



Bay County District School Board

Financial Statements

June 30, 2022

BOARD MEMBERS AND SUPERINTENDENT

Board members and the Superintendent who served during the 2021-2022 fiscal year are listed below:

	District No.
Jerry Register, Vice-chairman	1
Ann Leonard	2
Chris Moore	3
Winston Chester	4
Steve Moss, Chair	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 Audit of the Financial Statements

Opinions

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, 2022, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2022, 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.

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 41 percent, 51 percent, and 39 percent, respectively, of the assets and deferred outflows of resources, net position, and revenues of the discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Palm Bay Preparatory Academy, Palm Bay Preparatory Elementary Academy, Central High School (charter schools under the Palm Bay Education Group, Inc.), Chautauqua Charter School, Inc., Community Charter Academy, Inc., Rising Leaders Academy, Inc., and the Bay Education Foundation, Inc., are based solely on the reports of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet

our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in note 2, the District has implemented GASB Statement No. 87, *Leases*, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. As such a lessee is required to recognize a lease liability and an intangible right-to-use lease asset. Implementation of this standard had no effect on beginning fund balance or beginning net position. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13, budgetary comparison information on pages 86 through 88, the schedules of other postemployment benefits on pages 89 and 90, and the schedules of defined benefit pension plans on pages 91 through 98, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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 accompanying combining fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial 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, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, 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.

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

Certified Public Accountants
Panama City Beach, Florida
March 31, 2023

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 2021-2022 fiscal year are as follows:

- The District's total net position increased by \$60,153,441, or 23 percent. The increase is mainly due to additional grant funding and increases in property taxes and sales taxes.
- During fiscal year 2022, general fund expenditures exceeded revenues and other financing sources by \$2,211,854. This may be compared to the prior year's results in which general fund revenues, including other financing sources, exceeded expenditures, including other financing uses, by \$20,702,685. The decrease in the current year is due in part to a decrease in income related to Hurricane Michael of about \$17 million and a transfer from the general fund to the capital projects – other fund for approximately \$6 million.
- At the end of fiscal year 2022, unassigned fund balance of the general fund was \$31,205,299 or 13 percent of total general fund expenditures.
- See note 2 in the notes to financial statements related to a change in accounting principles required due to implementation of GASB Statement No. 87, *Leases*.

Nonfinancial Highlights

- For the first time in several years, the District didn't have any shut downs related to Hurricane Michael or from Covid-19.
- The District continues to recover from Hurricane Michael through several construction projects. Oscar Patterson Academy is one of the schools that were closed after Hurricane Michael and had gone through extensive renovations. It is schedule to reopen in August 2023.
- The District opened a new elementary school, A. Gary Walsingham Academy, to aid in the increase of students in Panama City Beach.
- Sites for new schools are being planned as well as additions to existing facilities in order to handle to projected growth in students.

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 this management's discussion and analysis; schedule of revenues, expenditures and changes in fund balances – budget and actual – general fund and Federal Education Stabilization fund; schedules of other postemployment benefits and defined benefit pension plans; and notes to requirement supplementary information. Other supplementary information includes combining statements and the schedule of expenditures of federal awards.

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 in accordance with 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

One of the components of the basic financial statements is the fund 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.

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 \$319,048,236 at the close of the most recent fiscal year. The following is a summary of the District’s net position as of June 30, 2022, compared to net position as of June 30, 2021:

	Net Position					
	Governmental Activities		Business-type Activities		Total	
<i>June 30,</i>	2022	2021	2022	2021	2022	2021
Current and other assets	\$226,844,123	\$237,751,623	\$ 4,662,088	\$ 4,078,835	\$231,506,211	\$241,830,458
Capital assets, net	355,592,430	323,243,202	14,917	17,426	355,607,347	323,260,628
Total assets	582,436,553	560,994,825	4,677,005	4,096,261	587,113,558	565,091,086
Deferred outflows of resources	52,113,252	50,624,346	408,113	393,461	52,521,365	51,017,807

(Continued)

