

# Bay County District School Board

## Annual Financial Statements

June 30, 2019



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## BOARD MEMBERS AND SUPERINTENDENT

Board members and the Superintendent who served during the 2018-2019 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

### **Report on the Financial Statements**

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, 2019, 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 40 percent, 49 percent, and 55 percent, respectively, of the assets and deferred outflows of resources, net position, and revenues, including extraordinary items, of the discretely presented component units. Those statements were audited by other auditors whose report has 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., or the Bay Education Foundation, Inc., is based solely on the report of the other auditors. We conducted our audit in accordance with 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. 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 auditor considers internal control relevant to the entity'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 entity'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, 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof 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 and budgetary comparison information on pages 4 through 12 and 78, as well as the other schedules on pages 79 through 84, 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 31, 2020, 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.

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

Certified Public Accountants  
Panama City Beach, Florida  
March 31, 2020



## 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 2018-2019 fiscal year are as follows:

- The District's total net position increased by \$8,338,572, or 4.7 percent. The increase is mainly due to the additional funding associated with Hurricane Michael. This change includes all governmental funds (general, debt service, capital projects, and special revenue funds).
- During fiscal year 2019, general fund revenues including other financial sources exceeded expenditures by \$58,226,153 due to additional funding associated with Hurricane Michael that was not spent at year-end. This may be compared to the prior year's results in which general fund expenditures exceeded revenues by \$1,298,252.
- At the end of fiscal year 2019, unassigned fund balance of the general fund was \$20,632,546 or 7.3 percent of total general fund expenditures, compared to the prior year's unassigned fund balance of \$23,936,397 or 10.9 percent of total general fund expenditures.

### Nonfinancial Highlights

On October 10, 2018 Hurricane Michael, a devastating Category 5 hurricane, made landfall in Bay County. Below are a few of the main effects the hurricane had on the District.

- Bay County District School Board suffered approximately \$400 million in damage to buildings and other hurricane related expenditures throughout the District.
- Four school campuses were mothballed, and an additional school repurposed to house a displaced school.
- Post Hurricane Michael student enrollment dropped approximately 13% and employees decreased approximately 10%.
- The student homeless population increased from 782 pre-storm to approximately 5,000 post-storm.

### 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 revenues, expenditures and changes in fund balances – budget and actual – general fund, the schedule of changes in the total other postemployment benefits liability and related ratios, the schedule of employer contributions for the retirees' health insurance – 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 schedule 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 \$184,685,604 at the close of the most recent fiscal year. The following is a summary of the District's net position as of June 30, 2019, compared to net position as of June 30, 2018:

<i>June 30,</i>	<b>Net Position</b>					
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Current and other assets	\$ 178,955,160	\$ 91,069,867	\$ 3,143,753	\$ 3,007,131	\$ 182,098,913	\$ 94,076,998
Capital assets, net	229,479,314	290,820,897	30,179	38,033	229,509,493	290,858,930
<b>Total assets</b>	<b>408,434,474</b>	<b>381,890,764</b>	<b>3,173,932</b>	<b>3,045,164</b>	<b>411,608,406</b>	<b>384,935,928</b>
Deferred outflows of resources	52,463,231	54,722,744	318,872	331,483	52,782,103	55,054,227
Current liabilities	32,787,661	9,619,357	269,696	325,703	33,057,357	9,945,060
Noncurrent liabilities	229,333,924	241,121,683	1,033,305	1,072,949	230,367,229	242,194,632
<b>Total liabilities</b>	<b>262,121,585</b>	<b>250,741,040</b>	<b>1,303,001</b>	<b>1,398,652</b>	<b>263,424,586</b>	<b>252,139,692</b>
Deferred inflows of resources	16,175,928	11,429,669	104,391	73,762	16,280,319	11,503,431
<b>Net position</b>						
Net investment in capital assets	150,578,514	200,487,397	30,179	38,033	150,608,693	200,525,430
Restricted	28,369,349	28,482,186	-	-	28,369,349	28,482,186
Unrestricted	3,652,329	(54,526,784)	2,055,233	1,866,200	5,707,562	(52,660,584)
<b>Total net position</b>	<b>\$ 182,600,192</b>	<b>\$ 174,442,799</b>	<b>\$ 2,085,412</b>	<b>\$ 1,904,233</b>	<b>\$ 184,685,604</b>	<b>\$ 176,347,032</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 (15%) 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 \$5,707,562.

The key elements of the changes in the District's net position for the fiscal years ended June 30, 2019, and 2018, are as follows:

### Changes in Net Position

<i>Year Ended June 30,</i>	Governmental		Business-type		Total	
	Activities		Activities			
	2019	2018	2019	2018	2019	2018
<b>Program revenues</b>						
Charges for services	\$ 10,376,804	\$ 11,248,989	\$ 1,906,649	\$ 1,550,878	\$ 12,283,453	\$ 12,799,867
Operating grants/ contributions	30,940,325	8,967,173	-	-	30,940,325	8,967,173
Capital grants/ contributions	4,917,746	1,609,384	-	-	4,917,746	1,609,384
<b>General revenues</b>						
Property taxes, levied for operational purposes	82,239,097	81,727,108	-	-	82,239,097	81,727,108
Property taxes, levied for capital projects	21,952,747	20,868,026	-	-	21,952,747	20,868,026
Local sales taxes	23,248,989	21,101,003	-	-	23,248,989	21,101,003
Grants and contributions not restricted to specific programs	140,242,832	147,744,512	-	-	140,242,832	147,744,512
Unrestricted investment earnings	2,652,100	1,079,832	63,157	41,053	2,715,257	1,120,885
Miscellaneous	6,338,173	900,482	-	-	6,338,173	900,482
<b>Total revenues</b>	<b>322,908,813</b>	<b>295,246,509</b>	<b>1,969,806</b>	<b>1,591,931</b>	<b>324,878,619</b>	<b>296,838,440</b>
<b>Functions/program expenses</b>						
Instruction	158,460,718	161,827,964	-	-	158,460,718	161,827,964
Pupil services	10,361,403	9,694,837	-	-	10,361,403	9,694,837
Instructional media services	2,417,195	2,497,039	-	-	2,417,195	2,497,039
Instruction and curriculum development services	5,283,555	5,246,618	-	-	5,283,555	5,246,618
Instructional staff training services	2,839,123	3,305,716	-	-	2,839,123	3,305,716
Instruction related technology	107,688	158,935	-	-	107,688	158,935
School board	911,003	878,447	-	-	911,003	878,447
General administration	746,251	687,038	-	-	746,251	687,038
School administration	14,756,561	15,012,490	-	-	14,756,561	15,012,490
Facilities acquisition and construction	68,991,585	8,245,508	-	-	68,991,585	8,245,508
Fiscal services	1,594,995	1,599,995	-	-	1,594,995	1,599,995
Food services	7,565,488	8,729,615	-	-	7,565,488	8,729,615
Central services	9,038,951	7,267,907	-	-	9,038,951	7,267,907
Pupil transportation services	9,562,083	9,007,849	-	-	9,562,083	9,007,849
Operation of plant	15,601,036	16,390,660	-	-	15,601,036	16,390,660
Maintenance of plant	4,617,061	4,731,559	-	-	4,617,061	4,731,559
Administrative technology services	3,253,794	3,201,992	-	-	3,253,794	3,201,992

Year Ended June 30,	Governmental		Business-type		Total	
	2019	2018	2019	2018	2019	2018
Community services	\$ 3,397,153	\$ 3,312,257	\$ -	\$ -	\$ 3,397,153	\$ 3,312,257
Unallocated interest on long-term debt	2,605,746	2,818,127	-	-	2,605,746	2,818,127
Unallocated depreciation	20,886,386	25,821,147	-	-	20,886,386	25,821,147
Beacon Learning Center	-	-	1,788,627	1,698,530	1,788,627	1,698,530
<b>Total functions/program expenses</b>	<b>342,997,775</b>	<b>290,435,700</b>	<b>1,788,627</b>	<b>1,698,530</b>	<b>344,786,402</b>	<b>292,134,230</b>
<b>Increase (decrease) in net position before extraordinary item</b>	<b>(20,088,962)</b>	<b>4,810,809</b>	<b>181,179</b>	<b>(106,599)</b>	<b>(19,907,783)</b>	<b>4,704,210</b>
Extraordinary item	28,246,355	-	-	-	28,246,355	-
<b>Change in net position</b>	<b>8,157,393</b>	<b>4,810,809</b>	<b>181,179</b>	<b>(106,599)</b>	<b>8,338,572</b>	<b>4,704,210</b>
<b>Net position - beginning (as originally reported)</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>
<b>Restatement adjustment/prior period adjustment</b>	<b>-</b>	<b>(6,833,011)</b>	<b>-</b>	<b>(24,259)</b>	<b>-</b>	<b>(6,857,270)</b>
<b>Net position - beginning (as restated)</b>	<b>174,442,799</b>	<b>169,631,990</b>	<b>1,904,233</b>	<b>2,010,832</b>	<b>176,347,032</b>	<b>171,642,822</b>
<b>Net position - ending</b>	<b>\$ 182,600,192</b>	<b>\$ 174,442,799</b>	<b>\$ 2,085,412</b>	<b>\$ 1,904,233</b>	<b>\$ 184,685,604</b>	<b>\$ 176,347,032</b>

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

Operating grants and contributions increased by \$21,973,152 or 245% due to additional Federal Emergency Management Agency revenues.

Instruction expenses represents 46 percent of total governmental expenses for the 2019 fiscal year. Instruction expenses decreased by \$3,367,246 or 2 percent, from the prior fiscal year, due mainly to the closure of schools after Hurricane Michael.

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, 2019, unassigned fund balance was \$20,632,546, while the total fund balance was \$84,682,815. As of June 30, 2019 total assets were \$110,324,004 and total liabilities were \$25,641,189.

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 \$6,328 at June 30, 2019.

The capital projects – local capital improvement fund had a total fund balance of \$4,811,781 at June 30, 2019, all of which is restricted for capital projects.

The capital projects – other fund had a total fund balance of \$17,698,441 at June 30, 2019, all of which is restricted for capital projects.

### **Proprietary Funds**

Unrestricted net position of the enterprise fund – Beacon Learning Center was \$2,055,233 at June 30, 2019, while total net position was \$2,085,412.

### **Internal Service Fund**

Unrestricted net position of the internal service fund was \$17,002,187 at June 30, 2019.

### **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, 2019, actual revenues and other financing sources were \$732,503 more than the final budgeted amounts, while actual expenditures were \$77,269,175 less than the final budgeted amounts. The ending fund balance exceeded the estimated fund balance contained in the final amended budget by \$78,001,678 due to revenue associated with the hurricane that has not been appropriated yet, loss of employees, and establishment of several reserve accounts designed to help offset expected revenue shortfalls.

### **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, 2019, was \$229,479,314 and \$30,179, 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 5 to the financial statements.

#### **Debt Administration**

At June 30, 2019, the District had total long-term debt outstanding of \$230,367,229. This amount was comprised of \$11,843,319 of accrued compensated absences, \$81,000 of bonds payable, \$16,766,715 in estimated insurance claims payable, \$6,364,000 in sales tax revenue anticipation notes, \$4,052,000 in



revenue anticipation notes, \$5,296,857 of other postemployment benefits liabilities, \$62,854,400 of certificates of participation, and \$123,108,938 of net pension liability.

