540 | \$ 41,631,538 |
| Proportion at:            |               |               |
| Current measurement date  | 0.277793789%  | 0.389354112%  |
| Prior measurement date    | 0.288077399%  | 0.398717000%  |
| Pension expense/(benefit) | \$ 12,979,189 | \$ 3,055,606  |

***Deferred Outflows/Inflows of Resources Related to Pensions***

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to FRS from the following sources:

|  | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|--|---|--|
| Effect of economic/demographic gains or losses (difference between expected and actual experience)   | \$ 7,541,186                                  | \$ 455,177                                   |
| Effect of assumptions changes or inputs  | 27,614,766                                    | -  |
| Net difference between projected and actual investment earnings                                      | -   | 2,036,367                                    |
| Changes in proportion and differences between contributions and proportionate share of contributions | 482,994                                       | 4,171,342                                    |
| District contributions subsequent to the measurement date  | 7,805,187                                     | -  |
| <b>Total</b>   | <b>\$ 43,444,133</b>                          | <b>\$ 6,662,886</b>                          |

## Bay County District School Board Notes to Financial Statements

### NOTE 15 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to HIS from the following sources:

|  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--|--------------------------------------|-------------------------------------|
| Effect of economic/demographic gains or losses (difference between expected and actual experience)   | \$ -                                 | \$ 86,684                           |
| Effect of assumptions changes or inputs  | 5,851,963                            | 3,599,923                           |
| Net difference between projected and actual investment earnings                                      | 23,088                               | -                                   |
| Changes in proportion and differences between contributions and proportionate share of contributions | 295,792                              | 1,153,938                           |
| District contributions subsequent to the measurement date  | 2,081,094                            | -                                   |
| <b>Total</b>   | <b>\$ 8,251,937</b>                  | <b>\$ 4,840,545</b>                 |

Deferred outflows of resources related to employer contributions paid subsequent to the measurement date and prior to the District's fiscal year end will be recognized as a reduction of the net pension liability in the reporting period ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension expense will be recognized as follows:

| Measurement period ending June 30, | FRS Expense          | HIS Expense         |
|------------------------------------|----------------------|---------------------|
| 2018                               | \$ 3,539,706         | \$ 567,473          |
| 2019                               | 10,725,876           | 567,473             |
| 2020                               | 6,985,793            | 567,473             |
| 2021                               | 787,190              | 338,918             |
| 2022                               | 5,077,237            | 3,571               |
| Thereafter                         | 1,860,258            | (714,610)           |
| <b>Total</b>                       | <b>\$ 28,976,060</b> | <b>\$ 1,330,298</b> |

#### **Actuarial Assumptions**

The total pension liability in the July 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                           | FRS   | HIS   |
|---------------------------|-------|-------|
| Inflation                 | 2.60% | 2.60% |
| Salary increases          | 3.25% | 3.25% |
| Investment rate of return | 7.10% | N/A   |
| Discount rate             | 7.10% | 3.58% |

## Bay County District School Board Notes to Financial Statements

### NOTE 15 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB.

For both plans, the actuarial assumptions used in the valuation dated July 1, 2015 were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

The following changes in actuarial assumptions occurred in 2017:

- FRS: The discount rate used to determine total pension liability decreased from 7.60% to 7.10%.
- HIS: The municipal rate used to determine total pension liability decreased from 3.80% to 3.58%.

The long-term expected investment rate of return for the FRS Pension Plan was not based on historical returns, but instead was based on a forward-looking capital market economic model. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The table below summarizes the target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class.

|                        | Target<br>Allocation | Long-term<br>Expected Real<br>Rate of Return<br>(Arithmetic) | Long-term<br>Expected Real<br>Rate of Return<br>(Geometric) |
|------------------------|----------------------|--|---|
| Cash                   | 1.0%                 | 3.00%  | 3.00%   |
| Fixed income           | 18.0%                | 4.50%  | 4.40%   |
| Global equity          | 53.0%                | 7.80%  | 6.60%   |
| Real estate (property) | 10.0%                | 6.60%  | 5.90%   |
| Private equity         | 6.0%                 | 11.50%   | 7.80%   |
| Strategic investments  | 12.0%                | 6.10%  | 5.60%   |
|                        | <u>100.0%</u>        |  |   |

#### ***Discount Rate***

The discount rate used to measure the total pension liability for the FRS Pension Plan was 7.10%. FRS' 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.

Because the HIS Program is essentially funded on a pay-as-you-go basis, a municipal bond rate of 3.58% was used to determine the total pension liability for the program. The Bond Buyer General Obligation Bond 20-Bond Municipal Bond Index was used as the applicable municipal bond index.



**Bay County District School Board  
Notes to Financial Statements**

**NOTE 15 - DEFINED BENEFIT PENSION PLANS (CONTINUED)**

***Sensitivity Analysis***

The following tables demonstrate the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the collective net pension liability of the participating employers if the discount rate was 1.00% higher or 1.00% lower than the current discount rate at June 30, 2018.

| <b>FRS Net Pension Liability</b> |                      |                     | <b>HIS Net Pension Liability</b> |                      |                     |
|----------------------------------|----------------------|---------------------|----------------------------------|----------------------|---------------------|
| <b>Current</b>                   |                      |                     | <b>Current</b>                   |                      |                     |
| <b>1 % Decrease</b>              | <b>Discount Rate</b> | <b>1 % Increase</b> | <b>1 % Decrease</b>              | <b>Discount Rate</b> | <b>1 % Increase</b> |
| \$ 148,721,903                   | \$ 82,169,540        | \$ 26,915,829       | \$ 47,507,098                    | \$ 41,631,538        | \$ 36,737,521       |

***Pension plan fiduciary net position***

Detailed information about the pension plans' fiduciary net position is available in the State's separately issued financial reports.

***Payables to the Pension Plan***

At June 30, 2018, the District had no outstanding contributions to the FRS Plan or the HIS Plan required for the fiscal year ended June 30, 2018.

**NOTE 16 - DEFINED CONTRIBUTION PENSION PLAN**

***Investment Plan***

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

## Bay County District School Board Notes to Financial Statements

### NOTE 16 - DEFINED CONTRIBUTION PENSION PLAN (CONTINUED)

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 2017-2018 fiscal year were as follows:

| Class                        | Percentage of<br>Gross Compensation |          |
|------------------------------|-------------------------------------|----------|
|                              | Employer                            | Employee |
| FRS, Regular                 | 3.30                                | 3.00     |
| FRS, Elected County Officers | 8.34                                | 3.00     |
| FRS, Special Risk            | 11.00                               | 3.00     |

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, 2018, 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 \$571,510 for the fiscal year ended June 30, 2018.

### NOTE 17 - OTHER POSTEMPLOYMENT BENEFITS PLAN

#### 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 and hospitalization plan for medical and prescription drug coverage. Retirees and their eligible dependents shall be offered the same health and

## Bay County District School Board Notes to Financial Statements

### NOTE 17 - OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

hospitalization 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 requirement and benefit terms of the District and the OPEB Plan members are established and may be amended through 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.

#### Summary of Membership Information

The following table provides a summary of the number of participants in the plan as of the measurement date:

|                            |             |
|----------------------------|-------------|
| Retirees and beneficiaries | 201         |
| Active plan members        | 2,227       |
| <hr/> Total plan members   | <hr/> 2,428 |

#### Total OPEB Liability

The District's total OPEB liability of \$5,075,461 was measured as of June 30, 2018, based on an actuarial valuation dated July 1, 2018.