<i>June 30,</i>	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current liabilities	\$ 24,064,346	\$ 31,039,295	\$ 297,807	\$ 184,602	\$ 24,362,153	\$ 31,223,897
Noncurrent liabilities	208,686,664	307,653,436	773,990	1,438,267	209,460,654	309,091,703
Total liabilities	232,751,010	338,692,731	1,071,797	1,622,869	233,822,807	340,315,600
Deferred inflows of resources	86,061,092	16,761,620	702,788	136,878	86,763,880	16,898,498
Net position						
Net investment in capital assets	240,920,565	223,283,318	14,917	17,426	240,935,482	223,300,744
Restricted	82,986,563	77,210,964	-	-	82,986,563	77,210,964
Unrestricted (deficit)	(8,169,425)	(44,329,462)	3,295,616	2,712,549	(4,873,809)	(41,616,913)
Total net position	\$315,737,703	\$256,164,820	\$ 3,310,533	\$ 2,729,975	\$319,048,236	\$258,894,795

By far, the largest portion (76%) 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 (26%) represents resources that are subject to external restrictions on how they may be used.

The balance of deficit unrestricted net position is primarily the result of accruing long-term liabilities.

The key elements of the changes in the District's net position for the fiscal years ended June 30, 2022, and 2021, are as follows:

Changes in Net Position

<i>Year ended June 30,</i>	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Program revenues						
Charges for services	\$ 12,137,098	\$ 9,654,215	\$1,981,712	\$2,240,617	\$ 14,118,810	\$ 11,894,832
Operating grants/ contributions	12,007,159	7,649,794	-	-	12,007,159	7,649,794
Capital grants/ contributions	3,656,723	3,597,960	-	-	3,656,723	3,597,960
General revenues						
Property taxes, levied for operational purposes	88,454,594	81,645,631	-	-	88,454,594	81,645,631
Property taxes, levied for capital projects	30,522,634	27,404,188	-	-	30,522,634	27,404,188

(Continued)

<i>Year ended June 30,</i>	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Local sales taxes	\$ 31,871,765	\$ 26,109,097	\$ -	\$ -	\$ 31,871,765	\$ 26,109,097
Intergovernmental, grants and contributions not restricted to specific purposes, and local sources	188,701,313	200,524,811	-	-	188,701,313	200,524,811
Unrestricted investment earnings	435,518	269,263	10,610	8,325	446,128	277,588
Miscellaneous	11,200,831	6,588,976	-	-	11,200,831	6,588,976
Total revenues	378,987,635	363,443,935	1,992,322	2,248,942	380,979,957	365,692,877
Functions/program expenses						
Instructional services	167,711,555	171,273,425	-	-	167,711,555	171,273,425
Pupil services	16,610,648	18,259,417	-	-	16,610,648	18,259,417
Instructional media services	2,664,473	2,295,069	-	-	2,664,473	2,295,069
Instructional and curriculum development services	6,529,443	7,487,243	-	-	6,529,443	7,487,243
Instructional staff training services	2,870,912	3,466,757	-	-	2,870,912	3,466,757
Instruction related technology	1,196,606	177,477	-	-	1,196,606	177,477
School board	941,203	1,089,724	-	-	941,203	1,089,724
General administration services	1,164,074	2,423,457	-	-	1,164,074	2,423,457
School administration services	14,339,023	15,012,545	-	-	14,339,023	15,012,545
Facilities acquisition and construction	14,495,942	14,324,936	-	-	14,495,942	14,324,936
Fiscal services	1,936,137	1,849,176	-	-	1,936,137	1,849,176
Food services	9,939,064	8,404,781	-	-	9,939,064	8,404,781
Central services	9,698,907	8,219,600	-	-	9,698,907	8,219,600
Pupil transportation services	10,295,009	9,138,735	-	-	10,295,009	9,138,735
Plant operations	18,144,339	18,546,921	-	-	18,144,339	18,546,921
Maintenance services	5,259,828	5,368,010	-	-	5,259,828	5,368,010
Administrative technology services	3,481,568	3,920,702	-	-	3,481,568	3,920,702
Community services	4,846,899	2,596,944	-	-	4,846,899	2,596,944
Unallocated interest on long-term debt	3,326,852	3,939,527	-	-	3,326,852	3,939,527
Unallocated depreciation and amortization	23,032,560	21,514,238	-	-	23,032,560	21,514,238
Loss on disposal of assets	929,710	1,043,326	-	-	929,710	1,043,326

(Continued)