Additional information on the District's long-term debt can be found in notes 6 through 10 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, 2019**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 168,251,798	\$ 3,178,614	\$ 171,430,412	\$ 22,112,416
Investments	-	-	-	2,467,831
Restricted investments	-	-	-	3,356,015
Accounts receivable, net	115	34,832	34,947	5,857,171
Internal balances	69,693	(69,693)	-	-
Due from other agencies	5,022,719	-	5,022,719	425,356
Prepays	2,474,582	-	2,474,582	242,528
Restricted cash	247,851	-	247,851	-
Inventories	1,136,774	-	1,136,774	9,061
Other current assets	1,751,628	-	1,751,628	11,426
Total current assets	178,955,160	3,143,753	182,098,913	34,481,804
Noncurrent assets				
Capital assets				
Nondepreciable	43,255,725	-	43,255,725	7,551,598
Depreciable, net	186,223,589	30,179	186,253,768	60,750,799
Total noncurrent assets	229,479,314	30,179	229,509,493	68,302,397
Total assets	408,434,474	3,173,932	411,608,406	102,784,201
<b>Deferred outflows of resources</b>				
Deferred loss from debt refunding	3,052,870	-	3,052,870	-
Deferred outflows related to pensions	49,410,361	318,872	49,729,233	9,366,615
Total assets and deferred outflows of resources	460,897,705	3,492,804	464,390,509	112,150,816
<b>Liabilities</b>				
Current liabilities				
Accounts payable	23,932,546	10,393	23,942,939	2,266,954
Accrued expenses	681,757	-	681,757	479,335
Construction contracts payable				
- retainage	1,453,164	-	1,453,164	5,003,739
Due to other agencies	14,399	-	14,399	-
Unearned revenue	147,208	259,303	406,511	50,048
Matured certificates of participation payable	5,549,400	-	5,549,400	-
Matured interest payable	1,009,187	-	1,009,187	601,405
Total current liabilities	32,787,661	269,696	33,057,357	8,401,481

(Continued)

See accompanying notes.

**Bay County District School Board**  
**Statement of Net Position (Continued)**  
**June 30, 2019**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Noncurrent liabilities</b>				
Due within one year				
Certificates of participation payable	\$ 5,728,800	\$ -	\$ 5,728,800	\$ -
Accrued compensated absences	2,325,178	43,485	2,368,663	32,258
Obligations under capital leases	-	-	-	92,892
Bonds payable	81,000	-	81,000	390,000
Notes payable	9,134,000	-	9,134,000	5,071,593
Net pension liability	987,799	6,375	994,174	-
Estimated insurance claims payable	7,250,805	-	7,250,805	-
Due in more than one year				
Certificates of participation payable	57,125,600	-	57,125,600	-
Accrued compensated absences	9,300,714	173,942	9,474,656	91,813
Obligations under capital leases	-	-	-	546,359
Bonds payable	-	-	-	34,162,638
Net pension liability	121,331,745	783,019	122,114,764	16,032,136
Notes payable	1,282,000	-	1,282,000	7,113,285
Unearned contribution	-	-	-	4,700,521
Estimated insurance claims payable	9,515,910	-	9,515,910	-
Other postemployment benefits liability	5,270,373	26,484	5,296,857	-
<b>Total noncurrent liabilities</b>	<b>229,333,924</b>	<b>1,033,305</b>	<b>230,367,229</b>	<b>68,233,495</b>
<b>Total liabilities</b>	<b>262,121,585</b>	<b>1,303,001</b>	<b>263,424,586</b>	<b>76,634,976</b>
<b>Deferred inflows of resources</b>				
Deferred inflows related to pensions	16,175,928	104,391	16,280,319	1,694,698
<b>Total liabilities and deferred inflows of resources</b>	<b>278,297,513</b>	<b>1,407,392</b>	<b>279,704,905</b>	<b>78,329,674</b>
<b>Net position</b>				
Net investment in capital assets	150,578,514	30,179	150,608,693	18,614,652
Restricted				
State required carryover programs	1,245,180	-	1,245,180	-
Debt service	7,349	-	7,349	365,067
Capital projects	24,170,345	-	24,170,345	-
Food service	2,946,475	-	2,946,475	-
Other purposes	-	-	-	7,147,741
Unrestricted	3,652,329	2,055,233	5,707,562	7,693,682
<b>Total net position</b>	<b>\$ 182,600,192</b>	<b>\$ 2,085,412</b>	<b>\$ 184,685,604</b>	<b>\$ 33,821,142</b>

See accompanying notes.

**Bay County District School Board**  
**Statement of Activities**  
**Year ended June 30, 2019**

Functions/Programs	Net (Expenses)/Revenues and Changes in Net Position							Component Units
	Program Revenues				Primary Government			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
<b>Primary government</b>								
Governmental activities								
Instructional services	\$ 158,460,718	\$ 1,667,172	\$ -	\$ -	\$ (156,793,546)	\$ -	\$ (156,793,546)	\$ -
Pupil services	10,361,403	-	-	-	(10,361,403)	-	(10,361,403)	-
Instructional media services	2,417,195	-	-	-	(2,417,195)	-	(2,417,195)	-
Instructional and curriculum development services	5,283,555	-	-	-	(5,283,555)	-	(5,283,555)	-
Instructional staff training services	2,839,123	-	-	-	(2,839,123)	-	(2,839,123)	-
Instruction related technology	107,688	-	-	-	(107,688)	-	(107,688)	-
School board	911,003	-	-	-	(911,003)	-	(911,003)	-
General administrative services	746,251	-	-	-	(746,251)	-	(746,251)	-
School administrative services	14,756,561	-	-	-	(14,756,561)	-	(14,756,561)	-
Facilities acquisition and construction	68,991,585	38,063	23,230,074	4,917,746	(40,805,702)	-	(40,805,702)	-
Fiscal services	1,594,995	-	-	-	(1,594,995)	-	(1,594,995)	-
Food services	7,565,488	631,724	7,618,097	-	684,333	-	684,333	-
Central services	9,038,951	5,926,917	-	-	(3,112,034)	-	(3,112,034)	-
Pupil transportation services	9,562,083	167,411	-	-	(9,394,672)	-	(9,394,672)	-
Plant operations	15,601,036	-	-	-	(15,601,036)	-	(15,601,036)	-
Maintenance services	4,617,061	-	-	-	(4,617,061)	-	(4,617,061)	-
Administrative technology services	3,253,794	-	-	-	(3,253,794)	-	(3,253,794)	-
Community services	3,397,153	1,945,517	-	-	(1,451,636)	-	(1,451,636)	-
Unallocated interest on long-term debt	2,605,746	-	92,154	-	(2,513,592)	-	(2,513,592)	-

(Continued)

See accompanying notes.

**Bay County District School Board  
Statement of Activities (Continued)  
Year ended June 30, 2019**

					Net (Expenses)/Revenues and Changes in Net Position			Component Units
	Program Revenues				Primary Government			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Unallocated depreciation	\$ 20,886,386	\$ -	\$ -	\$ -	\$ (20,886,386)	\$ -	\$ (20,886,386)	\$ -
<b>Total governmental activities</b>	<b>342,997,775</b>	<b>10,376,804</b>	<b>30,940,325</b>	<b>4,917,746</b>	<b>(296,762,900)</b>	<b>-</b>	<b>(296,762,900)</b>	<b>-</b>
Business-type activities								
Beacon Learning Center	1,788,627	1,906,649	-	-	-	118,022	118,022	-
<b>Total business-type activities</b>	<b>1,788,627</b>	<b>1,906,649</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>118,022</b>	<b>118,022</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 344,786,402</b>	<b>\$ 12,283,453</b>	<b>\$ 30,940,325</b>	<b>\$ 4,917,746</b>	<b>(296,762,900)</b>	<b>118,022</b>	<b>(296,644,878)</b>	<b>-</b>
<b>Component units</b>	<b>\$ 46,141,036</b>	<b>\$ 1,911,812</b>	<b>\$ 2,053,026</b>	<b>\$ 754,174</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(41,422,024)</b>
General revenues								
Taxes								
Property taxes, levied for operating purposes					82,239,097	-	82,239,097	-
Property taxes, levied for capital projects					21,952,747	-	21,952,747	-
Local sales taxes					23,248,989	-	23,248,989	-
Grants and contributions not restricted to specific programs					140,242,832	-	140,242,832	37,089,931
<b>Total general revenues</b>					<b>267,683,665</b>	<b>-</b>	<b>267,683,665</b>	<b>37,089,931</b>
Interest earnings					2,652,100	63,157	2,715,257	112,732
Rental income					31,678	-	31,678	-
Miscellaneous					6,306,495	-	6,306,495	2,391,680
<b>Total general revenues, interest and other revenue</b>					<b>276,673,938</b>	<b>63,157</b>	<b>276,737,095</b>	<b>39,594,343</b>
Change in net position before extraordinary item					(20,088,962)	181,179	(19,907,783)	(1,827,681)
Extraordinary item					28,246,355	-	28,246,355	16,191,881
Change in net position					8,157,393	181,179	8,338,572	14,364,200
Net position - beginning					174,442,799	1,904,233	176,347,032	19,456,942
Net position - ending					<b>\$ 182,600,192</b>	<b>\$ 2,085,412</b>	<b>\$ 184,685,604</b>	<b>\$ 33,821,142</b>

See accompanying notes.

**Bay County District School Board  
Balance Sheet – Governmental Funds  
June 30, 2019**

	General Fund	Debt Service - Other Fund	Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and cash equivalents	\$ 104,763,320	\$ 6,564,915	\$ 4,816,271	\$ 18,317,296	\$ 3,702,100	\$ 138,163,902
Accounts receivable, net	115	-	-	-	-	115
Due from other agencies	3,346,246	-	575,992	-	1,100,481	5,022,719
Due from other funds	1,230,934	-	750,561	373,250	1,139,839	3,494,584
Inventories	983,389	-	-	-	153,385	1,136,774
Restricted cash and cash equivalents	-	-	247,851	-	-	247,851
<b>Total assets</b>	<b>\$ 110,324,004</b>	<b>\$ 6,564,915</b>	<b>\$ 6,390,675</b>	<b>\$ 18,690,546</b>	<b>\$ 6,095,805</b>	<b>148,065,945</b>
<b>Liabilities and fund balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 22,366,254	\$ -	\$ 707,379	\$ 417,454	\$ 334,483	23,825,570
Accrued expenses	663,606	-	-	-	18,151	681,757
Construction contracts payable - retainage	615,005	-	299,810	538,349	-	1,453,164
Due to other agencies	-	-	-	-	14,399	14,399
Due to other funds	1,887,223	-	571,705	36,302	929,661	3,424,891
Matured certificates of participation payable	-	5,549,400	-	-	-	5,549,400
Matured interest payable	-	1,009,187	-	-	-	1,009,187
Unearned revenue	109,101	-	-	-	38,107	147,208
<b>Total liabilities</b>	<b>25,641,189</b>	<b>6,558,587</b>	<b>1,578,894</b>	<b>992,105</b>	<b>1,334,801</b>	<b>36,105,576</b>

(Continued)

See accompanying notes.

**Bay County District School Board**  
**Balance Sheet – Governmental Funds (Continued)**  
**June 30, 2019**

	General Fund	Debt Service - Other Fund	Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
Fund balance						
Nonspendable						
Inventories	\$ 983,389	\$ -	\$ -	\$ -	\$ 153,385	\$ 1,136,774
Restricted						
State required carryover programs	1,245,180	-	-	-	-	1,245,180
Food service	-	-	-	-	2,946,475	2,946,475
Debt service	-	6,328	-	-	1,021	7,349
Capital projects	-	-	4,811,781	17,698,441	1,660,123	24,170,345
Assigned						
Future purchases and hurricane repairs	61,821,700	-	-	-	-	61,821,700
Unassigned	20,632,546	-	-	-	-	20,632,546
<b>Total fund balances</b>	<b>84,682,815</b>	<b>6,328</b>	<b>4,811,781</b>	<b>17,698,441</b>	<b>4,761,004</b>	<b>111,960,369</b>
<b>Total liabilities and fund balances</b>	<b>\$ 110,324,004</b>	<b>\$ 6,564,915</b>	<b>\$ 6,390,675</b>	<b>\$ 18,690,546</b>	<b>\$ 6,095,805</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.	229,479,314
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.	17,002,187
Deferred outflows and inflows are not financial resources or liabilities and therefore, are not reported in the funds.	36,142,712
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.	(211,984,390)
<b>Net position of governmental activities</b>	<b>\$ 182,600,192</b>

See accompanying notes.