#### 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:

- Actuarial Cost Method: Entry Age Normal
- Amortization method: Level percent, closed
- Remaining amortization period: 20 years beginning July 1, 2017
- Discount rate: 2.98%
- Payroll growth: 4.00%
- Retirement rates by age: 55 - 20%, 56-58 - 5%, 59-61 - 10%, 62 - 25%, 63-64 - 5%, and 65 - 100%
- Mortality rate: RP 2014 Total Dataset Mortality Table Projected with Scale MP-2017. The RP-2014 Total Dataset Mortality Table was projected back to 2006 with scale MP-2014 and then forward using scale MP-2017. Rates for year 2018 are illustrated here.

## Bay County District School Board Notes to Financial Statements

### NOTE 17 - OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

- Healthcare cost trend rate: Medical 8.00% graded uniformly down to 5.00% over 10 years
- Medical claims cost: \$13,768 annual cost
- Age variance: Claims were adjusted downward 3% each year for aging from attained ages 65 to 55
- Plan participation: 40% of future eligible retirees are assumed to elect medical coverage upon retirement
- Marital status: Actual spouse participation was based on the census data and males were assumed to be three years older than female spouses.
- Funding policy: Benefits are funded on a pay-as-you-go basis. No assets have been segregated and restricted to provide for these benefits.
- Coordination with Medicare: Benefits for retirees are deemed to be similar to those benefits provided for actives. The retiree medical plan is assumed to be the primary plan of benefits prior to age 65. It is assumed to pay benefits secondary to Medicare after attaining age 65 or after permanent disability.
- Administrative expenses: Administrative expenses for the medical plan were assumed to be in the per capita claims cost for both pre-65 and post-65 coverage.
- Annual retiree contribution - medical plan: \$8,743 (retiree) and \$9,247 (spouse)
- Mortality, disability, and withdrawal rates:

|  | Attained Age |        |        |        |
|--|--------------|--------|--------|--------|
|  | 20           | 35     | 50     | 60     |
| <b>Mortality rates</b>                 |              |        |        |        |
| Male (pre-commencement)                | 0.385        | 0.604  | 1.684  | 8.793  |
| Male (post-commencement)               | 0.385        | 0.604  | 4.059  | 11.700 |
| Female (pre-commencement)              | 0.168        | 0.328  | 1.089  | 3.900  |
| Female (post-commencement)             | 0.168        | 0.328  | 2.735  | 8.492  |
| <b>Disability rates</b>                | 1.000        | 1.000  | 10.100 | 10.800 |
| <b>Withdrawal rates</b>                |              |        |        |        |
| Estimated experience (1st year select) | 510.50       | 491.50 | 413.50 | 327.50 |
| Estimated experience (2nd year select) | 140.80       | 137.40 | 123.00 | 105.90 |
| Estimated experience (ultimate)        | 105.60       | 59.80  | 38.40  | 31.30  |

Demographic assumptions employed in the actuarial valuation were similar as those employed in the July 1, 2016, actuarial valuation and are appropriate for use in the OEPB Plan Actuarial Valuation. These include assumed rates of future termination, mortality, disability, and retirement. In addition, salary increase assumptions (for development of the pattern of the normal cost increases) were the same or similar as those used in the July 1, 2016, actuarial valuation.

#### Discount Rate

There are no invested plan assets held in trust to finance the OPEB Plan liability. The discount rate used equals the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA rating as of the measurement date. For the purpose of the OPEB Plan valuation, the municipal bond rate was 2.98%.

**Bay County District School Board  
Notes to Financial Statements**

**NOTE 17 - OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)**

**Changes in Plan Provisions, Assumptions, and Actuarial Methods**

The following changes were made to the actuarial assumptions and methods effective July 1, 2018.

- 1) The discount rate is 2.98% based on the S&P Municipal Bond 20 Year High Grade Rate Index as of June 30, 2018, compared to the prior Statement No. 45 discount rate of 4.5%.
- 2) The mortality rates were updated using mortality improvement scale MP-2017, compared to MP2015.
- 3) The health care cost trend rate was updated to 8.0% degrading uniformly to 5.0% over a 10 year period.

**Changes in the Total OPEB Plan Liability**

|   | <b>Amount</b> |
|---|---------------|
| Balance at July 1, 2017; as restated                  | \$ 4,851,840  |
| Changes for the year:                                 |               |
| Service cost  | 492,401       |
| Interest  | 146,872       |
| Benefit payments                                      | (415,652)     |
| Net change in other postemployment benefits liability | 223,621       |
| Balance at June 30, 2018                              | \$ 5,075,461  |

**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 (1.98 percent) or 1 percentage point higher (3.98 percent) than the current rate:

|                    | <b>1 % Decrease</b> | <b>Current<br/>Discount Rate</b> | <b>1 % Increase</b> |
|--------------------|---------------------|----------------------------------|---------------------|
| Net OPEB Liability | \$ 5,264,226        | \$ 5,075,461                     | \$ 4,877,035        |

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 (7 percent decreasing to 4 percent) or 1 percentage point higher (9 percent decreasing to 6 percent) than the current healthcare cost trend rates:

|                    | <b>1 % Decrease</b> | <b>Current Cost<br/>Trend Rate</b> | <b>1 % Increase</b> |
|--------------------|---------------------|------------------------------------|---------------------|
| Net OPEB Liability | \$ 4,579,224        | \$ 5,075,461                       | \$ 5,654,543        |

**Bay County District School Board  
Notes to Financial Statements**

**NOTE 17 - OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)**

***Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

The District determined it would not be practical to determine the amount of all applicable deferred inflows of resources and deferred outflows of resources related to OPEB. As such, the only amounts to potentially report as deferred outflows would be for amounts paid by the District for OPEB as the benefits come due, if any, subsequent to the measurement date of the beginning total OPEB liability but before the beginning of the District's fiscal year. As the measurement date was June 30, 2018, there were no deferred outflows of resources to be reported.

**NOTE 18 - CONSTRUCTION CONTRACTS AND OTHER SIGNIFICANT COMMITMENTS**

***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 year's appropriations are likewise encumbered. The following schedule is of all encumbrances at year-end. The amount shown as encumbered on the financial statements is less because if funds are already restricted they are not considered encumbered.

The following is the schedule of encumbrances at June 30, 2018:

| General Fund | Capital Projects -<br>Local Capital<br>Improvement<br>Fund | Capital<br>Projects -<br>Other Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--------------|--|-------------------------------------|--------------------------------|--------------------------------|
| \$ 579,542   | \$ 4,884,328   | \$ 8,162,191                        | \$ 2,210,388                   | \$ 15,836,449                  |

Construction contracts – encumbrances include the following construction contract commitments at June 30, 2018:

| Project           | Total Contract<br>Amount | Completed<br>to Date | Balance<br>Committed |
|-------------------|--------------------------|----------------------|----------------------|
| <b>Bozeman</b>    |                          |                      |                      |
| Contractor        | \$ 663,500               | \$ -                 | \$ 663,500           |
| <b>Lynn Haven</b> |                          |                      |                      |
| Architect         | 601,147                  | 487,431              | 113,716              |
| Contractor        | 6,551,317                | 1,278,713            | 5,272,604            |
| <b>Mowat</b>      |                          |                      |                      |
| Contractor        | 502,437                  | 138,015              | 364,422              |
| <b>Rutherford</b> |                          |                      |                      |
| Contractor        | 319,572                  | -                    | 319,572              |

**Bay County District School Board  
Notes to Financial Statements**

**NOTE 18 - CONSTRUCTION CONTRACTS AND OTHER SIGNIFICANT COMMITMENTS (CONTINUED)**

| Project                     | Total Contract<br>Amount | Completed<br>to Date | Balance<br>Committed |
|-----------------------------|--------------------------|----------------------|----------------------|
| <b>Tommy Oliver Stadium</b> |                          |                      |                      |
| Architect                   | \$ 523,992               | \$ 478,689           | \$ 45,303            |
| Contractor                  | 12,104,611               | 11,396,542           | 708,069              |
| <b>Tommy Smith</b>          |                          |                      |                      |
| Contractor                  | 436,556                  | -                    | 436,556              |
| <b>Total</b>                | <b>\$ 21,703,132</b>     | <b>\$ 13,779,390</b> | <b>\$ 7,923,742</b>  |

**NOTE 19 - RISK MANAGEMENT PROGRAMS**

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. Workers' compensation, automobile liability, and general liability coverage are being provided on a self-insured basis up to specified limits. The District has entered into agreements with various insurance companies to provide specific excess coverage of claim amounts above the stated amount on an individual claim basis. 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 three fiscal years. See note 22 - subsequent event.