Year ended June 30,	Governmental		Business-type		Total	
	2022	2021	2022	2021	2022	2021
Beacon Learning Center	\$ -	\$ -	\$1,411,764	\$1,988,064	\$ 1,411,764	\$ 1,988,064
Total functions/program expenses	319,414,752	320,352,010	1,411,764	1,988,064	320,826,516	322,340,074
Change in net position	59,572,883	43,091,925	580,558	260,878	60,153,441	43,352,803
Net position - beginning (as originally reported)	256,164,820	210,226,073	2,729,975	2,469,097	258,894,795	212,695,170
Restatement adjustment/prior period adjustment	-	2,846,822	-	-	-	2,846,822
Net position - beginning (as restated)	256,164,820	213,072,895	2,729,975	2,469,097	258,894,795	215,541,992
Net position - ending	\$315,737,703	\$256,164,820	\$3,310,533	\$2,729,975	\$ 319,048,236	\$258,894,795

The increase in revenues of \$15,287,080 (4%) is due mainly to an overall increase in property taxes and local sales taxes. Twenty-three percent of total governmental activities' revenues were generated from property taxes levied for operational purposes and fifty percent were generated from grants and contributions not restricted to specific programs.

Instructional expenses represents 53% of total governmental expenses for the 2022 fiscal year. Instructional expenses decreased by \$3,561,870 or 2 percent, from the prior fiscal year, due mainly to lower staffing level and an increase in unfilled positions.

Business-type activities' charges for services provided substantially all of the revenues for business-type activities.

Financial Analysis of the District's Funds

Governmental Funds

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

The total fund balances of governmental funds increased by \$4,286,501 during the fiscal year to \$164,270,342 at June 30, 2022. The fund balance is nonspendable, restricted, assigned, or unassigned to indicate that it is (1) not in spendable form (\$1,185,155), (2) restricted for particular purposes (\$82,986,563), (3) assigned for particular purposes (\$48,893,325), or (4) unassigned \$31,205,299.

Major Governmental Funds

The general fund is the District's chief operating fund. As of June 30, 2022, unassigned fund balance was \$31,205,299, while the total fund balance was \$86,295,151. As of June 30, 2022 total assets were \$98,085,714 and total liabilities and deferred inflows of resources were \$11,790,563. Total fund balance decreased by \$2,211,854 during the current fiscal year. Key factors impacting the change in fund balance include transfers out to capital projects – other fund of \$5,910,988.

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 \$6,335 at June 30, 2022.

The Federal Education Stabilization fund had a total fund balance of \$0 at June 30, 2022.

The capital projects – other fund had a total fund balance of \$49,612,289 at June 30, 2022, all of which is restricted for capital projects. The \$2,929,264 increase in fund balance from prior year is primarily related to transfers from the general fund.

Proprietary Funds

Unrestricted net position of the enterprise fund – Beacon Learning Center was \$3,295,616 at June 30, 2022, while total net position was \$3,310,533.

Internal Service Fund

Unrestricted net position of the internal service fund was \$18,725,342 at June 30, 2022.

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.

During the 2021-2022 fiscal year, the District amended its general fund budget several times, which resulted in an increase in total budgeted revenues of \$23,624,682 or 11 percent. For the year ended June 30, 2022, actual revenues were \$2,860,032 more than the final budgeted amounts, while actual expenditures were \$68,426,595 less than the final budgeted amounts. The ending fund balance exceeded the final amended budgeted fund balance by \$71,066,733.

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, 2022, was \$355,592,430 and \$14,917, respectively (net of accumulated depreciation). This investment in capital assets includes land; construction in progress; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; and audio visual materials and computer software. The net increase in capital assets for the current fiscal year was \$32,346,719, or 10

percent, including the addition of \$338,963 addition of right-to-use lease assets added to the beginning balance as a result of a change in accounting principle as described in note 2.

Major capital asset events included the following:

- The District continues its recovery from Hurricane Michael through several construction projects.
- Oscar Patterson Academy is one of the schools that were closed after Hurricane Michael and has gone through extensive renovations. It is schedule to reopen in August 2023.
- At June 30, 2022, construction in progress includes several construction projects as further discussed in the notes to financial statements.

Additional information on the District's capital assets can be found in note 5 to the financial statements.

Debt Administration

At June 30, 2022, the District had total long-term debt outstanding of \$209,460,654. This amount is comprised of \$12,161,967 of accrued compensated absences, \$14,836,053 of estimated insurance claims payable, \$3,764,884 of other postemployment benefits liabilities, \$65,484,019 of net pension liability, \$297,155 in lease liability, \$1,053,000 in notes payable, and \$111,863,576 of certificates of participation net unamortized premiums.