**Bay County District School Board**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds**  
**Year ended June 30, 2019**

	General Fund	Debt Service - Other Fund	Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Intergovernmental						
Federal direct	\$ 1,126,348	\$ -	\$ -	\$ -	\$ 1,120,114	\$ 2,246,462
Federal through state and local	24,794,784	-	-	-	22,964,039	47,758,823
State	119,566,833	-	-	1,280,045	5,119,502	125,966,380
Local						
Property taxes	82,131,196	-	-	-	-	82,131,196
Local sales taxes	-	-	-	23,248,989	-	23,248,989
District local capital improvement taxes	-	-	21,925,190	-	-	21,925,190
Payments in lieu of taxes	107,901	-	27,557	-	-	135,458
Charges for services	3,650,752	-	-	-	631,724	4,282,476
Rental income	31,678	-	-	-	-	31,678
Interest income	1,604,225	4,724	234,722	207,975	60,141	2,111,787
Miscellaneous	5,563,498	-	-	1,059,421	12,670	6,635,589
<b>Total revenues</b>	<b>238,577,215</b>	<b>4,724</b>	<b>22,187,469</b>	<b>25,796,430</b>	<b>29,908,190</b>	<b>316,474,028</b>
<b>Expenditures</b>						
Current - education						
Instructional services	146,551,104	-	-	-	8,961,028	155,512,132
Pupil services	8,103,663	-	-	-	2,060,858	10,164,521
Instructional media services	2,410,122	-	-	-	28,513	2,438,635
Instructional and curriculum development services	3,304,477	-	-	-	1,820,766	5,125,243
Instructional staff training services	1,339,628	-	-	-	1,517,246	2,856,874
Instruction related technology	321	-	-	-	107,775	108,096
School board	906,871	-	-	-	7,500	914,371
General administrative services	752,252	-	-	-	547,285	1,299,537
School administrative services	14,242,996	-	-	-	47,500	14,290,496
Facilities acquisition and construction	56,200,456	-	3,957,591	8,794,784	50,183	69,003,014
Central services	3,481,541	-	-	-	21,155	3,502,696

(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, 2019**

	General Fund	Debt Service - Other Fund	Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
Fiscal services	\$ 1,614,338	\$ -	\$ -	\$ -	\$ -	\$ 1,614,338
Food services	-	-	-	-	7,848,222	7,848,222
Pupil transportation services	8,311,261	-	-	-	13,990	8,325,251
Plant operations	15,609,990	-	-	-	-	15,609,990
Maintenance services	4,594,568	-	-	-	-	4,594,568
Administrative technology services	3,166,655	-	-	-	-	3,166,655
Community services	2,298,031	-	-	-	1,120,114	3,418,145
Capital outlay	11,133,381	-	8,295,248	9,584,946	3,016,867	32,030,442
Debt service						
Principal	-	11,504,400	-	-	92,000	11,596,400
Interest and fiscal charges	-	2,293,255	-	-	7,204	2,300,459
<b>Total expenditures</b>	<b>284,021,655</b>	<b>13,797,655</b>	<b>12,252,839</b>	<b>18,379,730</b>	<b>27,268,206</b>	<b>355,720,085</b>
<b>Excess (deficit) of revenues over (under) expenditures</b>	<b>(45,444,440)</b>	<b>(13,792,931)</b>	<b>9,934,630</b>	<b>7,416,700</b>	<b>2,639,984</b>	<b>(39,246,057)</b>
<b>Other financing sources (uses)</b>						
Insurance proceeds	100,000,000	-	-	-	-	100,000,000
Transfers in	3,670,593	13,794,997	-	-	-	17,465,590
Transfers out	-	-	(12,372,989)	(5,149,382)	(2,774,636)	(20,297,007)
<b>Total other financing sources (uses)</b>	<b>103,670,593</b>	<b>13,794,997</b>	<b>(12,372,989)</b>	<b>(5,149,382)</b>	<b>(2,774,636)</b>	<b>97,168,583</b>
Net changes in fund balances	58,226,153	2,066	(2,438,359)	2,267,318	(134,652)	57,922,526
Fund balances - beginning	26,456,662	4,262	7,250,140	15,431,123	4,895,656	54,037,843
Fund balances - ending	\$ 84,682,815	\$ 6,328	\$ 4,811,781	\$ 17,698,441	\$ 4,761,004	\$ 111,960,369

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, 2019**

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

Net changes in fund balances - total governmental funds (page 20)	\$ 57,922,526
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 capital outlay exceeded depreciation in the current period.	9,624,950
The net effect of miscellaneous noncash transactions involving capital assets (i.e. sales, trade-ins, adjustments, donations, and impairments) is to decrease net position.	(70,966,533)
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).	(5,931,650)
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.	6,216,987
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.	11,291,113
<b>Change in net position of governmental activities (page 16)</b>	<b>\$ 8,157,393</b>

See accompanying notes.

**Bay County District School Board**  
**Statement of Net Position –**  
**Proprietary Funds**  
**June 30, 2019**

	<b>Business-type Activities - Beacon Learning Center</b>	<b>Governmental Activities - Internal Service Fund</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 3,178,614	\$ 30,087,896
Accounts receivable, net	34,832	-
Prepaid expenses	-	2,474,582
Other current assets	-	1,751,628
<b>Total current assets</b>	<b>3,213,446</b>	<b>34,314,106</b>
Noncurrent assets		
Capital assets		
Property, plant and equipment	261,843	-
Less accumulated depreciation	(231,664)	-
<b>Total noncurrent assets</b>	<b>30,179</b>	<b>-</b>
<b>Total assets</b>	<b>3,243,625</b>	<b>34,314,106</b>
Deferred outflows of resources	318,872	214,967
<b>Total assets and deferred outflows of resources</b>	<b>3,562,497</b>	<b>34,529,073</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable	10,393	106,976
Accrued compensated absences	43,485	5,893
Estimated insurance claims payable	-	7,250,805
Due to other funds	69,693	-
Net pension liability	6,375	4,298
Unearned revenue	259,303	-
<b>Total current liabilities</b>	<b>389,249</b>	<b>7,367,972</b>
Noncurrent liabilities		
Accrued compensated absences	173,942	23,570
Net pension liability	783,019	527,871
Other postemployment benefits liability	26,484	21,187
Estimated insurance claims payable	-	9,515,910
<b>Total noncurrent liabilities</b>	<b>983,445</b>	<b>10,088,538</b>
<b>Total liabilities</b>	<b>1,372,694</b>	<b>17,456,510</b>
Deferred inflows of resources	104,391	70,376
<b>Total liabilities and deferred inflows of resources</b>	<b>1,477,085</b>	<b>17,526,886</b>
<b>Net position</b>		
Net investment in capital assets	30,179	-
Unrestricted	2,055,233	17,002,187
<b>Total net pension</b>	<b>\$ 2,085,412</b>	<b>\$ 17,002,187</b>

See accompanying notes.

**Bay County District School Board**  
**Statement of Revenues, Expenses, and Changes in Net Position –**  
**Proprietary Funds**  
**Year ended June 30, 2019**

	<b>Business-type Activities - Beacon Learning Center</b>	<b>Governmental Activities - Internal Service Fund</b>
<b>Operating revenues</b>		
Charges for services	\$ 1,906,649	\$ 27,363,382
<b>Total operating revenues</b>	<b>1,906,649</b>	<b>27,363,382</b>
<b>Operating expenses</b>		
Salaries	974,570	349,442
Employee benefits	308,686	163,282
Purchased services	382,672	2,710,901
Materials and supplies	9,854	2,205
Small equipment	598	6,617
Insurance claims	-	17,671,897
Insurance premiums	-	3,612,947
Other expenses	101,487	834
Depreciation	10,760	-
<b>Total operating expenses</b>	<b>1,788,627</b>	<b>24,518,125</b>
<b>Net operating income</b>	<b>118,022</b>	<b>2,845,257</b>
<b>Nonoperating revenues</b>		
Interest income	63,157	540,313
Transfers in	-	2,831,417
<b>Total nonoperating revenues</b>	<b>63,157</b>	<b>3,371,730</b>
Changes in net position	181,179	6,216,987
Net position - beginning	1,904,233	10,785,200
<b>Net position - ending</b>	<b>\$ 2,085,412</b>	<b>\$ 17,002,187</b>

See accompanying notes.

**Bay County District School Board**  
**Statement of Cash Flows – Proprietary Funds**  
**Year ended June 30, 2019**

	<b>Business-type Activities - Beacon Learning Center</b>	<b>Governmental Activities - Internal Service Fund</b>
<b>Operating activities</b>		
Receipts for services	\$ 1,816,943	\$ 27,178,189
Payments to suppliers	(492,256)	(7,773,819)
Payments to employees	(1,279,660)	(494,260)
Payments for insurance claims and related fees	-	(17,094,408)
<b>Net cash provided by operating activities</b>	<b>45,027</b>	<b>1,815,702</b>
<b>Capital and related financing activities</b>		
Payments to/(from) other funds	1,002	(3,371)
Transfers from other funds	-	2,831,417
Purchase of capital assets	(2,906)	-
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(1,904)</b>	<b>2,828,046</b>
<b>Investing activities</b>		
Interest received	63,157	540,313
<b>Net cash provided by investing activities</b>	<b>63,157</b>	<b>540,313</b>
Net increase in cash and cash equivalents	106,280	5,184,061
Cash and cash equivalents - beginning	3,072,334	24,903,835
Cash and cash equivalents - ending	\$ 3,178,614	\$ 30,087,896

(Continued)

See accompanying notes.

**Bay County District School Board**  
**Statement of Cash Flows – Proprietary Funds (Continued)**  
**Year ended June 30, 2019**

	Business-type Activities - Beacon Learning Center	Governmental Activities - Internal Service Fund
<b>Reconciliation of net operating income to net cash provided by operating activities</b>		
Net operating income	\$ 118,022	\$ 2,845,257
Adjustments to reconcile net operating income to net cash provided by operating activities		
Depreciation	10,760	-
(Increase) decrease in assets		
Accounts receivable, net	(33,332)	-
Due from other governmental units	1,988	-
Prepaid expenses	-	(1,440,315)
Other current assets	-	(185,193)
(Increase) decrease in deferred outflows of resources	12,611	8,504
Increase (decrease) in liabilities		
Accounts payable	2,355	18,477
Accrued compensated absences	(36,313)	(8,581)
Estimated insurance claims payable	-	559,012
Unearned revenue	(58,362)	-
Net pension liability	(4,438)	(2,993)
Other postemployment benefits liability	1,107	886
Increase (decrease) in deferred inflows of resources	30,629	20,648
Total adjustments	(72,995)	(1,029,555)
Net cash provided by operating activities	\$ 45,027	\$ 1,815,702

See accompanying notes.

**Bay County District School Board**  
**Statement of Fiduciary Assets and Liabilities – Fiduciary Funds**  
**June 30, 2019**

		<b>Agency Funds</b>
<b>Assets</b>		
Cash and cash equivalents	\$	3,536,688
Accounts receivable, net		38,474
Inventories		88,995
Total assets	\$	3,664,157
<b>Liabilities</b>		
Accounts payable	\$	326,632
Unearned revenue		8,563
Internal accounts payable		3,328,962
Total liabilities	\$	3,664,157

See accompanying notes.