**General and Workers' Compensation Claims**

A liability in the amount of \$13,822,209 was actuarially determined to cover estimated incurred, but not reported, insurance claims payable at June 30, 2018 related to general and workers' compensation claims. The loss estimates include legal and certain other expenses associated with claims settlements (allocated loss adjustment expenses). These estimates do not include provisions for unallocated loss adjustment expenses, such as fees for the claim administrators or other miscellaneous costs associated with claims settlements.

**Bay County District School Board  
Notes to Financial Statements**

**NOTE 19 - RISK MANAGEMENT PROGRAMS (CONTINUED)**

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

| Fiscal Year | Beginning of<br>Fiscal Year<br>Liability | Current Year<br>Claims and<br>Changes in<br>Estimates | Claims<br>Payments | Balance at<br>Fiscal Year<br>End |
|-------------|--|---|--------------------|----------------------------------|
| 2015-2016   | \$ 14,278,053                            | \$ 4,150,285  | \$ (3,409,013)     | \$ 15,019,325                    |
| 2016-2017   | 15,019,325                               | 3,609,784   | (3,504,295)        | 15,124,814                       |
| 2017-2018   | 15,124,814                               | 1,380,142   | (2,682,747)        | 13,822,209                       |

**Health Insurance Claims**

Health prescription drug coverage is being provided through purchased commercial insurance with minimum deductibles for each line of coverage.

Effective January 1, 2016, the District became partially self-insured with respect to employee health insurance coverage. The plan covers all eligible active and retired employees and their dependents. Blue Cross Blue Shield of Florida provides claims processing and administrative services for the plan.

Health benefits were self-insured up to a specific stop loss amount of \$150,000 per participant and a maximum aggregate benefit of \$1,000,000. Coverage from a private insurance company is maintained for losses in excess of the aggregate stop loss amount.

Additionally, the District has entered into a contract with a vendor to operate a wellness center. All District full-time employees, in addition to retirees and dependents ages 6 and older, who have district health insurance may see a licensed clinician and receive sick care, access to health coaching services, and wellness programs free of charge.

Settled claims resulting from the health insurance risks described above have not exceeded commercial insurance coverage since the program's inception in January 2016.

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 an amount for claims that have been incurred, but not reported. The District reevaluates the claims liability periodically and the claims liability totaled \$2,385,494 as of June 30, 2018.

Funding for health insurance premiums is derived from three sources:

- City contribution for active employees
- Active employee contributions for dependent coverage
- Retired employee contributions



## Bay County District School Board Notes to Financial Statements

### NOTE 19 - RISK MANAGEMENT PROGRAMS (CONTINUED)

The following schedule represents the changes in claims liability for the past 3 fiscal years for the District's self-insurance program:

| Fiscal Year | Beginning of<br>Fiscal Year<br>Liability | Current Year<br>Claims and<br>Changes in<br>Estimates | Claims<br>Payments | Balance at<br>Fiscal Year<br>End |
|-------------|--|---|--------------------|----------------------------------|
| 2015-2016   | \$ -                                     | \$ 7,555,592  | \$ (5,241,307)     | \$ 2,314,285                     |
| 2016-2017   | 2,314,285                                | 16,033,226  | (15,959,510)       | 2,388,001                        |
| 2017-2018   | 2,388,001                                | 18,174,990  | (18,177,497)       | 2,385,494                        |

### NOTE 20 - PRONOUNCEMENTS ISSUED, BUT NOT YET ADOPTED

The following accounting standards have been issued by the Governmental Accounting Standards Board (GASB) that may have an effect on the District. Management has not yet determined the effect these statements will have on the District's financial statements.

GASB Statement No. 84, *Fiduciary Activities*, was issued with the objective of improving guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this statement are effective for reporting periods beginning after December 15, 2018.

GASB Statement No. 87, *Leases*, increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the lease. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, was issued with the objective to improvement the information that is disclosed in the notes to government financial statements related to debt. The requirements of this statement are effective for reporting periods beginning after June 15, 2018.

## Bay County District School Board Notes to Financial Statements

### NOTE 20 - PRONOUNCEMENTS ISSUED, BUT NOT YET ADOPTED (CONTINUED)

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, was issued to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61*, was issued to improve consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this statement are effective for reporting periods beginning after December 15, 2018.

### NOTE 21 - CHANGE IN ACCOUNTING PRINCIPLE AND PRIOR PERIOD ADJUSTMENT

It was determined in the current year, that prior year prepaids for the internal service fund were overstated by \$485,406. A prior period adjustment was recognized in the internal service fund to decrease beginning net position.

It was determined in the current year, that prior year accrued compensated absences for the internal service fund and governmental activities were understated by \$2,046,595, as accumulated annual leave that was not to be paid out upon termination, but as paid time off instead, was not previously reported.

During the current year, the District adopted a new GASB Pronouncement, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB Statement No. 75 requires the District to recognize a liability and operating statement activities related to changes in the OPEB Plan. As a result of this change, beginning net position has been restated as follows.

|   | Governmental<br>Activities | Business-type<br>Activities | Internal Service<br>Fund |
|---|----------------------------|-----------------------------|--------------------------|
| Net position, as originally reported at June 30, 2017 | \$ 176,950,407             | \$ 2,035,091                | \$ 8,325,582             |
| Prior period adjustment                               | (2,532,001)                | -                           | (503,258)                |
| Restatement adjustment                                |                            |                             |                          |
| OPEB liability (measurement date of July 1, 2018)     | (4,786,416)                | (24,259)                    | (19,407)                 |
| <b>Net position, as restated at June 30, 2017</b>     | <b>\$ 169,631,990</b>      | <b>\$ 2,010,832</b>         | <b>\$ 7,802,917</b>      |

At the government wide level, the internal service fund is reported with other governmental funds. As such, the amount reported above as governmental activities includes the effects of the adjustments related to the internal service fund.

**NOTE 22 – SUBSEQUENT EVENT**

On October 10, 2018 the eye of hurricane Michael, a category 4 hurricane, passed over the Bay County, Florida, causing devastating destruction and property damage to buildings and businesses throughout the area. At the time of issuance of the financial statements the full impact of the damages and their effects on the District's financial statements have not been determined. Summarized below are the effects known at this time:

- Every school within the District sustained some degree of damage, with losses exceeding the District's blanket excess recovery insurance limit of \$100,000,000.
- At this time, the District has approved mothballing three elementary schools (Callaway, Oakland Terrace, and Oscar Patterson) for the foreseeable future, due to the decrease in the number of students in the District.
- The District has seen a significant drop in the number of students (approximately 12%) which will have an effect on future funding from the State of Florida, as significant funding is based on full-time equivalent (FTE) enrolled students at specific periods throughout the year.
- On December 13, 2018, the District issued a \$25,000,000 tax anticipation master note, series, 2018, nonrevolving line of credit agreement, bearing interest at the LIBOR rate, plus 0.30%, maturing June 30, 2019, for the primary purpose of meeting the disbursement requirements of the operating budget. At the date of the issuance of the auditors' report, no amounts have been drawn on this line of credit.