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, 2022

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Current assets				
Cash and cash equivalents	\$ 186,346,461	\$ 4,689,581	\$ 191,036,042	\$ 22,905,225
Investments	-	-	-	1,075,260
Restricted investments	-	-	-	5,072,852
Accounts receivable, net	227,462	33,380	260,842	1,194,865
Internal balances	60,998	(60,998)	-	-
Due from other agencies	17,081,009	125	17,081,134	1,804,702
Prepays	3,300,996	-	3,300,996	329,082
Restricted cash	17,749,368	-	17,749,368	-
Inventories	1,185,155	-	1,185,155	10,453
Other current assets	892,674	-	892,674	1,012,799
Total current assets	226,844,123	4,662,088	231,506,211	33,405,238
Noncurrent assets				
Capital assets				
Nondepreciable	101,273,656	-	101,273,656	6,553,598
Depreciable, net	254,026,448	14,917	254,041,365	71,826,428
Right-to-use lease assets, net	292,326	-	292,326	284,868
Total noncurrent assets	355,592,430	14,917	355,607,347	78,664,894
Total assets	582,436,553	4,677,005	587,113,558	112,070,132
Deferred outflows of resources				
Deferred loss on debt refunding	2,137,009	-	2,137,009	-
Deferred outflows related to pensions	49,426,156	403,621	49,829,777	9,336,960
Deferred outflows related to other postemployment benefits	550,087	4,492	554,579	-
Total deferred outflows of resources	52,113,252	408,113	52,521,365	9,336,960
Total assets and deferred outflows of resources	634,549,805	5,085,118	639,634,923	121,407,092
Liabilities				
Current liabilities				
Accounts payable	8,496,235	21,386	8,517,621	1,931,785
Accrued expenses	3,530,562	9,843	3,540,405	589,205
Construction contracts payable - retainage	1,305,903	-	1,305,903	634,155
Due to other agencies	30,883	-	30,883	252,991
Unearned revenue	197,851	266,578	464,429	405,072
Matured certificates of participation payable	8,704,500	-	8,704,500	-
Matured interest payable	1,798,412	-	1,798,412	519,107
Total current liabilities	24,064,346	297,807	24,362,153	4,332,315

(Continued)

See accompanying notes.

Bay County District School Board
Statement of Net Position (Continued)
June 30, 2022

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Noncurrent liabilities				
Due within one year				
Certificates of participation payable	\$ 9,589,897	\$ -	\$ 9,589,897	\$ -
Accrued compensated absences	2,389,779	42,615	2,432,394	255,734
Financed purchase liability	-	-	-	106,817
Bonds payable	-	-	-	610,000
Notes payable	1,053,000	-	1,053,000	713,801
Lease liability	184,117	-	184,117	182,920
Net pension liability	224,442	-	224,442	-
Estimated insurance claims payable	6,567,627	-	6,567,627	-
Due in more than one year				
Certificates of participation payable	102,273,679	-	102,273,679	-
Accrued compensated absences	9,559,114	170,459	9,729,573	124,502
Financed purchase liability	-	-	-	244,165
Bonds payable	-	-	-	32,793,404
Notes payable	-	-	-	10,015,826
Lease liability	113,038	-	113,038	105,862
Net pension liability	64,729,156	530,421	65,259,577	10,598,172
Unearned contribution	-	-	-	4,700,521
Estimated insurance claims payable	8,268,426	-	8,268,426	-
Other postemployment benefits liability	3,734,389	30,495	3,764,884	-
Total noncurrent liabilities	208,686,664	773,990	209,460,654	60,451,724
Total liabilities	232,751,010	1,071,797	233,822,807	64,784,039
Deferred inflows of resources				
Deferred inflows related to pensions	83,971,644	685,725	84,657,369	11,726,119
Deferred inflows related to other postemployment benefits	2,089,448	17,063	2,106,511	-
Total deferred inflows of resources	86,061,092	702,788	86,763,880	11,726,119
Total liabilities and deferred inflows of resources	318,812,102	1,774,585	320,586,687	76,510,158
Net position				
Net investment in capital assets	240,920,565	14,917	240,935,482	30,894,278
Restricted				
State required carryover programs	5,273,759	-	5,273,759	-
Debt service	6,335	-	6,335	-
Capital projects	69,005,090	-	69,005,090	-
Food service	4,828,347	-	4,828,347	-
Other purposes	3,873,032	-	3,873,032	5,820,274
Unrestricted (deficit)	(8,169,425)	3,295,616	(4,873,809)	8,182,382
Total net position	\$ 315,737,703	\$ 3,310,533	\$ 319,048,236	\$ 44,896,934

See accompanying notes.