**Bay County District School Board**  
**Combining Statement of Net Position – Discretely Presented Component Units**  
**June 30, 2019**

	Bay Haven Charter Academy, Inc.	Palm Bay Educational Group, Inc.	Chautauqua Charter School, Inc.	Community Charter Academy, Inc.	Rising Leaders Academy, Inc.	Bay Education Foundation, Inc.	Bay Haven Foundation	Total Component Units
<b>Assets</b>								
Current assets								
Cash and cash equivalents	\$ 16,329,375	\$ 669,426	\$ 597,839	\$ 2,246,727	\$ 913,368	\$ 1,195,631	\$ 160,050	\$ 22,112,416
Investments	2,467,831	-	-	-	-	-	-	2,467,831
Restricted investments	3,356,015	-	-	-	-	-	-	3,356,015
Accounts receivable, net	445,106	2,762,065	-	-	-	2,650,000	-	5,857,171
Due from other agencies	-	382,483	36,069	-	6,804	-	-	425,356
Prepays	79,804	72,535	8,420	60,169	21,600	-	-	242,528
Inventories	9,061	-	-	-	-	-	-	9,061
Other current assets	11,426	-	-	-	-	-	-	11,426
<b>Total current assets</b>	<b>22,698,618</b>	<b>3,886,509</b>	<b>642,328</b>	<b>2,306,896</b>	<b>941,772</b>	<b>3,845,631</b>	<b>160,050</b>	<b>34,481,804</b>
Noncurrent assets								
Capital assets								
Nondepreciable	3,939,367	1,505,200	-	2,000,000	107,031	-	-	7,551,598
Depreciable, net	35,000,321	14,688,522	111,264	10,345,606	605,086	-	-	60,750,799
<b>Total noncurrent assets</b>	<b>38,939,688</b>	<b>16,193,722</b>	<b>111,264</b>	<b>12,345,606</b>	<b>712,117</b>	<b>-</b>	<b>-</b>	<b>68,302,397</b>
<b>Total assets</b>	<b>61,638,306</b>	<b>20,080,231</b>	<b>753,592</b>	<b>14,652,502</b>	<b>1,653,889</b>	<b>3,845,631</b>	<b>160,050</b>	<b>102,784,201</b>
Deferred outflows of resources	5,124,971	2,423,152	136,088	1,316,933	365,471	-	-	9,366,615
<b>Total assets and deferred outflows of resources</b>	<b>66,763,277</b>	<b>22,503,383</b>	<b>889,680</b>	<b>15,969,435</b>	<b>2,019,360</b>	<b>3,845,631</b>	<b>160,050</b>	<b>112,150,816</b>
<b>Liabilities</b>								
Current liabilities								
Accounts payable	1,775,580	394,739	42,999	39,526	14,110	-	-	2,266,954
Accrued salaries and benefits	31,764	168,483	-	222,310	56,778	-	-	479,335
Construction contracts payable - retainage	-	5,003,739	-	-	-	-	-	5,003,739

(Continued)

See accompanying notes.



**Bay County District School Board**  
**Combining Statement of Net Position – Discretely Presented Component Units (Continued)**  
**June 30, 2019**

	Bay Haven Charter Academy, Inc.	Palm Bay Educational Group, Inc.	Chautauqua Charter School, Inc.	Community Charter Academy, Inc.	Rising Leaders Academy, Inc.	Bay Education Foundation, Inc.	Bay Haven Foundation	Total Component Units
Unearned revenue	\$ 43,360	\$ 150	\$ -	\$ 6,038	\$ 500	\$ -	\$ -	\$ 50,048
Matured interest payable	601,405	-	-	-	-	-	-	601,405
<b>Total current liabilities</b>	<b>2,452,109</b>	<b>5,567,111</b>	<b>42,999</b>	<b>267,874</b>	<b>71,388</b>	<b>-</b>	<b>-</b>	<b>8,401,481</b>
<b>Noncurrent liabilities</b>								
<b>Due within one year</b>								
Accrued compensated absences	32,258	-	-	-	-	-	-	32,258
Bonds payable	390,000	-	-	-	-	-	-	390,000
Obligations under capital leases	89,261	1,945	-	1,686	-	-	-	92,892
Notes payable	-	4,753,722	7,625	287,668	22,578	-	-	5,071,593
<b>Due in more than one year</b>								
Accrued compensated absences	91,813	-	-	-	-	-	-	91,813
Notes payable	-	-	68,415	6,705,930	338,940	-	-	7,113,285
Unearned contribution	-	-	-	4,700,521	-	-	-	4,700,521
Bonds payable	34,162,638	-	-	-	-	-	-	34,162,638
Net pension liability	10,809,209	2,509,126	286,972	1,918,126	508,703	-	-	16,032,136
Obligations under capital leases	546,359	-	-	-	-	-	-	546,359
<b>Total noncurrent liabilities</b>	<b>46,121,538</b>	<b>7,264,793</b>	<b>363,012</b>	<b>13,613,931</b>	<b>870,221</b>	<b>-</b>	<b>-</b>	<b>68,233,495</b>
<b>Total liabilities</b>	<b>48,573,647</b>	<b>12,831,904</b>	<b>406,011</b>	<b>13,881,805</b>	<b>941,609</b>	<b>-</b>	<b>-</b>	<b>76,634,976</b>
Deferred inflows of resources	1,200,727	225,232	49,731	172,848	46,160	-	-	1,694,698
<b>Total liabilities and deferred inflows of resources</b>	<b>49,774,374</b>	<b>13,057,136</b>	<b>455,742</b>	<b>14,054,653</b>	<b>987,769</b>	<b>-</b>	<b>-</b>	<b>78,329,674</b>
<b>Net position</b>								
Net investment in capital assets	6,140,973	11,438,055	35,224	649,801	350,599	-	-	18,614,652
<b>Restricted</b>								
Debt service	365,067	-	-	-	-	-	-	365,067
Other purposes	3,302,421	-	-	-	-	3,685,270	160,050	7,147,741
<b>Unrestricted</b>								
	7,180,442	(1,991,808)	398,714	1,264,981	680,992	160,361	-	7,693,682
<b>Total net position</b>	<b>\$ 16,988,903</b>	<b>\$ 9,446,247</b>	<b>\$ 433,938</b>	<b>\$ 1,914,782</b>	<b>\$ 1,031,591</b>	<b>\$ 3,845,631</b>	<b>\$ 160,050</b>	<b>\$ 33,821,142</b>

See accompanying notes.

**Bay County District School Board**  
**Combining Statement of Activities – Discretely Presented Component Units**  
**Year ended June 30, 2019**

	Bay Haven Charter Academy, Inc.	Palm Bay Educational Group, Inc.	Chautauqua Charter School, Inc.	Community Charter Academy, Inc.	Rising Leaders Academy, Inc.	Bay Education Foundation, Inc.	Bay Haven Foundation	Total Component Units
<b>Revenues</b>								
Charges for services	\$ 1,358,026	\$ 221,339	\$ -	\$ 329,125	\$ 3,322	\$ -	\$ -	\$ 1,911,812
Operating grants and contributions	789,649	1,061,013	65,066	87,497	49,801	-	-	2,053,026
Capital grants and contributions	-	237,631	34,701	387,665	94,177	-	-	754,174
Grants and contributions not restricted to specific purposes	24,280,226	5,689,500	936,397	4,719,741	1,454,330	-	9,737	37,089,931
Investment earnings	97,792	-	-	-	-	14,852	88	112,732
Miscellaneous	95,583	163,906	-	-	-	2,132,191	-	2,391,680
<b>Total revenues</b>	<b>26,621,276</b>	<b>7,373,389</b>	<b>1,036,164</b>	<b>5,524,028</b>	<b>1,601,630</b>	<b>2,147,043</b>	<b>9,825</b>	<b>44,313,355</b>
<b>Expenses</b>								
Instructional services	13,102,266	3,258,846	754,104	3,144,047	812,133	-	-	21,071,396
Instructional support services	-	178,110	-	68,465	6,035	-	-	252,610
Pupil services	716,455	-	69,358	-	-	-	-	785,813
Instructional media services	45,235	-	-	-	-	-	-	45,235
Instructional and curriculum development services	-	-	810	1,548	-	-	-	2,358
Instructional staff training services	114,090	8,362	500	1,674	7,000	-	-	131,626
Instruction related technology	105,285	79,318	850	49,972	6,059	-	-	241,484
School board	110,292	320,512	46,326	53,069	54,299	-	-	584,498
General administrative services	1,290,284	-	-	-	-	138,363	-	1,428,647
School administrative services	1,868,728	1,309,293	39,694	526,716	262,587	-	-	4,007,018
Facilities acquisition and construction	151,139	204,244	7,000	686,515	134,624	-	-	1,183,522
Fiscal services	24,210	166,606	26,419	128,374	64,822	-	-	410,431
Food services	763,787	267,055	-	109,773	48,525	-	-	1,189,140
Pupil transportation services	382,268	525	3,618	-	224	-	-	386,635

(Continued)

See accompanying notes.

**Bay County District School Board**  
**Combining Statement of Activities – Discretely Presented Component Units (Continued)**  
**Year ended June 30, 2019**

	<b>Bay Haven Charter Academy, Inc.</b>	<b>Palm Bay Educational Group, Inc.</b>	<b>Chautauqua Charter School, Inc.</b>	<b>Community Charter Academy, Inc.</b>	<b>Rising Leaders Academy, Inc.</b>	<b>Bay Education Foundation, Inc.</b>	<b>Bay Haven Foundation</b>	<b>Total Component Units</b>
Plant operations	\$ 1,312,062	\$ 5,210,036	\$ 59,256	\$ 901,210	\$ 171,425	\$ -	\$ -	\$ 7,653,989
Maintenance services	372,524	83,606	65,762	75,059	25,844	-	-	622,795
Community services	314,842	80,862	1,020	40,971	6,883	1,370,091	43,945	1,858,614
Unallocated interest on long-term debt	1,863,478	207,072	351	371,539	15,206	-	-	2,457,646
Unallocated depreciation	1,586,659	132,162	7,642	75,803	25,313	-	-	1,827,579
<b>Total expenses</b>	<b>24,123,604</b>	<b>11,506,609</b>	<b>1,082,710</b>	<b>6,234,735</b>	<b>1,640,979</b>	<b>1,508,454</b>	<b>43,945</b>	<b>46,141,036</b>
Change in net position before extraordinary item	2,497,672	(4,133,220)	(46,546)	(710,707)	(39,349)	638,589	(34,120)	(1,827,681)
Extraordinary item	887,726	12,286,517	-	2,330,320	687,318	-	-	16,191,881
Change in net position	3,385,398	8,153,297	(46,546)	1,619,613	647,969	638,589	(34,120)	14,364,200
Net position - beginning	13,603,505	1,292,950	480,484	295,169	383,622	3,207,042	194,170	19,456,942
Net position - ending	\$ 16,988,903	\$ 9,446,247	\$ 433,938	\$ 1,914,782	\$ 1,031,591	\$ 3,845,631	\$ 160,050	\$ 33,821,142

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.

**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



**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, 2019, of \$1,136,774 is from 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, 2019, of \$28,369,349 is restricted by creditors for repayment of debt issued, state required carryover programs, food service, and capital projects. The balance as of June 30, 2019 of \$28,362,000 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, 2019.

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, 2019, of \$61,821,700 is from purchase orders issued and outstanding at year-end and Hurricane Michael repairs.

The unassigned fund balance classification is the residual classification for the District's fund balance. The balance as of June 30, 2019 is \$20,632,546.

**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 2018 tax levy on September 10, 2018. 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 31, 2020, the date the financial statements were available to be issued.

#### ***Recently Issued Accounting Pronouncements***

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 were effective for reporting periods beginning after June 15, 2018.

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 simply 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.

## Bay County District School Board Notes to Financial Statements

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

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 2 - 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 (\$111,960,369) differs from the net position of governmental activities (\$182,600,192) 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.