## **Required Supplementary Information**

**Bay County District School Board**  
**Schedule of Changes in the Net Other Postemployment**  
**Benefits Liability and Related Ratios**

| <b>June 30,</b>   | <b>2018</b>         |
|---|---------------------|
| <b>Total OPEB liability</b>   |                     |
| Service cost  | \$ 492,401          |
| Interest  | 146,872             |
| Changes in benefit terms  | -                   |
| Differences between expected and actual experience                      | -                   |
| Changes in assumptions  | -                   |
| Benefit payments/refunds  | (415,652)           |
| Net change in OPEB liability  | 223,621             |
| Total OPEB liability - beginning  | 4,851,840           |
| <b>Total OPEB liability - ending (a)</b>                                | <b>\$ 5,075,461</b> |
| <b>Plan fiduciary net position</b>                                      |                     |
| Contributions - employer  | \$ 415,652          |
| Benefit payments/refunds  | (415,652)           |
| Net change in plan fiduciary net position                               | -                   |
| Plan fiduciary net position - beginning                                 | -                   |
| <b>Plan fiduciary net position - ending (b)</b>                         | <b>-</b>            |
| <b>Net OPEB liability - ending (a) - (b)</b>                            | <b>\$ 5,075,461</b> |
| Plan fiduciary net position as a percentage of the total OPEB liability | 0%                  |
| Covered-employee payroll  | \$ 91,979,446       |
| Net OPEB liability as a percentage of covered-employee payroll          | 5.5%                |

This schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, this data prior to 2018 is not available. Additional years will be included as they become available.

See independent auditors' report.

**Bay County District School Board  
Schedule of Contributions –  
Other Postemployment Benefits**

| <b>June 30,</b>  | <b>2018</b>       |
|--|-------------------|
| Contractually required contribution  | \$ 820,456        |
| Contributions in relation to the<br>contractually required<br>contribution | (415,652)         |
| <b>Contribution deficiency/(excess)</b>                                    | <b>\$ 404,804</b> |
| District's covered-employee payroll  | \$ 91,979,446     |
| Contributions as a percentage of<br>covered-employee payroll               | 0.5%              |

This schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, this data prior to 2018 is not available. Additional years will be included as they become available.

**Bay County District School Board**  
**Schedule of the District's Proportionate Share of the Net Pension Liability –**  
**Florida Retirement System**  
**June 30, 2018**

| <b>June 30,</b>   | <b>2017</b>    | <b>2016</b>    | <b>2015</b>    | <b>2014</b>    | <b>2013</b>    | <b>2012 *</b> | <b>2011 *</b> | <b>2010 *</b> | <b>2009 *</b> | <b>2008 *</b> |
|---|----------------|----------------|----------------|----------------|----------------|---------------|---------------|---------------|---------------|---------------|
| District's proportion of the net pension liability  | 0.277793789%   | 0.288077399%   | 0.313827488%   | 0.317902372%   | 0.310217062%   | N/A           | N/A           | N/A           | N/A           | N/A           |
| District's proportionate share of the net pension liability   | \$ 82,169,540  | \$ 72,739,769  | \$ 40,535,029  | \$ 19,396,720  | \$ 53,402,163  | N/A           | N/A           | N/A           | N/A           | N/A           |
| District's covered-employee payroll   | \$ 124,140,536 | \$ 123,114,770 | \$ 122,615,413 | \$ 119,580,531 | \$ 115,355,362 | N/A           | N/A           | N/A           | N/A           | N/A           |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 66.19%         | 59.08%         | 33.06%         | 16.22%         | 46.29%         | N/A           | N/A           | N/A           | N/A           | N/A           |
| Plan fiduciary net position as a percentage of the total pension liability                                  | 83.89%         | 84.88%         | 92.00%         | 96.09%         | 88.54%         | N/A           | N/A           | N/A           | N/A           | N/A           |

\* Disclosures for 2008 through 2012 are N/A because comparable information is not available at this time.

See independent auditors' report.

**Bay County District School Board**  
**Schedule of the District's Contributions – Florida Retirement System**  
**Year ended June 30, 2018**

| <b>Year ended June 30,</b>   | <b>2018</b>    | <b>2017</b>    | <b>2016</b>    | <b>2015</b>    | <b>2014</b>    | <b>2013 *</b> | <b>2012 *</b> | <b>2011 *</b> | <b>2010 *</b> | <b>2009 *</b> |
|--|----------------|----------------|----------------|----------------|----------------|---------------|---------------|---------------|---------------|---------------|
| Contractually required contribution                                  | \$ 7,805,187   | \$ 7,231,656   | \$ 7,025,227   | \$ 7,651,381   | \$ 6,963,411   | N/A           | N/A           | N/A           | N/A           | N/A           |
| Contributions in relation to the contractually required contribution | (7,805,187)    | (7,231,656)    | (7,025,227)    | (7,651,381)    | (6,963,411)    | N/A           | N/A           | N/A           | N/A           | N/A           |
| <b>Contribution deficiency/(excess)</b>                              | <b>\$ -</b>    | <b>\$ -</b>    | <b>\$ -</b>    | <b>\$ -</b>    | <b>\$ -</b>    | <b>N/A</b>    | <b>N/A</b>    | <b>N/A</b>    | <b>N/A</b>    | <b>N/A</b>    |
| District's covered-employee payroll                                  | \$ 125,344,151 | \$ 124,140,536 | \$ 123,114,770 | \$ 122,615,413 | \$ 119,580,531 |               |               |               |               |               |
| Contributions as a percentage of covered-employee payroll            | 6.23%          | 5.83%          | 5.71%          | 6.24%          | 5.82%          | N/A           | N/A           | N/A           | N/A           | N/A           |

\* Disclosures for 2009 through 2013 are N/A because comparable information is not available at this time.

See independent auditors' report.



**Bay County District School Board**  
**Schedule of the District's Proportionate Share of the Net Pension**  
**Liability – Health Insurance Subsidy Program**  
**June 30, 2018**

| <b>June 30,</b>   | <b>2017</b>    | <b>2016</b>    | <b>2015</b>    | <b>2014</b>    | <b>2013</b>    | <b>2012 *</b> | <b>2011 *</b> | <b>2010 *</b> | <b>2009 *</b> | <b>2008 *</b> |
|---|----------------|----------------|----------------|----------------|----------------|---------------|---------------|---------------|---------------|---------------|
| District's proportion of the net pension liability  | 0.389354112%   | 0.398717000%   | 0.404026266%   | 0.402468985%   | 0.396940621%   | N/A           | N/A           | N/A           | N/A           | N/A           |
| District's proportionate share of the net pension liability   | \$ 41,631,538  | \$ 46,468,815  | \$ 41,204,324  | \$ 37,631,832  | \$ 34,558,900  | N/A           | N/A           | N/A           | N/A           | N/A           |
| District's covered-employee payroll   | \$ 124,140,536 | \$ 123,114,770 | \$ 122,615,413 | \$ 119,580,531 | \$ 115,355,362 | N/A           | N/A           | N/A           | N/A           | N/A           |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 33.54%         | 37.74%         | 33.60%         | 31.47%         | 29.96%         | N/A           | N/A           | N/A           | N/A           | N/A           |
| Plan fiduciary net position as a percentage of the total pension liability                                  | 1.64%          | 0.97%          | 0.50%          | 0.99%          | 1.78%          | N/A           | N/A           | N/A           | N/A           | N/A           |

\* Disclosures for 2008 through 2012 are N/A because comparable information is not available at this time.

See independent auditors' report.