Bay County District School Board
Statement of Activities
Year ended June 30, 2022

Functions/Programs	Net (Expenses)/Revenues and Changes in Net Position							Component Units
	Expenses	Program Revenues			Primary Government			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
Instructional services	\$ 167,711,555	\$ 1,735,384	\$ -	\$ -	\$ (165,976,171)	\$ -	\$ (165,976,171)	\$ -
Pupil services	16,610,648	-	-	-	(16,610,648)	-	(16,610,648)	-
Instructional media services	2,664,473	-	-	-	(2,664,473)	-	(2,664,473)	-
Instructional and curriculum development services	6,529,443	-	-	-	(6,529,443)	-	(6,529,443)	-
Instructional staff training services	2,870,912	-	-	-	(2,870,912)	-	(2,870,912)	-
Instruction related technology	1,196,606	-	-	-	(1,196,606)	-	(1,196,606)	-
School board	941,203	-	-	-	(941,203)	-	(941,203)	-
General administrative services	1,164,074	-	-	-	(1,164,074)	-	(1,164,074)	-
School administrative services	14,339,023	-	-	-	(14,339,023)	-	(14,339,023)	-
Facilities acquisition and construction	14,495,942	57,245	-	3,656,723	(10,781,974)	-	(10,781,974)	-
Fiscal services	1,936,137	-	-	-	(1,936,137)	-	(1,936,137)	-
Food services	9,939,064	576,010	12,007,159	-	2,644,105	-	2,644,105	-
Central services	9,698,907	6,992,402	-	-	(2,706,505)	-	(2,706,505)	-
Pupil transportation services	10,295,009	315,946	-	-	(9,979,063)	-	(9,979,063)	-
Plant operations	18,144,339	-	-	-	(18,144,339)	-	(18,144,339)	-
Maintenance services	5,259,828	-	-	-	(5,259,828)	-	(5,259,828)	-
Administrative technology services	3,481,568	-	-	-	(3,481,568)	-	(3,481,568)	-
Community services	4,846,899	2,460,111	-	-	(2,386,788)	-	(2,386,788)	-
Unallocated interest on long-term debt	3,326,852	-	-	-	(3,326,852)	-	(3,326,852)	-
Unallocated depreciation and amortization	23,032,560	-	-	-	(23,032,560)	-	(23,032,560)	-

(Continued)

See accompanying notes.

**Bay County District School Board
Statement of Activities (Continued)
Year ended June 30, 2022**

					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	
Total governmental activities	\$ 318,485,042	\$ 12,137,098	\$ 12,007,159	\$ 3,656,723	\$ (290,684,062)	\$ -	\$ (290,684,062)	\$ -
Business-type activities								
Beacon Learning Center	1,411,764	1,981,712	-	-	-	569,948	569,948	-
Total business-type activities	1,411,764	1,981,712	-	-	-	569,948	569,948	-
Total primary government	\$ 319,896,806	\$ 14,118,810	\$ 12,007,159	\$ 3,656,723	(290,684,062)	569,948	(290,114,114)	-
Component units	\$ 47,570,966	\$ 1,893,627	\$ 6,020,479	\$ 1,637,225	-	-	-	(38,019,635)
General revenues								
Taxes								
Property taxes, levied for operating purposes					88,454,594	-	88,454,594	-
Property taxes, levied for capital projects					30,522,634	-	30,522,634	-
Local sales taxes					31,871,765	-	31,871,765	-
Intergovernmental, grants and contributions not restricted to specific purposes, and local sources					188,701,313	-	188,701,313	41,448,338
Total general revenues					339,550,306	-	339,550,306	41,448,338
Interest earnings					435,518	10,610	446,128	6,463
Rental income					137,771	-	137,771	-
Miscellaneous					11,063,060	-	11,063,060	489,706
Gain/(loss) on diposal of assets					(929,710)	-	(929,710)	-
Total general revenues, interest and other revenue					350,256,945	10,610	350,267,555	41,944,507
Change in net position before extraordinary item					59,572,883	580,558	60,153,441	3,924,872
Extraordinary item					-	-	-	(3,381,724)
Change in net position					59,572,883	580,558	60,153,441	543,148
Net position - beginning (as originally reported)					256,164,820	2,729,975	258,894,795	44,359,507
Restatement adjustment/prior period adjustment					-	-	-	(5,721)
Net position - beginning (as restated)					256,164,820	2,729,975	258,894,795	44,353,786
Net position - ending					\$ 315,737,703	\$ 3,310,533	\$ 319,048,236	\$ 44,896,934

See accompanying notes.