Cost of capital assets	\$ 715,750,907
Accumulated depreciation	(486,271,593)
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Capital assets net of accumulated depreciation	\$ 229,479,314
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#### ***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	\$ 81,000
Notes payable	10,416,000
Certificates of participation payable	62,854,400
Other postemployment benefits	5,249,186
Net pension liability	121,787,375
Accrued compensated absences	11,596,429
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Total long-term liabilities	\$ 211,984,390
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**Bay County District School Board  
Notes to Financial Statements**

**NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)**

***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	\$	49,195,394
Deferred inflows of resources related to pensions		(16,105,552)
Deferred outflows of resources related to debt refunding		3,052,870
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Deferred outflows and inflows of resources	\$	36,142,712
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***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	\$	34,529,073
Total liabilities and deferred inflows of resources		(17,526,886)
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Total internal service fund	\$	17,002,187
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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	\$	32,030,442
Depreciation		(22,405,492)
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Net adjustment to increase net changes in fund balances - total governmental funds to arrive at change in net position of governmental activities	\$	9,624,950
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Another element of that reconciliation states the net effect of miscellaneous noncash transactions involving capital assets (i.e. sales, trade-ins, adjustments, donations, and impairment) is to increase net position. The details of this difference are as follows:

## Bay County District School Board Notes to Financial Statements

### NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

Impairment of capital assets	\$ (71,753,645)
Donation of fixed assets	787,112
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Net adjustment to decrease net change in fund balance - total governmental funds to arrive at change in net position of governmental activities	\$ (70,966,533)
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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	\$ 11,596,400
Amortization of loss on debt refunding	(305,287)
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Net adjustment to increase net changes in fund balances - total governmental funds to arrive at change in net position of governmental activities	\$ 11,291,113
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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:

Change in accrued compensated absences	\$ 274,377
Change in other postemployment benefits liability	(219,403)
Change in net pension liability	684,709
Change in deferred inflows of resources related to pensions	(4,725,611)
Change in deferred outflows of resources related to pensions	(1,945,722)
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Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at change in net position of governmental activities	\$ (5,931,650)
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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	\$ 30,735,112
Total expenses	(24,518,125)
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Net adjustment to increase net changes in fund balances - total governmental funds to arrive at change in net position of governmental activities	\$ 6,216,987
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**NOTE 3 - 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 4 - 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

## Bay County District School Board Notes to Financial Statements

### NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)

- 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.
  - 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.

**NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)**

- 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.

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.

**NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)**

- 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
  - 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.

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

**NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)**

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, 2019.

***Concentration of Credit Risk***

As of June 30, 2019, the District did not hold any investments that were considered to be a concentration of credit risk.

At June 30, 2019, the District had the following investments and maturities:

<b>Deposits and investments</b>	<b>Maturities</b>	<b>Fair Value</b>
State Board of Administration (SBA):		
Florida Prime (1)	28 Day Average	\$ 54,025,061
Federated Government Obligations Fund (1) (2)	33 Day Average	6,559,059
<b>Total</b>		<b>\$ 60,584,120</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.

**NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)**

***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, 2019, is 28 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, 2019, is 80 days.

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.



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

**NOTE 5 - CHANGES IN CAPITAL ASSETS**

Changes in capital assets are presented in the tables below:

<b>Governmental Activities</b>	<b>June 30, 2018</b>	<b>Additions/ Impairments</b>	<b>Deletions/ Transfers</b>	<b>June 30, 2019</b>
Capital assets not being depreciated				
Land	\$ 16,346,458	\$ 962,876	\$ -	\$ 17,309,334
Construction in progress	5,546,070	22,046,129	1,645,808	25,946,391
<b>Total capital assets not being depreciated</b>	<b>21,892,528</b>	<b>23,009,005</b>	<b>1,645,808</b>	<b>43,255,725</b>
Capital assets being depreciated				
Improvements other than buildings	15,694,763	1,759,425	1,529,907	15,924,281
Buildings and fixed equipment	592,418,807	4,576,860	4,275,145	592,720,522
Furniture, fixtures, and equipment	35,845,551	3,530,967	1,282,341	38,094,177
Motor vehicles	15,230,712	1,585,570	66,464	16,749,818
Audio visual materials and computer software	9,004,849	1,535	-	9,006,384
<b>Total capital assets being depreciated</b>	<b>668,194,682</b>	<b>11,454,357</b>	<b>7,153,857</b>	<b>672,495,182</b>
Less accumulated depreciation				
Improvements other than buildings	7,695,005	669,318	515,120	7,849,203
Buildings and fixed equipment	344,781,918	88,992,443	5,289,932	428,484,429
Furniture, fixtures, and equipment	26,554,251	3,270,932	1,282,341	28,542,842
Motor vehicles	11,269,291	1,197,109	66,464	12,399,936
Audio visual materials and computer software	8,965,848	29,335	-	8,995,183
<b>Total accumulated depreciation</b>	<b>399,266,313</b>	<b>94,159,137</b>	<b>7,153,857</b>	<b>486,271,593</b>
<b>Total capital assets being depreciated, net of accumulated depreciation</b>	<b>268,928,369</b>	<b>(82,704,780)</b>	<b>-</b>	<b>186,223,589</b>
<b>Total governmental activities' capital assets, net</b>	<b>\$ 290,820,897</b>	<b>\$ (59,695,775)</b>	<b>\$ 1,645,808</b>	<b>\$ 229,479,314</b>

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

**NOTE 5 - CHANGES IN CAPITAL ASSETS (CONTINUED)**

<b>Business-type Activities</b>	<b>June 30, 2018</b>	<b>Additions</b>	<b>Deletions</b>	<b>June 30, 2019</b>
Capital assets being depreciated				
Furniture, fixtures, and equipment	\$ 157,978	\$ 2,906	\$ -	\$ 160,884
Motor vehicles	16,367	-	-	16,367
Audio visual materials and computer software	84,592	-	-	84,592
<b>Total capital assets being depreciated</b>	<b>258,937</b>	<b>2,906</b>	<b>-</b>	<b>261,843</b>
Less accumulated depreciation				
Furniture, fixtures, and equipment	138,054	4,723	-	142,777
Motor vehicles	16,367	-	-	16,367
Audio visual materials and computer software	66,483	6,037	-	72,520
<b>Total accumulated depreciation</b>	<b>220,904</b>	<b>10,760</b>	<b>-</b>	<b>231,664</b>
<b>Total capital assets being depreciated, net of accumulated depreciation</b>	<b>38,033</b>	<b>(7,854)</b>	<b>-</b>	<b>30,179</b>
<b>Total business-type activities' capital assets, net</b>	<b>\$ 38,033</b>	<b>\$ (7,854)</b>	<b>\$ -</b>	<b>\$ 30,179</b>

Depreciation expense was charged to functions as follows:

<b>Function</b>	<b>Amount</b>
<b>Governmental activities</b>	
Pupil transportation services	\$ 1,345,612
Plant operations	45,752
Central services	127,742
Unallocated	20,886,386
<b>Total governmental activities</b>	<b>\$ 22,405,492</b>
<b>Business-type activities</b>	
Beacon Learning Center	\$ 10,760

On October 10, 2018 Hurricane Michael caused significant damage to the capital assets of the District resulting in an impairment of \$71,753,645 reported above as an increase in accumulated depreciation. See note 19 for further information on impairments recorded during the year.

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

**NOTE 6 - NOTES PAYABLE**

The notes payable balance at June 30, 2019 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, 2019 principal and interest payments on the note were 22% of pledged revenues. The total principal and interest remaining to be paid on the note is \$6,435,775. Total principal and interest paid during the fiscal year and total pledged revenues were \$5,149,489 and \$23,248,989, respectively.

\$ 6,364,000

**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 was set to mature June 1, 2019 with extensions allowed at the board's discretion to June 1, 2023. As of June 30, 2019, the board has exercised one extension to June 1, 2020, so the balance is considered due within one year. The total principal and interest remaining to be paid on the note is \$4,159,379. Total principal and interest paid during the fiscal year was \$1,080,500.

4,052,000

Total notes payable 10,416,000

Less current portion 9,134,000

Notes payable – noncurrent portion \$ 1,282,000

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

Year ending June 30,	Principal	Interest	Total
2020	\$ 9,134,000	\$ 174,346	\$ 9,308,346
2021	1,282,000	4,808	1,286,808
<b>Total</b>	<b>\$ 10,416,000</b>	<b>\$ 179,154</b>	<b>\$ 10,595,154</b>

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

**NOTE 7 - BONDS PAYABLE**

Bonds payable at June 30, 2019, are as follows:

<b>Bond type</b>	<b>Amount Outstanding</b>	<b>Interest Rate (Percent)</b>	<b>Maturity</b>
State school bonds:			
Series 2014B, refunding	\$ 81,000	2.0 - 5.0	2020
<b>Total bonds payable</b>	<b>\$ 81,000</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.

Principal and interest payments during fiscal year ending June 30, 2019 on the Series 2014B bonds were 90% of pledged revenues. The total principal and interest remaining to be paid on the bonds is \$82,620. Principal and interest paid during the current year and total pledged revenues were \$82,470 and \$91,956, respectively.

Future minimum debt service requirements on the bonds outstanding as of June 30, 2019, are as follows:

Year ending June 30,	Principal	Interest	Total
2020	\$ 81,000	\$ 1,620	\$ 82,620
<b>Total</b>	<b>\$ 81,000</b>	<b>\$ 1,620</b>	<b>\$ 82,620</b>

**NOTE 8 - 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.

**NOTE 8 - CERTIFICATES OF PARTICIPATION (CONTINUED)**

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 9 - 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 9 - 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.

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.

## Bay County District School Board Notes to Financial Statements

### NOTE 8 - CERTIFICATES OF PARTICIPATION (CONTINUED)

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.

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,	Principal	Interest	Total
2020	\$ 5,728,800	\$ 1,838,041	\$ 7,566,841
2021	5,925,500	1,642,754	7,568,254
2022	6,129,500	1,440,402	7,569,902
2023	6,320,600	1,225,903	7,546,503
2024	5,420,000	992,000	6,412,000
2025-2029	33,330,000	2,602,752	35,932,752
<b>Total</b>	<b>\$ 62,854,400</b>	<b>\$ 9,741,852</b>	<b>\$ 72,596,252</b>

### NOTE 9 - 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

## Bay County District School Board Notes to Financial Statements

### NOTE 9 - DEFEASED DEBT (CONTINUED)

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 10 - CHANGES IN LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2019:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balance</b>	<b>Due in One Year</b>
Bonds payable	\$ 173,000	\$ -	\$ 92,000	\$ 81,000	\$ 81,000
Notes payable	16,371,000	-	5,955,000	10,416,000	9,134,000
Certificates of participation payable	68,403,800	-	5,549,400	62,854,400	5,728,800
Estimated insurance claims payable - nonmedical	13,822,209	262,096	2,284,198	11,800,107	2,284,198
Estimated insurance claims payable - medical	2,385,494	19,732,401	17,151,287	4,966,608	4,966,608
Accrued compensated absences	11,908,850	673,711	956,669	11,625,892	2,325,178
Net pension liability	123,007,246	-	687,702	122,319,544	987,799
Other postemployment benefits liability	5,050,084	666,948	446,659	5,270,373	-
<b>Total governmental activities</b>	<b>\$ 241,121,683</b>	<b>\$ 21,335,156</b>	<b>\$ 33,122,915</b>	<b>\$ 229,333,924</b>	<b>\$ 25,507,583</b>

<b>Business-type Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balance</b>	<b>Due in One Year</b>
Accrued compensated absences	\$ 253,740	\$ -	\$ 36,313	\$ 217,427	\$ 43,485
Net pension liability	793,832	-	4,438	789,394	6,375
Other postemployment benefits liability	25,377	3,352	2,245	26,484	-
<b>Total business-type activities</b>	<b>\$ 1,072,949</b>	<b>\$ 3,352</b>	<b>\$ 42,996</b>	<b>\$ 1,033,305</b>	<b>\$ 49,860</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.

## Bay County District School Board Notes to Financial Statements

### NOTE 11 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

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

June 30, 2019	Receivables	Payables
General fund	\$ 1,230,934	\$ 1,887,223
Capital projects - local capital improvement fund	750,561	571,705
Capital projects - other fund	373,250	36,302
Beacon Learning Center	-	69,693
Nonmajor governmental funds	1,139,839	929,661
<b>Total</b>	<b>\$ 3,494,584</b>	<b>\$ 3,494,584</b>

Interfund receivables and payables are primarily to reimburse the general fund for expenditures paid on behalf of other funds, property taxes due to capital projects – local capital improvement funds from the general fund, and revenue due to capital outlay and debt service fund from the general fund.