**Bay County District School Board  
Schedule of the District's Contributions – Health  
Insurance Subsidy Program  
Year ended June 30, 2018**

| <b>Year ended June 30,</b>   | <b>2018</b>    | <b>2017</b>    | <b>2016</b>    | <b>2015</b>    | <b>2014</b>    | <b>2013 *</b> | <b>2012 *</b> | <b>2011 *</b> | <b>2010 *</b> | <b>2009 *</b> |
|--|----------------|----------------|----------------|----------------|----------------|---------------|---------------|---------------|---------------|---------------|
| Contractually required contribution                                  | \$ 2,081,094   | \$ 2,060,574   | \$ 2,043,679   | \$ 1,544,440   | \$ 1,378,723   | N/A           | N/A           | N/A           | N/A           | N/A           |
| Contributions in relation to the contractually required contribution | (2,081,094)    | (2,060,574)    | (2,043,679)    | (1,544,440)    | (1,378,723)    | N/A           | N/A           | N/A           | N/A           | N/A           |
| Contribution deficiency/(excess)                                     | \$ -           | \$ -           | \$ -           | \$ -           | \$ -           | N/A           | N/A           | N/A           | N/A           | N/A           |
| District's covered-employee payroll                                  | \$ 125,344,151 | \$ 124,140,536 | \$ 123,114,770 | \$ 122,615,413 | \$ 119,580,531 |               |               |               |               |               |
| Contributions as a percentage of covered-employee payroll            | 1.66%          | 1.66%          | 1.66%          | 1.26%          | 1.15%          | N/A           | N/A           | N/A           | N/A           | N/A           |

\* Disclosures for 2009 through 2013 are N/A because comparable information is not available at this time.

See independent auditors' report.

## **Combining Statements**

**Bay County District School Board  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2018**

|  | SBE/COBI<br>Bonds<br>Fund | Public<br>Education<br>Capital Outlay<br>Fund | Capital Outlay<br>and Debt<br>Service<br>Fund | Food<br>Service<br>Fund | Other<br>Federal<br>Programs<br>Fund | Total<br>Other<br>Governmental<br>Funds |
|--|---------------------------|---|---|-------------------------|--------------------------------------|---|
| <b>Assets</b>                              |                           |   |   |                         |                                      |   |
| Cash and cash equivalents                  | \$ 7,129                  | \$ -  | \$ 573,124                                    | \$ 4,246,686            | \$ 424,164                           | \$ 5,251,103                            |
| Due from other agencies                    | -                         | -   | -   | 93,039                  | 96,585                               | 189,624                                 |
| Due from other funds                       | -                         | -   | -   | 18                      | 23,060                               | 23,078                                  |
| Inventories                                | -                         | -   | -   | 101,382                 | -                                    | 101,382                                 |
| <b>Total assets</b>                        | <b>\$ 7,129</b>           | <b>\$ -</b>                                   | <b>\$ 573,124</b>                             | <b>\$ 4,441,125</b>     | <b>\$ 543,809</b>                    | <b>\$ 5,565,187</b>                     |
| <b>Liabilities and fund balance</b>        |                           |   |   |                         |                                      |   |
| <b>Liabilities</b>                         |                           |   |   |                         |                                      |   |
| Accounts payable                           | \$ -                      | \$ -  | \$ -  | 98,753                  | 80,208                               | 178,961                                 |
| Accrued expenses                           | -                         | -   | -   | -                       | 17,930                               | 17,930                                  |
| Due to other agencies                      | -                         | -   | -   | -                       | 12,690                               | 12,690                                  |
| Due to other funds                         | -                         | -   | -   | 3,739                   | 432,981                              | 436,720                                 |
| Unearned revenue                           | -                         | -   | -   | 23,230                  | -                                    | 23,230                                  |
| <b>Total liabilities</b>                   | <b>-</b>                  | <b>-</b>                                      | <b>-</b>                                      | <b>125,722</b>          | <b>543,809</b>                       | <b>669,531</b>                          |
| <b>Fund balance</b>                        |                           |   |   |                         |                                      |   |
| <b>Nonspendable</b>                        |                           |   |   |                         |                                      |   |
| Inventories                                | -                         | -   | -   | 101,382                 | -                                    | 101,382                                 |
| <b>Restricted</b>                          |                           |   |   |                         |                                      |   |
| Food service                               | -                         | -   | -   | 4,214,021               | -                                    | 4,214,021                               |
| Debt service                               | 7,129                     | -   | -   | -                       | -                                    | 7,129                                   |
| Capital projects                           | -                         | -   | 573,124                                       | -                       | -                                    | 573,124                                 |
| <b>Total fund balances</b>                 | <b>7,129</b>              | <b>-</b>                                      | <b>573,124</b>                                | <b>4,315,403</b>        | <b>-</b>                             | <b>4,895,656</b>                        |
| <b>Total liabilities and fund balances</b> | <b>\$ 7,129</b>           | <b>\$ -</b>                                   | <b>\$ 573,124</b>                             | <b>\$ 4,441,125</b>     | <b>\$ 543,809</b>                    | <b>\$ 5,565,187</b>                     |

See independent auditors' report.

**Bay County District School Board**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**Year ended June 30, 2018**

|  | SBE/COBI<br>Bonds<br>Fund | Public<br>Education<br>Capital Outlay<br>Fund | Capital Outlay<br>and Debt<br>Service<br>Fund | Food<br>Service<br>Fund | Other<br>Federal<br>Programs<br>Fund | Total<br>Other<br>Governmental<br>Funds |
|--|---------------------------|---|---|-------------------------|--------------------------------------|---|
| <b>Revenues</b>                                      |                           |   |   |                         |                                      |   |
| Intergovernmental                                    |                           |   |   |                         |                                      |   |
| Federal direct                                       | \$ -                      | \$ -  | \$ -  | \$ -                    | 1,421,342                            | \$ 1,421,342                            |
| Federal through state and local                      | -                         | -   | -   | 8,136,115               | 16,515,319                           | 24,651,434                              |
| State  | 714,633                   | 1,340,895                                     | 268,489                                       | 116,425                 | -                                    | 2,440,442                               |
| Local  |                           |   |   |                         |                                      |   |
| Charges for services                                 | -                         | -   | -   | 1,361,190               | -                                    | 1,361,190                               |
| Interest income                                      | -                         | -   | -   | 40,279                  | -                                    | 40,279                                  |
| Miscellaneous  | -                         | -   | -   | 13,216                  | -                                    | 13,216                                  |
| Total revenues                                       | 714,633                   | 1,340,895                                     | 268,489                                       | 9,667,225               | 17,936,661                           | 29,927,903                              |
| <b>Expenditures</b>                                  |                           |   |   |                         |                                      |   |
| Current - education                                  |                           |   |   |                         |                                      |   |
| Instructional services                               | -                         | -   | -   | -                       | 9,702,656                            | 9,702,656                               |
| Pupil services                                       | -                         | -   | -   | -                       | 1,683,618                            | 1,683,618                               |
| Instructional media services                         | -                         | -   | -   | -                       | 38,025                               | 38,025                                  |
| Instructional and curriculum<br>development services | -                         | -   | -   | -                       | 2,032,392                            | 2,032,392                               |
| Instructional staff training services                | -                         | -   | -   | -                       | 1,835,573                            | 1,835,573                               |
| Instruction related technology                       | -                         | -   | -   | -                       | 158,841                              | 158,841                                 |
| School board   | -                         | -   | -   | -                       | 1,148                                | 1,148                                   |
| General administrative services                      | -                         | -   | -   | -                       | 610,557                              | 610,557                                 |
| School administrative services                       | -                         | -   | -   | -                       | 126,206                              | 126,206                                 |
| Facilities acquisition and construction              | -                         | 93,354  | -   | -                       | -                                    | 93,354                                  |
| Food services  | -                         | -   | -   | 9,031,869               | -                                    | 9,031,869                               |
| Central services                                     | -                         | -   | -   | -                       | 62,225                               | 62,225                                  |
| Pupil transportation services                        | -                         | -   | -   | -                       | 73,866                               | 73,866                                  |
| Plant operations                                     | -                         | -   | -   | 4,530                   | -                                    | 4,530                                   |
| Community services                                   | -                         | -   | -   | -                       | 1,421,342                            | 1,421,342                               |

(Continued)

See independent auditors' report.