**Bay County District School Board
Balance Sheet – Governmental Funds
June 30, 2022**

	General Fund	Debt Service - Other Fund	Special Revenue - Federal Education Stabilization Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 83,792,108	\$ 6,245	\$ 125,843	\$ 44,623,877	\$ 27,727,251	\$ 156,275,324
Accounts receivable, net	395	-	-	-	227,067	227,462
Due from other agencies	10,665,285	-	3,747,587	7,474	2,660,663	17,081,009
Due from other funds	2,705,158	-	1,221,844	-	873,143	4,800,145
Inventories	922,768	-	-	-	262,387	1,185,155
Restricted cash and cash equivalents	-	10,503,002	-	7,246,366	-	17,749,368
Total assets	\$ 98,085,714	\$ 10,509,247	\$ 5,095,274	\$ 51,877,717	\$ 31,750,511	197,318,463
Liabilities, deferred inflows of resources, and fund balances						
Liabilities						
Accounts payable	\$ 4,737,576	\$ -	\$ 2,613,454	\$ 1,394,886	\$ 1,122,834	9,868,750
Accrued expenses	1,304,207	-	211,709	-	248,857	1,764,773
Construction contracts payable - retainage	590,044	-	-	498,005	217,854	1,305,903
Due to other agencies	-	-	14,245	-	18,094	32,339
Due to other funds	522,948	-	2,172,910	372,537	1,671,410	4,739,805
Matured certificates of participation payable	-	8,704,500	-	-	-	8,704,500
Matured interest payable	-	1,798,412	-	-	-	1,798,412
Unearned revenue	-	-	82,956	-	114,895	197,851
Total liabilities	7,154,775	10,502,912	5,095,274	2,265,428	3,393,944	28,412,333
Deferred inflows of resources						
Unavailable revenue - grant revenues	4,635,788	-	-	-	-	4,635,788
Total deferred inflows of resources	4,635,788	-	-	-	-	4,635,788

(Continued)

See accompanying notes.

Bay County District School Board
Balance Sheet – Governmental Funds (Continued)
June 30, 2022

	General Fund	Debt Service - Other Fund	Special Revenue - Federal Education Stabilization Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
Fund balance						
Nonspendable						
Inventories	\$ 922,768	\$ -	\$ -	\$ -	\$ 262,387	\$ 1,185,155
Restricted						
State required carryover programs	5,273,759	-	-	-	-	5,273,759
Food service	-	-	-	-	4,828,347	4,828,347
Debt service	-	6,335	-	-	-	6,335
Capital projects	-	-	-	49,612,289	19,392,801	69,005,090
Other purposes	-	-	-	-	3,873,032	3,873,032
Assigned						
Future purchases and hurricane repairs	39,025,207	-	-	-	-	39,025,207
Other	9,868,118	-	-	-	-	9,868,118
Unassigned	31,205,299	-	-	-	-	31,205,299
Total fund balances	86,295,151	6,335	-	49,612,289	28,356,567	164,270,342
Total liabilities and fund balances	\$ 98,085,714	\$ 10,509,247	\$ 5,095,274	\$ 51,877,717	\$ 31,750,511	

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.	355,592,430
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.	18,725,342
Receivables not collected within 60 days of year-end are not available soon enough to pay for the current period's expenditures and, therefore, are deferred inflows of resources in the funds.	4,635,788
Deferred outflows of resources and deferred inflows of resources for pension and other postemployment benefit liabilities are applicable to future periods and, therefore, are not reported in governmental funds. Also, deferred outflows of resources related to the loss on debt refunding is applicable to future periods.	(33,849,615)
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.	(193,636,584)
Net position of governmental activities	\$ 315,737,703

See accompanying notes.