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

June 30, 2019	Transfers In	Transfers Out
General fund	\$ 3,670,593	\$ -
Capital projects - local capital improvement fund	-	12,372,989
Capital projects - other fund	-	5,149,382
Debt service fund	13,794,997	-
Nonmajor governmental funds	-	2,774,636
Internal service fund	2,831,417	-
<b>Total</b>	<b>\$ 20,297,007</b>	<b>\$ 20,297,007</b>

The interfund transfers are mainly to provide for debt repayments and to assist in financing maintenance operations of the District. Additionally, funds were transferred from capital projects – capital improvement fund to the internal service fund for property casualty insurance premiums.

### NOTE 12 - SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District's state revenue sources for the year ended June 30, 2019:

	Amount
Florida Education Finance Program	\$ 78,946,511
Categorical Educational Program - Class Size Reduction	30,843,128
Workforce Development Program	2,789,444
Voluntary prekindergarten	1,174,290
School recognition	1,036,977
Motor Vehicle License Tax (capital outlay and debt service)	91,956
Charter school capital outlay	2,259,497



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

**NOTE 12 - SCHEDULE OF STATE REVENUE SOURCES (CONTINUED)**

	<b>Amount</b>
Racing commission funds	\$ 211,083
Capital outlay and debt service distributed	874,918
Other miscellaneous	7,738,576
<b>Total</b>	<b>\$ 125,966,380</b>

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

**NOTE 13 - PROPERTY TAXES**

The following is a summary of millage rates and taxes levied on the 2018 tax roll for the 2018-2019 fiscal year.

	<b>Millage Rate</b>	<b>Taxes Levied</b>
General fund		
Nonvoted school tax		
Required local effort	4.084	\$ 71,796,294
Basic discretionary local effort	0.748	13,149,762
Capital projects funds		
Nonvoted tax		
Local capital improvements	1.29	22,678,065
<b>Total</b>	<b>6.122</b>	<b>\$ 107,624,121</b>

**NOTE 14 - 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.

**NOTE 14 - DEFINED BENEFIT PENSION PLANS (CONTINUED)**

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)).

***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.

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

**NOTE 14 - DEFINED BENEFIT PENSION PLANS (CONTINUED)**

***Benefits Provided***

Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following table shows the percentage value for each year of service credit earned:

<u>Class, Initial Enrollment, and Retirement Age/Years of Service</u>	<u>Percent Value</u>
<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

## Bay County District School Board Notes to Financial Statements

### NOTE 14 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

#### ***Benefits Provided***

For the fiscal year ended June 30, 2019, 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	8.26
FRS, elected county official	3.00	48.70
FRS, special risk	3.00	24.50
DROP – applicable to members from all of the above classes	0.00	14.03
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, 2019, 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 \$8,127,318 to FRS and \$2,013,263 to the HIS Plan for the fiscal year ended June 30, 2019. 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 14 - 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, 2018, and the total pension liabilities used to calculate the net pension liability were determined by an actuarial valuation dated July 1, 2018. 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	\$ 82,492,243	\$ 40,616,695
Proportion at:		
Current measurement date	0.27387392%	0.38375155%
Prior measurement date	0.27779379%	0.38935411%
Pension expense/(benefit)	\$ 13,354,164	\$ 2,838,007

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

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to FRS from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Effect of economic/demographic gains or losses (difference between expected and actual experience)	\$ 6,988,333	\$ 253,644
Effect of assumptions changes or inputs	26,954,453	-
Net difference between projected and actual investment earnings	-	6,373,532
Changes in proportion and differences between contributions and proportionate share of contributions	272,997	3,844,417
District contributions subsequent to the measurement date	8,127,318	-
<b>Total</b>	<b>\$ 42,343,101</b>	<b>\$ 10,471,593</b>

## Bay County District School Board Notes to Financial Statements

### NOTE 14 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to HIS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Effect of economic/demographic gains or losses (difference between expected and actual experience)	\$ 621,824	\$ 69,006
Effect of assumptions changes or inputs	4,517,078	4,294,337
Net difference between projected and actual investment earnings	24,517	-
Changes in proportion and differences between contributions and proportionate share of contributions	209,450	1,445,383
District contributions subsequent to the measurement date	2,013,263	-
<b>Total</b>	<b>\$ 7,386,132</b>	<b>\$ 5,808,726</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, 2020. 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
2019	\$ 9,767,339	\$ 369,016
2020	6,259,730	366,949
2021	51,802	146,770
2022	4,224,386	(184,616)
2023	3,006,971	(764,480)
Thereafter	433,962	(369,496)
<b>Total</b>	<b>\$ 23,744,190</b>	<b>\$ (435,857)</b>

### **Actuarial Assumptions**

The total pension liability in the July 1, 2018, 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	7.00%	N/A
Discount rate	7.00%	3.87%

## Bay County District School Board Notes to Financial Statements

### NOTE 14 - 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 2018:

- FRS: The discount rate used to determine total pension liability decreased from 7.10% to 7.00%.
- HIS: The municipal rate used to determine total pension liability increased from 3.58% to 3.87%.

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 Allocation	Annual Arithmetic Return	Annual (Geometric) Return	Standard Deviation
Cash	1.0%	2.90%	2.90%	1.80%
Fixed income	18.0%	4.40%	4.30%	4.00%
Global equity	54.0%	7.60%	6.30%	17.00%
Real estate (property)	11.0%	6.60%	6.00%	11.30%
Private equity	10.0%	10.70%	7.80%	26.50%
Strategic investments	6.0%	6.00%	5.70%	8.60%
	<u>100.0%</u>			

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

The discount rate used to measure the total pension liability for the FRS Pension Plan was 7.00%. 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 3.87% 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 14 - 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, 2019.

FRS Net Pension Liability			HIS Net Pension Liability		
Current			Current		
1 % Decrease	Discount Rate	1 % Increase	1 % Decrease	Discount Rate	1 % Increase
\$ 150,551,804	\$ 82,492,243	\$ 25,964,755	\$ 46,260,036	\$ 40,616,695	\$ 35,912,644

#### *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, 2019, the District had no outstanding contributions to the FRS Plan or the HIS Plan required for the fiscal year ended June 30, 2019.

### NOTE 15 - 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 Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of



## Bay County District School Board Notes to Financial Statements

### NOTE 15 - DEFINED CONTRIBUTION PENSION PLAN (CONTINUED)

0.06 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2018-2019 fiscal year were as follows:

Class	Percentage of 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 \$579,331 for the fiscal year ended June 30, 2019.

### NOTE 16 - OTHER POSTEMPLOYMENT BENEFITS PLAN

#### Plan Description

The Other Postemployment Benefits (OPEB) Plan (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 hospitalization insurance coverage as is offered to active employees at a premium cost of no more than

## Bay County District School Board Notes to Financial Statements

### NOTE 16 - OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

the premium cost applicable to active employees. The District subsidizes the premium rates paid by retirees by allowing them to participate in the 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 Plan contribution requirement and benefit terms of the District and the 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 Plan provides healthcare insurance benefits for retirees and their dependents. The 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 valuation date:

Retirees and beneficiaries	201
Active plan members	2,227
<b>Total plan members</b>	<b>2,428</b>

#### Total OPEB Liability

The District's total OPEB liability of \$5,296,857 was measured as of June 30, 2019, 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 16 - 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% for the measurement date of June 30, 2018 and June 30, 2019.

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

**NOTE 16 - 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, 2018	\$ 5,075,461
Changes for the year:	
Service cost	517,021
Interest	153,279
Differences between expected and actual experience	-
Changes of assumptions or other inputs	-
Benefit payments	(448,904)
Net change in other postemployment benefits liability	221,396
Balance at June 30, 2019	\$ 5,296,857

**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 Discount Rate</b>	<b>1 % Increase</b>
Total OPEB Liability	\$ 5,504,673	\$ 5,296,857	\$ 5,078,638

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

**NOTE 16 - OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)**

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 Trend Rate</b>	<b>1 % Increase</b>
Total OPEB Liability	\$ 4,717,509	\$ 5,296,857	\$ 5,977,134

***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, 2019, there were no deferred outflows of resources to be reported.

**NOTE 17 - 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, 2019:

<b>General Fund</b>	<b>Capital Projects - Local Capital Improvement Fund</b>	<b>Capital Projects - Other Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 27,226,994	\$ 2,893,747	\$ 5,466,892	\$ 733,352	\$ 36,320,985

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

**NOTE 17 - CONSTRUCTION CONTRACTS AND OTHER SIGNIFICANT COMMITMENTS (CONTINUED)**

Construction contracts – encumbrances include the following construction contract commitments at June 30, 2019:

<b>Project</b>	<b>Total Contract Amount</b>	<b>Completed to Date</b>	<b>Balance Committed</b>
<b>Bay High School</b>			
Architect	\$ 325,000	\$ 193,820	\$ 131,180
Contractor	8,432,731	1,469,963	6,962,768
Architect	737,275	255,597	481,678
<b>Bozeman</b>			
Contractor	512,676	438,400	74,276
<b>Breakfast Point</b>			
Contractor	152,420	135,586	16,834
<b>Callaway</b>			
Architect	58,502	57,517	985
<b>Haney</b>			
Architect	168,750	126,563	42,187
<b>Hiland Park</b>			
Architect	192,010	75,512	116,498
Contractor	1,439,385	1,300,500	138,885
<b>Jinks</b>			
Architect	371,708	214,640	157,068
Architect	64,350	48,263	16,087
<b>Lucille Moore</b>			
Architect	37,575	28,181	9,394
<b>Lynn Haven</b>			
Architect	616,733	552,528	64,205
Contractor	8,302,020	5,585,386	2,716,634
Architect	33,528	13,186	20,342
Contractor	350,000	22,500	327,500
<b>Margaret K Lewis</b>			
Architect	122,648	48,234	74,414
Contractor	648,990	250,043	398,947
<b>Merritt Brown</b>			
Architect	1,239,599	129,460	1,110,139
Contractor	15,910,539	3,283,732	12,626,807

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

**NOTE 17 - CONSTRUCTION CONTRACTS AND OTHER SIGNIFICANT COMMITMENTS (CONTINUED)**

<b>Project</b>	<b>Total Contract Amount</b>	<b>Completed to Date</b>	<b>Balance Committed</b>
<b>Mosley</b>			
Contractor	\$ 267,235	\$ 240,512	\$ 26,723
<b>New Beach Elementary School</b>			
Architect	1,811,175	1,005,229	805,946
<b>Northside</b>			
Architect	59,063	44,297	14,766
<b>Oakland Terrance</b>			
Contractor	137,906	131,442	6,464
<b>Rutherford</b>			
Architect	459,990	45,999	413,991
Contractor	5,392,912	1,364,402	4,028,510
<b>Safe Schools</b>			
Contractor	755,738	41,012	714,726
<b>Southport</b>			
Architect	32,547	12,800	19,747
Contractor	272,614	208,800	63,814
<b>Tommy Smith</b>			
Architect	33,201	13,057	20,144
Contractor	350,000	120,589	229,411
<b>Waller</b>			
Architect	223,020	167,265	55,755
<b>Contracts under \$250,000</b>			
	575,975	368,563	207,412
<b>Total</b>	<b>\$ 50,087,815</b>	<b>\$ 17,993,578</b>	<b>\$ 32,094,237</b>

**NOTE 18 - 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.

## Bay County District School Board Notes to Financial Statements

### NOTE 18 - RISK MANAGEMENT PROGRAMS (CONTINUED)

Settled claims resulting from the risks described above have not exceeded commercial insurance coverage in any of the past three fiscal years except for the claim made in regards to Hurricane Michael which exceeded the \$100,000,000 maximum.

#### General and Workers' Compensation Claims

A liability in the amount of \$11,800,107 was actuarially determined to cover estimated incurred, but not reported, insurance claims payable at June 30, 2019 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.