**Bay County District School Board**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds (Continued)**  
**Year ended June 30, 2018**

|   | SBE/COBI<br>Bonds<br>Fund | Public<br>Education<br>Capital Outlay<br>Fund | Capital Outlay<br>and Debt<br>Service<br>Fund | Food<br>Service<br>Fund | Other<br>Federal<br>Programs<br>Fund | Total<br>Other<br>Governmental<br>Funds |
|---|---------------------------|---|---|-------------------------|--------------------------------------|---|
| Capital outlay  | \$ -                      | \$ 357,601                                    | \$ -  | \$ 534,776              | \$ 190,237                           | \$ 1,082,614                            |
| Debt service  |                           |   |   |                         |                                      |   |
| Principal   | 687,000                   | -   | -   | -                       | -                                    | 687,000                                 |
| Interest and fiscal charges                                       | 41,082                    | -   | 806   | -                       | -                                    | 41,888                                  |
| <b>Total expenditures</b>   | <b>728,082</b>            | <b>450,955</b>                                | <b>806</b>                                    | <b>9,571,175</b>        | <b>17,936,686</b>                    | <b>28,687,704</b>                       |
| <b>Excess (deficit) of revenues<br/>over (under) expenditures</b> | <b>(13,449)</b>           | <b>889,940</b>                                | <b>267,683</b>                                | <b>96,050</b>           | <b>(25)</b>                          | <b>1,240,199</b>                        |
| <b>Other financing uses</b>                                       |                           |   |   |                         |                                      |   |
| Transfers out   | -                         | (1,439,129)                                   | -   | -                       | -                                    | (1,439,129)                             |
| <b>Total other financing uses</b>                                 | <b>-</b>                  | <b>(1,439,129)</b>                            | <b>-</b>                                      | <b>-</b>                | <b>-</b>                             | <b>(1,439,129)</b>                      |
| <b>Net changes in fund balances</b>                               | <b>(13,449)</b>           | <b>(549,189)</b>                              | <b>267,683</b>                                | <b>96,050</b>           | <b>(25)</b>                          | <b>(198,930)</b>                        |
| <b>Fund balances - beginning</b>                                  | <b>20,578</b>             | <b>549,189</b>                                | <b>305,441</b>                                | <b>4,219,353</b>        | <b>25</b>                            | <b>5,094,586</b>                        |
| <b>Fund balances - ending</b>                                     | <b>\$ 7,129</b>           | <b>\$ -</b>                                   | <b>\$ 573,124</b>                             | <b>\$ 4,315,403</b>     | <b>\$ -</b>                          | <b>\$ 4,895,656</b>                     |

See independent auditors' report.

## **Compliance Section**



## INDEPENDENT ACCOUNTANTS' REPORT

Honorable Superintendent and members  
of the Bay County District School Board  
Panama City, Florida

We have examined the Bay County District School Board's (District) compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended June 30, 2018. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the District's compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, is in accordance with the criteria, in all material respects. An examination involves performing procedures to obtain evidence about the District's compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies*. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination of the District's compliance with specified requirements.

In our opinion, the District complied in all material respects, with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended June 30, 2018.

This report is intended solely for the information and use of the Bay County District School Board, management, and the State of Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

*Carr, Riggs & Ingram, L.L.C.*

Certified Public Accountants  
Panama City Beach, Florida  
March 29, 2019



**INDEPENDENT AUDITORS’ MANAGEMENT LETTER**

Honorable Superintendent and members  
of the Bay County District School Board  
Panama City, Florida

**Report on the Financial Statements**

We have audited the financial statements of the Bay County District School Board (District), as of and for the year ended June 30, 2018, and have issued our report thereon dated March 29, 2019.

**Auditors’ Responsibility**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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); and Chapter 10.800, Rules of the Auditor General.

**Other Reporting Requirements**

We have issued our Independent Auditors’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*, Independent Auditors’ Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance, Schedule of Findings and Questioned Costs, and our Independent Accountants’ Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.800, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated March 29, 2019, should be considered in conjunction with this management letter.

**Prior Audit Findings**

Section 10.804(1)(f)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report except as noted below.

**Tabulation of Uncorrected Audit Findings**

| 2017-18 FY<br>Finding No. | 2016-17 FY<br>Finding No. | 2015-16 FY<br>Finding No. |
|---------------------------|---------------------------|---------------------------|
| 2018-001                  | 2017-001                  | N/A                       |
| 2018-002                  | 2017-003                  | N/A                       |

## **Financial Condition and Management**

Section 10.804(1)(f)2., Rules of the Auditor General, requires us to communicate whether or not the District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.804(1)(f)5.a. and 10.805(7), Rules of the Auditor General, we applied financial condition assessment procedures for the District. It is management's responsibility to monitor the District's financial condition, and our financial condition assessment was based in part on representations made by management and review of financial information provided by same.

Section 10.804(1)(f)3., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

## **Transparency**

Section 10.804(1)(f)6., Rules of the Auditor General, requires that we communicate the results of our determination as to whether the District maintains on its website the information specified in Section 1011.035, Florida Statutes. In connection with our audit, we determined that the District maintained on its website the information specified in Section 1011.035, Florida Statutes.

## **Additional Matters**

Section 10.804(1)(f)4., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that has occurred, or is likely to have occurred, that has an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

## **Purpose of This Letter**

Our management letter is intended solely for the information and use of the Joint Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, federal and other granting agencies, the Bay County District School Board, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

*Carri Riggs & Ingram, L.L.C.*

Certified Public Accountants  
Panama City Beach, Florida  
March 29, 2019

**INDEPENDENT AUDITORS' 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**

Honorable Superintendent and members  
of the Bay County District School Board  
Panama City, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, 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 (District) as of and for the year ended June 30, 2018, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 29, 2019. Our report on the District's financial statements includes a reference to other auditors who audited the financial statements of Palm Bay Preparatory Academy, Palm Bay Preparatory Elementary Academy, Central High School (charter schools under the Palm Bay Education Group, Inc.), Chautauqua Charter School, Inc., Community Charter Academy, Inc., Rising Leaders Academy, Inc., and the Bay Education Foundation, Inc. This report does not include the results of the other auditors' testing of internal control over financial reporting or on compliance and other matters that are reported on separately by those auditors.

**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 to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as financial statements findings 2018-001, 2018-002, and 2018-003 that we consider to be significant deficiencies.

### **Compliance and Other Matters**

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

### **District's Responses to Findings**

The views of responsible officials related to the findings identified in our audit are included in the accompanying schedule of findings and questioned costs. The views of responsible officials were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **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.