Bay County District School Board
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year ended June 30, 2022

	General Fund	Debt Service - Other Fund	Special Revenue - Federal Education Stabilization Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Intergovernmental						
Federal direct	\$ 1,379,550	\$ -	\$ 2,216,513	\$ -	\$ -	\$ 3,596,063
Federal through state and local	23,440,808	-	25,950,252	-	28,130,915	77,521,975
State	117,713,354	-	-	883,661	3,720,594	122,317,609
Local						
Property taxes	88,353,886	-	-	-	-	88,353,886
Local sales taxes	-	-	-	31,871,765	-	31,871,765
District local capital improvement taxes	-	-	-	-	30,487,883	30,487,883
Payments in lieu of taxes	100,708	-	-	-	34,751	135,459
Charges for services	4,252,740	-	-	-	576,010	4,828,750
Rental income	137,771	-	-	-	-	137,771
Interest income	195,989	148	-	104,786	89,023	389,946
Miscellaneous	2,259,325	-	-	3,946,751	4,911,965	11,118,041
Total revenues	237,834,131	148	28,166,765	36,806,963	67,951,141	370,759,148
Expenditures						
Current - education						
Instructional services	143,772,797	-	16,464,945	-	14,285,208	174,522,950
Pupil services	13,012,463	-	2,816,701	-	1,526,601	17,355,765
Instructional media services	2,327,998	-	219,460	-	90,893	2,638,351
Instructional and curriculum development services	3,356,486	-	689,392	-	2,866,391	6,912,269
Instructional staff training services	1,310,123	-	520,579	-	1,021,504	2,852,206
Instruction related technology	202,259	-	962,766	-	31,269	1,196,294
School board	930,630	-	2,184	-	4,524	937,338
General administrative services	1,152,017	-	646,146	-	432,381	2,230,544
School administrative services	14,362,177	-	836,722	-	14,991	15,213,890
Facilities acquisition and construction	3,802,404	-	21,333	6,468,707	4,178,561	14,471,005
Central services	2,168,478	-	88,958	-	2,715	2,260,151

(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, 2022

	General Fund	Debt Service - Other Fund	Special Revenue - Federal Education Stabilization Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
Fiscal services	\$ 1,847,974	\$ -	\$ 58,444	\$ -	\$ -	\$ 1,906,418
Food services	63,336	-	33,912	-	10,099,731	10,196,979
Pupil transportation services	8,030,008	-	582,960	-	13,755	8,626,723
Plant operations	16,540,534	-	1,515,168	-	-	18,055,702
Maintenance services	5,119,979	-	165,598	-	-	5,285,577
Administrative technology services	3,574,696	-	68,765	-	-	3,643,461
Community services	2,176,188	-	1,718,202	-	-	3,894,390
Capital outlay	14,504,175	-	754,530	29,917,379	11,868,799	57,044,883
Debt service						
Principal	204,412	9,730,500	-	-	-	9,934,912
Interest and fiscal charges	13,461	3,652,045	-	-	1,058	3,666,564
Total expenditures	238,472,595	13,382,545	28,166,765	36,386,086	46,438,381	362,846,372
Excess (deficit) of revenues over (under) expenditures	(638,464)	(13,382,397)	-	420,877	21,512,760	7,912,776
Other financing sources (uses)						
Debt proceeds	162,604	-	-	-	-	162,604
Transfers in	4,174,994	13,382,545	-	5,910,988	-	23,468,527
Transfers out	(5,910,988)	-	-	(3,402,601)	(17,943,817)	(27,257,406)
Total other financing sources (uses)	(1,573,390)	13,382,545	-	2,508,387	(17,943,817)	(3,626,275)
Net changes in fund balances	(2,211,854)	148	-	2,929,264	3,568,943	4,286,501
Fund balances - beginning	88,507,005	6,187	-	46,683,025	24,787,624	159,983,841
Fund balances - ending	\$ 86,295,151	\$ 6,335	\$ -	\$ 49,612,289	\$ 28,356,567	\$ 164,270,342

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, 2022

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

Net changes in fund balances - total governmental funds (page 21)	\$ 4,286,501
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 and amortization expense. This is the amount by which capital outlay exceeded depreciation and amortization in the current period.	32,317,960
The net effect of miscellaneous noncash transactions involving capital assets (i.e. sales, trade-ins, adjustments , donations, and impairments) is to decrease net position.	(307,695)
Certain funds due from other agencies are not available and, therefore, are not recognized as revenue in the governmental fund statements. However, these funds are recognized as revenue under the full accrual basis of accounting in the statement of activities.	(4,013,624)
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).	11,942,385
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.	235,337
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.	15,112,019
Change in net position of governmental activities (page 17)	\$ 59,572,883

See accompanying notes.