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 Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
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
2018-2019	13,822,209	262,096	(2,284,198)	11,800,107

#### 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.



## Bay County District School Board Notes to Financial Statements

### NOTE 18 - RISK MANAGEMENT PROGRAMS (CONTINUED)

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 \$4,966,608 as of June 30, 2019.

Funding for health insurance premiums is derived from three sources:

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

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 Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
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
2018-2019	2,385,494	19,732,401	(17,151,287)	4,966,608

### NOTE 19 - EXTRAORDINARY ITEM - HURRICANE MICHAEL

The District was impacted by Hurricane Michael when it made landfall in October 2018. The District suffered an impairment loss of \$71,753,645 as a result of the hurricane related damage to its capital assets and received \$100,000,000 for insurance recoveries from a blanket insurance policy. The insurance recoveries are included in other financing sources in the general fund column of the statement of activities and governmental fund revenues, expenditures and changes in fund balance, and shown as an extraordinary item in the statement of activities column, net of the impairment loss, for a net gain of \$28,246,355.

The total amount of damages related to Hurricane Michael has not been determined as of the report date. Thus, the actual costs for hurricane repairs could be higher than estimated at this time.

The District is working on submitting projects to the Federal Emergency Management Agency (FEMA) to help offset the costs associated with Hurricane Michael that were not covered by insurance. At the date of issuance, the District has approximately 250 projects started in various stages of the approval process with FEMA.

**NOTE 20 – SUBSEQUENT EVENTS**

In January 2020, a local foundation donated land, with an assessed value of \$2.3 million, per the Bay County Property Appraiser, to the District for building a new school in Panama City Beach, Florida. Under the current agreement, the District is required to close on the school by December 2020 or the foundation may revoke the right to the property.

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the Organization. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

## **Required Supplementary Information**

**Bay County District School Board**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual – General Fund**  
**Year ended June 30, 2019**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental				
Federal direct	\$ 642,184	\$ 841,471	\$ 1,126,348	\$ 284,877
Federal through state and local	1,000,000	2,588,590	24,794,784	22,206,194
State	128,576,444	119,993,874	119,566,833	(427,041)
Local				
Property taxes	81,415,632	81,415,632	82,131,196	715,564
Payments in lieu of taxes	-	-	107,901	107,901
Charges for services	2,129,029	3,650,752	3,650,752	-
Rental income	-	31,678	31,678	-
Interest income	350,000	350,000	1,604,225	1,254,225
Miscellaneous	675,000	5,047,190	5,563,498	516,308
Total revenues	214,788,289	213,919,187	238,577,215	24,658,028
<b>Expenditures</b>				
Current - education				
Instructional services	161,098,648	160,387,485	146,551,104	13,836,381
Pupil services	8,617,236	8,548,827	8,103,663	445,164
Instructional media services	2,777,815	2,658,291	2,410,122	248,169
Instructional and curriculum development services	3,462,885	3,734,040	3,304,477	429,563
Instructional staff training services	1,473,217	1,634,355	1,339,628	294,727
Instruction related technology	1,724	2,141	321	1,820
School board	900,847	902,047	906,871	(4,824)
General administrative services	664,219	757,118	752,252	4,866
School administrative services	14,054,940	14,556,894	14,242,996	313,898
Facilities acquisition and construction	705,894	60,247,526	56,200,456	4,047,070
Fiscal services	1,793,467	1,798,054	1,614,338	183,716
Central services	1,824,946	2,514,032	3,481,541	(967,509)
Pupil transportation services	8,414,882	8,730,861	8,311,261	419,600
Plant operations	18,222,602	17,693,470	15,609,990	2,083,480
Maintenance services	5,310,114	5,251,374	4,594,568	656,806
Administrative technology services	3,534,960	3,663,019	3,166,655	496,364
Community services	2,089,046	2,767,868	2,298,031	469,837
Capital outlay	1,898,384	65,443,428	11,133,381	54,310,047
Total current	236,845,826	361,290,830	284,021,655	77,269,175
Excess (deficit) of revenues over (under) expenditures	(22,057,537)	(147,371,643)	(45,444,440)	101,927,203
Other financing sources (uses)				
Insurance proceeds	-	123,230,074	100,000,000	(23,230,074)
Transfers in	2,106,547	4,366,044	3,670,593	(695,451)
Total other financing sources (uses)	2,106,547	127,596,118	103,670,593	(23,925,525)
Net changes in fund balance	(19,950,990)	(19,775,525)	58,226,153	78,001,678
Fund balance - beginning	26,456,662	26,456,662	26,456,662	-
Fund balance - ending	\$ 6,505,672	\$ 6,681,137	\$ 84,682,815	\$ 78,001,678

See independent auditors' report.

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

<b>June 30,</b>	<b>2019</b>	<b>2018</b>
<b>Total OPEB liability</b>		
Service cost	\$ 517,021	\$ 492,401
Interest	153,279	146,872
Changes in benefit terms	-	-
Differences between expected and actual experience	-	-
Changes in assumptions	-	-
Benefit payments/refunds	(448,904)	(415,652)
Net change in OPEB liability	221,396	223,621
Total OPEB liability - beginning	5,075,461	4,851,840
<b>Total OPEB liability - ending (a)</b>	<b>\$ 5,296,857</b>	<b>\$ 5,075,461</b>
<b>Plan fiduciary net position</b>		
Contributions - employer	\$ 448,904	\$ 415,652
Benefit payments/refunds	(448,904)	(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>-</b>
<b>Net OPEB liability - ending (a) - (b)</b>	<b>\$ 5,296,857</b>	<b>\$ 5,075,461</b>
Plan fiduciary net position as a percentage of the total OPEB liability	0%	0%
Covered-employee payroll	\$ 95,658,624	\$ 91,979,446
Net OPEB liability as a percentage of covered-employee payroll	5.5%	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 Employer Contributions for the Retirees' Health Insurance –**  
**Other Postemployment Benefits**

<b>June 30,</b>	<b>2019</b>	<b>2018</b>
Contractually required contribution	\$ 873,223	\$ 820,456
Contributions in relation to the contractually required contribution	(448,904)	(415,652)
<b>Contribution deficiency/(excess)</b>	<b>\$ 424,319</b>	<b>\$ 404,804</b>
District's covered-employee payroll	\$ 95,658,624	\$ 91,979,446
Contributions as a percentage of covered-employee payroll	0.5%	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.

See independent auditors' report.

**Bay County District School Board**  
**Schedule of the District's Proportionate Share of the Net Pension Liability –**  
**Florida Retirement System**  
**June 30, 2019**

<b>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>
District's proportion of the net pension liability	0.273873916%	0.277793791%	0.288077399%	0.313827488%	0.317902372%	0.310217062%	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability	\$ 82,492,243	\$ 82,197,743	\$ 72,739,769	\$ 40,535,029	\$ 19,396,720	\$ 53,402,163	N/A	N/A	N/A	N/A
District's covered payroll	\$ 125,344,151	\$ 124,140,536	\$ 123,114,770	\$ 122,615,413	\$ 119,580,531	\$ 115,355,362	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability as a percentage of its covered payroll	65.81%	66.21%	59.08%	33.06%	16.22%	46.29%	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	84.26%	83.89%	84.88%	92.00%	96.09%	88.54%	N/A	N/A	N/A	N/A

\* Disclosures for 2009 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, 2019**

<b>Year ended June 30,</b>	<b>2019</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>
Contractually required contribution	\$ 8,127,318	\$ 7,805,187	\$ 7,231,656	\$ 7,025,227	\$ 7,651,381	\$ 6,963,411	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(8,127,318)	(7,805,187)	(7,231,656)	(7,025,227)	(7,651,381)	(6,963,411)	N/A	N/A	N/A	N/A
<b>Contribution deficiency/(excess)</b>	<b>\$ -</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>
District's covered payroll	\$121,280,909	\$125,344,151	\$124,140,536	\$123,114,770	\$122,615,413	\$119,580,531				
Contributions as a percentage of covered payroll	6.70%	6.23%	5.83%	5.71%	6.24%	5.82%	N/A	N/A	N/A	N/A

\* Disclosures for 2010 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, 2019**

<b>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>
District's proportion of the net pension liability	0.383751553%	0.389354110%	0.398717000%	0.404026266%	0.402468985%	0.396940621%	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability	\$ 40,616,695	\$ 41,631,538	\$ 46,468,815	\$ 41,204,324	\$ 37,631,832	\$ 34,558,900	N/A	N/A	N/A	N/A
District's covered payroll	\$125,344,151	\$124,140,536	\$123,114,770	\$122,615,413	\$119,580,531	\$115,355,362	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability as a percentage of its covered payroll	32.40%	33.54%	37.74%	33.60%	31.47%	29.96%	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	2.15%	1.64%	0.97%	0.50%	0.99%	1.78%	N/A	N/A	N/A	N/A

\* Disclosures for 2009 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, 2019**

<b>Year ended June 30,</b>	<b>2019</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>
Contractually required contribution	\$ 2,013,263	\$ 2,081,094	\$ 2,060,574	\$ 2,043,679	\$ 1,544,440	\$ 1,378,723	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(2,013,263)	(2,081,094)	(2,060,574)	(2,043,679)	(1,544,440)	(1,378,723)	N/A	N/A	N/A	N/A
<b>Contribution deficiency/(excess)</b>	<b>\$ -</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>
District's covered payroll	\$121,280,909	\$125,344,151	\$124,140,536	\$123,114,770	\$122,615,413	\$119,580,531				
Contributions as a percentage of covered payroll	1.66%	1.66%	1.66%	1.66%	1.26%	1.15%	N/A	N/A	N/A	N/A

\* Disclosures for 2010 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, 2019**

	SBE/COBI Bonds Fund	Public Education Capital Outlay Fund	Capital Outlay and Debt Service Fund	Food Service Fund	Other Federal Programs Fund	Total Other Governmental Funds
<b>Assets</b>						
Cash and cash equivalents	\$ 1,021	\$ -	\$ 449,981	\$ 3,134,085	\$ 117,013	\$ 3,702,100
Due from other agencies	-	67,973	17,251	56,251	959,006	1,100,481
Due from other funds	-	250,000	889,543	-	296	1,139,839
Inventories	-	-	-	153,385	-	153,385
<b>Total assets</b>	<b>\$ 1,021</b>	<b>\$ 317,973</b>	<b>\$ 1,356,775</b>	<b>\$ 3,343,721</b>	<b>\$ 1,076,315</b>	<b>\$ 6,095,805</b>
<b>Liabilities and fund balance</b>						
<b>Liabilities</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ 205,754	\$ 128,729	\$ 334,483
Accrued expenses	-	-	-	-	18,151	18,151
Due to other agencies	-	-	-	-	14,399	14,399
Due to other funds	-	14,625	-	-	915,036	929,661
Unearned revenue	-	-	-	38,107	-	38,107
<b>Total liabilities</b>	<b>-</b>	<b>14,625</b>	<b>-</b>	<b>243,861</b>	<b>1,076,315</b>	<b>1,334,801</b>
<b>Fund balance</b>						
<b>Nonspendable</b>						
Inventories	-	-	-	153,385	-	153,385
<b>Restricted</b>						
Food service	-	-	-	2,946,475	-	2,946,475
Debt service	1,021	-	-	-	-	1,021
Capital projects	-	303,348	1,356,775	-	-	1,660,123
<b>Total fund balances</b>	<b>1,021</b>	<b>303,348</b>	<b>1,356,775</b>	<b>3,099,860</b>	<b>-</b>	<b>4,761,004</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,021</b>	<b>\$ 317,973</b>	<b>\$ 1,356,775</b>	<b>\$ 3,343,721</b>	<b>\$ 1,076,315</b>	<b>\$ 6,095,805</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, 2019**