*Carr, Riggs & Ingram, L.L.C.*

Certified Public Accountants  
Panama City Beach, Florida  
March 29, 2019

## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Honorable Superintendent and members  
of the Bay County District School Board  
Panama City, Florida

### **Report on Compliance for Each Major Federal Program**

We have audited the Bay County District School Board's (District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

## Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

*Carr, Riggs & Ingram, L.L.C.*

Certified Public Accountants  
Panama City Beach, Florida  
March 29, 2019

**Bay County District School Board**  
**Schedule of Expenditures of Federal Awards**  
**Year ended June 30, 2018**

| Federal Awards Programs   | CFDA<br>Number | Contract/<br>Grant Number | Expenditures | Passed Through<br>to Subrecipients |
|---|----------------|---------------------------|--------------|------------------------------------|
| U. S. Department of Agriculture   |                |                           |              |                                    |
| Indirect  |                |                           |              |                                    |
| Child Nutrition Cluster   |                |                           |              |                                    |
| Passed through the Florida Department of<br>Agriculture and Consumer Services |                |                           |              |                                    |
| School Breakfast Program  | 10.553         | 321                       | \$ 1,529,383 | \$ -                               |
| National School Lunch Program   | 10.555         | 300, 350                  | 5,389,899    | -                                  |
| National School Lunch Program   | 10.555 (2)(A)  | N/A                       | 700,076      | -                                  |
| Summer Food Service Program for Children                                      | 10.559         | 323, 325                  | 160,949      | -                                  |
| Total Child Nutrition Cluster   |                |                           | 7,780,307    | -                                  |
| Passed through the Florida Department of<br>Agriculture and Consumer Services |                |                           |              |                                    |
| Child and Adult Care Food Program   | 10.558         | N/A                       | 355,808      | -                                  |
| Total U.S. Department of Agriculture  |                |                           | 8,136,115    | -                                  |
| U.S. Department of Education  |                |                           |              |                                    |
| Direct  |                |                           |              |                                    |
| Student Financial Assistance Cluster  |                |                           |              |                                    |
| Federal Pell Grant Program  | 84.063         | N/A                       | 1,366,690    | -                                  |
| Total Student Financial Assistance Cluster                                    |                |                           | 1,366,690    | -                                  |
| Impact Aid  | 84.041         | N/A                       | 380,337      | 62,528                             |
| Total Direct  |                |                           | 1,747,027    | 62,528                             |
| Indirect  |                |                           |              |                                    |
| Passed through the Florida Department<br>of Education                         |                |                           |              |                                    |
| Special Education Cluster   |                |                           |              |                                    |
| Special Education - Grants to States  | 84.027         | 263                       | 6,325,684    | -                                  |
| Special Education - Preschool Grants  | 84.173         | 267                       | 180,712      | -                                  |
| Total Special Education Cluster   |                |                           | 6,506,396    | -                                  |
|   |                | 212, 222, 223,            |              |                                    |
| Title I Grants to Local Educational Agencies                                  | 84.010         | 226, 228                  | 7,897,184    | -                                  |
| Adult Education - Basic Grants to States                                      | 84.002         | 191                       | 262,477      | -                                  |
| Career and Technical Education - Basic Grants<br>to States                    | 84.048         | 161                       | 417,153      | -                                  |
| Education for Homeless Children and Youth                                     | 84.196         | 127                       | 80,219       | -                                  |
| Charter schools   | 84.282         | N/A                       | 495,689      | -                                  |
| English Language Acquisition Grants   | 84.365         | 102                       | 174,880      | -                                  |
| Improving Teacher Quality State Grants  | 84.367         | 224                       | 580,912      | -                                  |
| Student Support and Academic Enrichment Program                               | 84.424         | N/A                       | 100,409      | -                                  |
| Total Indirect  |                |                           | 16,515,319   | -                                  |
| Total U.S. Department of Education  |                |                           | 18,262,346   | 62,528                             |

(Continued)

See independent auditors' report.

**Bay County District School Board**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**Year ended June 30, 2018**

| Federal Awards Programs                                | CFDA<br>Number | Contract/<br>Grant Number | Expenditures  | Passed Through<br>to Subrecipients |
|--|----------------|---------------------------|---------------|------------------------------------|
| U.S. Department of Health and Human Services           |                |                           |               |                                    |
| Indirect   |                |                           |               |                                    |
| Passed through the Florida Department of               |                |                           |               |                                    |
| Children and Families                                  |                |                           |               |                                    |
| Block Grants for Prevention and                        |                |                           |               |                                    |
| Treatment of Substance Abuse                           |                |                           |               |                                    |
|  | 93.959         | BDZ02                     | \$ 150,000    | \$ -                               |
| Total U.S. Department of Health and<br>Human Services  |                |                           | 150,000       | -                                  |
| U.S. Department of Defense                             |                |                           |               |                                    |
| Direct   |                |                           |               |                                    |
| Army Junior Reserve Officers Training Corps            | 12.U01         | N/A                       | 25,352        |                                    |
| Marine Corps Junior Reserve Officers<br>Training Corps | 12.U02         | N/A                       | 64,271        | -                                  |
| Navy Junior Reserve Officers Training Corps            | 12.U03         | N/A                       | 66,776        | -                                  |
| Air Force Junior Reserve Officers Training Corps       | 12.U04         | N/A                       | 133,355       | -                                  |
| Total U.S. Department of Defense                       |                |                           | 289,754       | -                                  |
| Total expenditures of federal awards                   |                |                           | \$ 26,838,215 | \$ 62,528                          |

Notes to schedule of expenditures of federal awards

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 year ended June 30, 2018. 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 financial position, or cash flows of the District.
2. Summary of significant accounting policies - Expenditures 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; the schedule includes \$700,076 of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.
5. Impact Aid - The schedule includes expenditures related to grant number/program 19-FL-2016-0003 of \$78,238 and 19-FL-2018-0003 of \$302,099.
6. Charter schools - The schedule includes \$493,480 that was subsequently passed down to Central High School and Palm Bay Preparatory Elementary Academy.

See independent auditors' report.



**Bay County District School Board  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2018**

**Section I – Summary of Auditors' Results**

Financial Statements

Type of auditors' report issued Unmodified  
 Internal control over financial reporting  
   Material weakness(es) identified? \_\_\_ yes    X no  
   Significant deficiency(ies) identified not  
     considered to be material weaknesses? X yes    \_\_\_ none reported  
 Noncompliance material to financial statements noted? \_\_\_ yes    X no

Federal Awards

Internal control over major programs  
   Material weakness(es) identified? \_\_\_ yes    X no  
   Significant deficiency(ies) identified not  
     considered to be material weaknesses? \_\_\_ yes    X none reported

Type of auditors' report issued on compliance  
 for major programs Unmodified

Any audit findings disclosed that are required to be reported in  
 accordance with 2 CFR 200.516(a)? \_\_\_ yes    X no

Identification of Major Federal Programs

| <u>CFDA Number</u> | <u>Name of Federal Award</u>                 |
|--------------------|--|
| 84.010             | Title I Grants to Local Educational Agencies |
| 84.282             | Charter schools                              |

Dollar threshold used to distinguish between Type A and Type B programs - \$805,146

Auditee qualified as low-risk auditee? X yes    \_\_\_ no

(Continued)

**Bay County District School Board**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year ended June 30, 2018**

**Section II – Financial Statement Findings**

2018-001 Financial Reporting (prior year 2017-001) (initially reported in 2017)

Finding: The District's financial reporting needs improvement to ensure financial statement account balances and transactions are properly reported.

Criteria: State Board of Education Rule 6A-1.0071, Florida Administrative Code, and related instructions from the Florida Department of Education prescribe the exhibits and schedules that should be prepared as part of the District's annual financial report (AFR).

Section 1010.01, Florida Statutes, requires that these exhibits and schedules be prepared in accordance with generally accepted accounting principles (GAAP).

Condition: The District incorrectly reported deferred inflows and outflows of resources associated with pensions, resulting in an overstatement of deferred outflows of resources related to pensions of \$1,559,458, and an understatement of deferred inflows of resources related to pensions of \$1,119,893.

Cause: In preparing the government-wide financial statements for the 2017-2018 fiscal year, District personnel inappropriately calculated the deferred inflows and outflows of resources associated with the pension activities. In addition, the District's internal control procedures did not detect these reporting errors.

Effect: Reporting errors such as these may cause financial statement users to misunderstand the District's financial activities and incorrectly assess their financial position.

We expanded our audit procedures to determine the adjustments necessary to correct the District's financial statement amounts related to deferred outflows and deferred inflows related to pensions, and the District's staff and management approved the proposed audit adjustments. However, our audit procedures cannot substitute for management's responsibility for proper financial reporting.

Recommendation: The District should improve internal control procedures to ensure that pension activities and related account balances are properly reported.

Views of Responsible Officials of the Auditee: The District is currently in the process of hiring additional staff that will be able to assist with making these calculations and hopefully eliminate this error in the future.

2018-002 Excess Net Cash Resources in the Food Service Program (prior year 2017-003) (initially reported in 2017)

Finding: Contrary to federal regulations, the District maintained excess net cash resources in the District food service program.

**Bay County District School Board**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year ended June 30, 2018**

Criteria: Title 7, Section 210.14(b), CFR, requires the District to limit the net cash resources of the District's food service program to an amount that does not exceed three months average expenditures, or another amount established by the Florida Department of Agriculture and Consumer Services (FDACS) pursuant to Title 7, Section 210.19(a), CFR. In addition, FDACS instructions allow the District to calculate the excess net cash resources amount based on 10 or 12 months of operations. Title 7, Section 210.19(a), CFR, also provides that, should the net cash resources exceed the three months average expenditures (or another amount established by FDACS), FDACS may require the District to reduce the price charged to students for lunches, improve food quality, or take action designed to improve the food service program. Without such action, FDACS must make adjustments to the District's reimbursement rate under the National School Lunch Program (NSLP) to ensure federal compliance.

Condition: At June 30, 2018, the District had excess net cash resources of \$1,821,230, based on total net cash resources (\$4,214,021) less the average three months 2017-2018 fiscal year expenditures (\$2,392,791). The average expenditures were calculated on a 10-month basis that excluded Summer Food Service Program activities.

Cause: District personnel indicated that the excess net cash resources occurred due to the District accumulating money for large capital outlay purchases for updating outdated serving lines at several of the District's schools. The District did not have a control in place to ensure they were in compliance.

Effect: If the District does not bring excess net cash resources into compliance with the federal regulations, FDACS may require the District to reduce the price charged to students for lunches or make adjustments to the District reimbursement rate under the NSLP.

Recommendation: The District should enhance internal control procedures to ensure that excess net cash resources of the food service program are maintained within the levels prescribed by federal regulations.

Views of Responsible Officials of the Auditee: The planned capital expenditures associated for food service equipment should eliminate the excess cash.

2018-003 Inventory Count Inconsistencies (initially reported in 2018)

Finding: Discrepancies were noted between the District's staff inventory counts and the auditors' staff inventory counts while observing the year-end inventory counts at one of the District's warehouses.

Criteria: The District's inventory procedures indicate that the purpose of the annual inventory is to determine the dollar amount for the financial records, to test the accuracy of the perpetual inventory records, and to provide an opportunity to correct the records as may be necessary.

Condition: During the year-end inventory count observation, inconsistencies were noted in a sample of inventory items chosen to be recounted by the auditors, when compared to two of the District's staff inventory counts.

Cause: District personnel indicated that the inventory counts in question were small items that are difficult to count and not significant.

**Bay County District School Board**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year ended June 30, 2018**

Effect: Incorrect year-end inventory counts will result in inaccurate amounts being reported in the financial records, as well as inaccurate adjustments to perpetual inventory systems.

Recommendation: The District should enhance their year-end inventory count procedures to accurately count all inventory items including smaller, more difficult inventory items, and to stress the importance of accuracy by employees involved.

Views of Responsible Officials of the Auditee: We will make adjustments to our inventories and inventory processes in an effort to eliminate these errors.

**Section III – Federal Awards Findings and Questioned Costs**

There were no findings.

**Section IV – Summary Schedule of Prior Year Audit Findings**

The District has taken corrective action for findings included in the prior year audit report, except as noted in findings 2018-001 and 2018-002 in the financial statement findings section above.

| <b>Prior Year/<br/>Current Year<br/>Finding No.</b> | <b>Program/Area</b>  | <b>Brief Description</b>  | <b>Status</b>    | <b>Comments</b>  |
|---|--|---|------------------|--|
| 2017-001/<br>2018-001                               | Financial<br>Statement/Financial<br>Reporting                                      | The District’s financial reporting needs improvement to ensure financial statement account balances and transactions are properly reported. | Not<br>Corrected | The District continues to work on improving their financial reporting processes.       |
| 2017-002  | Child Nutrition<br>Cluster/Eligibility and<br>Special Tests and<br>Provisions      | Improvements were needed in the District’s process for verifying free and reduced-price meal applications.                                  | Corrected        | Finding was corrected during FY 2017-2018.   |
| 2017-003/<br>2018-002                               | Child Nutrition<br>Cluster/Special Tests and<br>Provisions – Net Cash<br>Resources | Contrary to federal regulations, the District maintained excess net cash resources in the District’s food service program.                  | Not<br>Corrected | The District plans to use excess cash resources on capital expenditures in the future. |

**Bay County District School Board  
 Schedule of Findings and Questioned Costs (Continued)  
 Year ended June 30, 2018**

| <b>Prior Year/<br/>Current Year<br/>Finding No.</b> | <b>Program/Area</b>  | <b>Brief Description</b>  | <b>Status</b> | <b>Comments</b>                            |
|---|--|---|---------------|--|
| 2017-004  | Student Financial Assistance Cluster/Special Tests and Provisions – Enrollment Reporting – National Student Loan Data System | The District did not always accurately and timely report program enrollment data. | Corrected     | Finding was corrected during FY 2017-2018. |



WILLIAM V. HUSFELT III

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Board Members:

Jerry Register

District 1

Ginger Littleton

District 2

Pamm Chapman

District 3

Ryan Neves

District 4

Steve Moss

District 5

March 29, 2019

**Bay County District School Board  
Management's Corrective Action Plans  
For the Fiscal Year Ended June 30, 2018**

***Finding Number: 2018-001***

***Planned Corrective Action:***

In preparing next year's Annual Financial Report the District will review all the Auditor General's Adjusting entries made this year and make every effort to not make those mistakes again. The District's plans to hire a consultant fell through at the last minute last year derailing our plan to correct these errors. The District is in the process of hiring additional staff to assist with the year-end process and should help eliminate these errors in future years.

**Anticipated Completion Date:** 9/11/2019

**Responsible Contact Person:** Jim Loyed

***Federal Awards Finding Number: 2018-002***

***Planned Corrective Action:***

The District still has an excess of federal cash on hand but is working on a plan to eliminate the problem. With the widespread damage left from Hurricane Michael the District has an abundance of needs including some in the food service department. We are currently completing some needs assessments and feel confident that we will be able to eliminate any excess cash by the end of the year.

**Anticipated Completion Date:** June 30, 2019

**Responsible Contact Person:** Sandra Davis

***Federal Awards Finding Number: 2017-003***

***Planned Corrective Action:***

The District has had a good track record over the years with inventories and inventory controls. This year the audit sample tests chose an unusual number of tests in the fasteners portion of our inventory. While

I will agree with the importance of good inventory controls we admittedly haven't put a lot of focus on some immaterial items like bolts and screws in our inventory. We are currently working on finding a way to possibly eliminate some of these items from our stock and tighten up some other procedures to eliminate these problems in the future.

**Anticipated Completion Date:** June 30, 2019

**Responsible Contact Person:** Jim Loyed



William V. Husfelt, III  
Superintendent of Schools