	SBE/COBI Bonds Fund	Public Education Capital Outlay Fund	Capital Outlay and Debt Service Fund	Food Service Fund	Other Federal Programs Fund	Total Other Governmental Funds
<b>Revenues</b>						
Intergovernmental						
Federal direct	\$ -	\$ -	\$ -	\$ -	1,120,114	\$ 1,120,114
Federal through state and local	-	-	-	7,508,495	15,455,544	22,964,039
State	92,154	4,024,636	893,110	109,602	-	5,119,502
Local						
Charges for services	-	-	-	631,724	-	631,724
Interest income	-	-	2	60,139	-	60,141
Miscellaneous	-	-	-	12,670	-	12,670
<b>Total revenues</b>	<b>92,154</b>	<b>4,024,636</b>	<b>893,112</b>	<b>8,322,630</b>	<b>16,575,658</b>	<b>29,908,190</b>
<b>Expenditures</b>						
Current - education						
Instructional services	-	-	-	-	8,961,028	8,961,028
Pupil services	-	-	-	-	2,060,858	2,060,858
Instructional media services	-	-	-	-	28,513	28,513
Instructional and curriculum development services	-	-	-	-	1,820,766	1,820,766
Instructional staff training services	-	-	-	-	1,517,246	1,517,246
Instruction related technology	-	-	-	-	107,775	107,775
School board	-	-	-	-	7,500	7,500
General administrative services	-	-	-	-	547,285	547,285
School administrative services	-	-	-	-	47,500	47,500
Facilities acquisition and construction	-	50,183	-	-	-	50,183
Food services	-	-	-	7,848,222	-	7,848,222
Central services	-	-	-	-	21,155	21,155
Pupil transportation services	-	-	-	-	13,990	13,990
Community services	-	-	-	-	1,120,114	1,120,114

(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, 2019**

	SBE/COBI Bonds Fund	Public Education Capital Outlay Fund	Capital Outlay and Debt Service Fund	Food Service Fund	Other Federal Programs Fund	Total Other Governmental Funds
Capital outlay	\$ -	\$ 896,469	\$ 108,519	\$ 1,689,951	\$ 321,928	\$ 3,016,867
Debt service						
Principal	92,000	-	-	-	-	92,000
Interest and fiscal charges	6,262	-	942	-	-	7,204
<b>Total expenditures</b>	<b>98,262</b>	<b>946,652</b>	<b>109,461</b>	<b>9,538,173</b>	<b>16,575,658</b>	<b>27,268,206</b>
<b>Excess (deficit) of revenues over (under) expenditures</b>	<b>(6,108)</b>	<b>3,077,984</b>	<b>783,651</b>	<b>(1,215,543)</b>	<b>-</b>	<b>2,639,984</b>
<b>Other financing uses</b>						
Transfers out	-	(2,774,636)	-	-	-	(2,774,636)
<b>Total other financing uses</b>	<b>-</b>	<b>(2,774,636)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,774,636)</b>
<b>Net changes in fund balances</b>	<b>(6,108)</b>	<b>303,348</b>	<b>783,651</b>	<b>(1,215,543)</b>	<b>-</b>	<b>(134,652)</b>
<b>Fund balances - beginning</b>	<b>7,129</b>	<b>-</b>	<b>573,124</b>	<b>4,315,403</b>	<b>-</b>	<b>4,895,656</b>
<b>Fund balances - ending</b>	<b>\$ 1,021</b>	<b>\$ 303,348</b>	<b>\$ 1,356,775</b>	<b>\$ 3,099,860</b>	<b>\$ -</b>	<b>\$ 4,761,004</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, 2019. 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, 2019.

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 31, 2020



**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, 2019, and have issued our report thereon dated March 31, 2020.

**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 31, 2020, 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**

2018-19 FY Finding No.	2017-18 FY Finding No.	2016-17 FY Finding No.
2019-001	2018-001	2017-001

## **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.

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

Certified Public Accountants  
Panama City Beach, Florida  
March 31, 2020

**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, 2019, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 31, 2020. 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 (internal control) 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 entity'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. We did identify a certain deficiency in internal controls, described in the accompanying schedule findings and questioned costs as financial statement finding 2019-001 to be a material weakness.

### **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 Response to Finding**

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

### **Purpose of This Report**

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

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

Certified Public Accountants  
Panama City Beach, Florida  
March 31, 2020

## **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, 2019. 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, 2019.

## 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 31, 2020

**Bay County District School Board**  
**Schedule of Expenditures of Federal Awards**  
**Year ended June 30, 2019**

<b>Federal Awards Programs</b>	<b>CFDA Number</b>	<b>Contract/ Grant Number</b>	<b>Expenditures</b>	<b>Passed Through to Subrecipients</b>
U. S. Department of Agriculture				
Indirect				
Child Nutrition Cluster				
Passed through the Florida Department of Agriculture and Consumer Services				
School Breakfast Program	10.553	321	\$ 1,352,851	\$ -
National School Lunch Program	10.555	300, 350	5,021,968	-
National School Lunch Program	10.555 (2)(A)	N/A	666,614	-
Summer Food Service Program for Children	10.559	323, 325	128,366	-
<b>Total Child Nutrition Cluster</b>			<b>7,169,799</b>	<b>-</b>
Passed through the Florida Department of Agriculture and Consumer Services				
Child and Adult Care Food Program	10.558	N/A	338,697	-
<b>Total U.S. Department of Agriculture</b>			<b>7,508,496</b>	<b>-</b>
U.S. Department of Education				
Direct				
Student Financial Assistance Cluster				
Federal Pell Grant Program	84.063	N/A	1,069,533	-
<b>Total Student Financial Assistance Cluster</b>			<b>1,069,533</b>	<b>-</b>
Impact Aid	84.041	N/A	783,286	116,229
<b>Total Direct</b>			<b>1,852,819</b>	<b>116,229</b>
Indirect				
Passed through the Florida Department of Education				
Special Education Cluster				
Special Education - Grants to States	84.027	263	5,794,679	-
Special Education - Preschool Grants	84.173	267	192,472	-
<b>Total Special Education Cluster</b>			<b>5,987,151</b>	<b>-</b>
		212, 222, 223,		
Title I Grants to Local Educational Agencies	84.010	226, 228	6,969,819	115,961
Adult Education - Basic Grants to States	84.002	191	331,088	-
Career and Technical Education - Basic Grants to States	84.048	161	478,439	-
Education for Homeless Children and Youth	84.196	127	100,804	-
Charter schools	84.282	N/A	441,509	-
Safe Schools Act	84.287A	N/A	3,210	-
English Language Acquisition Grants	84.365	102	223,778	-
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	224	608,286	-
Student Support and Academic Enrichment Program	84.424	N/A	314,671	-
<b>Total Indirect</b>			<b>15,458,755</b>	<b>115,961</b>
<b>Total U.S. Department of Education</b>			<b>17,311,574</b>	<b>232,190</b>

(Continued)

See independent auditors' report.

**Bay County District School Board**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**Year ended June 30, 2019**

<b>Federal Awards Programs</b>	<b>CFDA Number</b>	<b>Contract/ Grant Number</b>	<b>Expenditures</b>	<b>Passed Through to Subrecipients</b>
U.S. Department of Health and Human Services				
Indirect				
Passed through Gulf Coast State College				
Teenage Pregnancy Prevention Program	93.297	N/A	\$ 99,689	\$ -
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 Human Services			249,689	-
U.S. Department of Homeland Security				
Indirect				
Passed through Florida Executive Office of the Governor				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	N/A	23,230,074	-
Passed through Florida Department of Education				
Homeland Security Grant Program	97.067	532	192,905	156,066
Total U.S. Department of Homeland Security			23,422,979	156,066
U.S. Department of Defense				
Direct				
Army Junior Reserve Officers Training Corps	12.U01	N/A	60,006	-
Marine Corps Junior Reserve Officers Training Corps	12.U02	N/A	65,896	-
Navy Junior Reserve Officers Training Corps	12.U03	N/A	68,912	-
Air Force Junior Reserve Officers Training Corps	12.U04	N/A	148,248	-
Total U.S. Department of Defense			343,062	-
Total expenditures of federal awards			\$ 48,835,800	\$ 388,256

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, 2019. 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.

(Continued)

See independent auditors' report.





**Bay County District School Board**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**Year ended June 30, 2019**

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 \$666,614 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-2017-0003 of \$119,092, 19-FL-2018-0003 of \$165,127, and 19-FL-2019-0003 of \$434,695. The remaining \$64,372 is related to impact aid received due to displaced students.
6. Charter schools - The schedule includes \$441,509 that was subsequently passed down to Palm Bay Education Group, Inc.

See independent auditors' report.

**Bay County District School Board**  
**Schedule of Findings and Questioned Costs**  
**Year ended June 30, 2019**

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

Financial Statements

- |   |            |
|---|------------|
| 1. Type of auditors' report issued  | Unmodified |
| 2. Internal control over financial reporting  |            |
| a. Material weakness(es) identified?  | Yes        |
| b. Significant deficiency(ies) identified not considered to be material weaknesses? | No         |
| c. Noncompliance material to the financial statements noted?                        | No         |

Federal Awards

- |   |            |
|---|------------|
| 1. Type of auditors' report issued on compliance for major programs                                   | Unmodified |
| 2. Internal control over major programs   |            |
| a. Material weakness(es) identified?  | No         |
| b. Significant deficiency(ies) identified not considered to be material weaknesses?                   | No         |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No         |

4. Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Award</u>
84.027 & 84.173	Special Education Cluster (IDEA)-Cluster
84.367	Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)

- |   |             |
|---|-------------|
| 5. Dollar threshold used to distinguish between Type A and Type B programs: | \$1,465,074 |
| 6. Auditee qualified as low-risk auditee under 2 CFR 200.520?               | Yes         |

(Continued)

**Bay County District School Board**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year ended June 30, 2019**

**Section II – Financial Statement Findings**

2019-001 Financial Reporting (prior year 2018-001) (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: Various adjustments were identified during the audit which were required to properly report activity in accordance with GAAP. Summarized below are the significant adjustments identified.

- The District's year-end accrued expenses were understated by \$3.274 million.
- Property taxes of \$750 thousand were not allocated between funds properly.
- Cash of \$248 thousand held in escrow was not properly reported as restricted cash.
- Donated land of \$675 thousand was not properly reported.

Cause: During fiscal years 2018 and 2019, there was a change in personnel, with the transition of responsibilities happening over an extended period of time. Fiscal year 2019 was the first year where the new Manager of Financial Services prepared most of the financial statements with less involvement from the Chief Financial Officer, who had prepared the financial statements in the past. Fiscal year 2019 also included additional difficulties and activity related to Hurricane Michael, which resulted in a failure to identify certain adjustments.

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

Recommendation: The District should improve internal control procedures to ensure that financial statement account balances and transactions are properly reported and reviewed throughout the year and at year-end.

Views of Responsible Officials of the Auditee: The district will continue to improve their reporting processes as staff gain experience.

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

There were no federal awards findings.

**Bay County District School Board**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year ended June 30, 2019**

**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 finding 2019-001 in the financial statement findings section above.

<b>Prior Year/ Current Year Finding No.</b>	<b>Program/Area</b>	<b>Brief Description</b>	<b>Status</b>	<b>Comments</b>
2018-001/ 2019-001	Financial Statement/Financial Reporting	The District's financial reporting needs improvement to ensure financial statement account balances and transactions are properly reported.	Not Corrected	The District continues to work on improving their financial reporting processes.
2018-002	Child Nutrition Cluster/Special Tests and Provisions – Net Cash Resources	Contrary to federal regulations, the District maintained excess net cash resources in the District's food service program.	Corrected	Control deficiencies related to findings were corrected in FY 2018-2019



**WILLIAM V. HUSFELT III**

**SUPERINTENDENT**

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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

## **CORRECTIVE ACTION PLAN**

March 31, 2020

### **Bay County District School Board Management's Corrective Action Plans For the Fiscal Year Ended June 30, 2019**

***Finding Number: 2019-001***

***Planned Corrective Action:***

The District will continue to improve their reporting processes as staff gain experience.

**Anticipated Completion Date: 9/11/2020**

**Responsible Contact Person: Melissa South**

A handwritten signature in blue ink, appearing to read "W. Husfelt", written over a horizontal line.

William V. Husfelt, III

Superintendent of Schools