Bay County District School Board
Statement of Net Position –
Proprietary Funds
June 30, 2022

	Business-type Activities - Beacon Learning Center	Governmental Activities - Internal Service Fund
Assets		
Current assets		
Cash and cash equivalents	\$ 4,689,581	\$ 30,071,137
Accounts receivable, net	33,505	-
Due from other funds	1,439	666
Prepaid expenses	-	3,300,996
Other current assets	-	892,674
Total current assets	4,724,525	34,265,473
Noncurrent assets		
Capital assets		
Property, plant and equipment	273,828	-
Less accumulated depreciation	(258,911)	-
Total noncurrent assets	14,917	-
Total assets	4,739,442	34,265,473
Deferred outflows of resources		
Deferred outflows related to pensions	403,621	134,540
Deferred outflows related to other postemployment benefits	4,492	1,497
Total deferred outflows of resources	408,113	136,037
Total assets and deferred outflows of resources	5,147,555	34,401,510
Liabilities		
Current liabilities		
Accounts payable	21,386	388,615
Accrued expenses	9,843	3,203
Accrued compensated absences	42,615	5,411
Estimated insurance claims payable	-	6,567,627
Due to other funds	62,437	8
Unearned revenue	266,578	-
Total current liabilities	402,859	6,964,864
Noncurrent liabilities		
Accrued compensated absences	170,459	21,644
Net pension liability	530,421	176,807
Other postemployment benefits liability	30,495	10,165
Estimated insurance claims payable	-	8,268,426
Total noncurrent liabilities	731,375	8,477,042
Total liabilities	1,134,234	15,441,906

(Continued)

See accompanying notes.

Bay County District School Board
Statement of Net Position –
Proprietary Funds (Continued)
June 30, 2022

	Business-type Activities - Beacon Learning Center	Governmental Activities - Internal Service Fund
Deferred inflows of resources		
Deferred inflows related to pensions	\$ 685,725	\$ 228,575
Deferred inflows related to other postemployment benefits	17,063	5,687
Total deferred inflows of resources	702,788	234,262
Total liabilities and deferred inflows of resources	1,837,022	15,676,168
Net position		
Net investment in capital assets	14,917	-
Unrestricted	3,295,616	18,725,342
Total net pension	\$ 3,310,533	\$ 18,725,342

See accompanying notes.

Bay County District School Board
Statement of Revenues, Expenses, and Changes in Net Position –
Proprietary Funds
Year ended June 30, 2022

	Business-type Activities - Beacon Learning Center	Governmental Activities - Internal Service Fund
Operating revenues		
Charges for services	\$ 1,981,712	\$ 28,243,988
Total operating revenues	1,981,712	28,243,988
Operating expenses		
Salaries	742,165	283,452
Employee benefits	121,932	65,711
Purchased services	458,296	2,729,254
Materials and supplies	2,296	3,209
Small equipment	748	10,286
Insurance claims	-	22,003,627
Insurance premiums	-	6,747,091
Other expenses	81,349	472
Depreciation	4,978	-
Total operating expenses	1,411,764	31,843,102
Net operating income (loss)	569,948	(3,599,114)
Nonoperating revenues		
Interest income	10,610	45,572
Transfers in	-	3,788,879
Total nonoperating revenues	10,610	3,834,451
Changes in net position	580,558	235,337
Net position - beginning	2,729,975	18,490,005
Net position - ending	\$ 3,310,533	\$ 18,725,342

See accompanying notes.

Bay County District School Board
Statement of Cash Flows – Proprietary Funds
Year ended June 30, 2022

	Business-type Activities - Beacon Learning Center	Governmental Activities - Internal Service Fund
Operating activities		
Receipts for services	\$ 2,174,052	\$ 27,492,354
Payments to suppliers	(546,709)	(9,950,806)
Payments to employees	(977,116)	(375,655)
Payments for insurance claims and related fees	-	(26,125,013)
Net cash provided (used) by operating activities	650,227	(8,959,120)
Capital and related financing activities		
Payments to/(from) other funds	9,465	10,658
Transfers from other funds	-	3,788,879
Purchases of capital assets	(2,469)	-
Net cash provided by capital and related financing activities	6,996	3,799,537
Investing activities		
Interest received	10,610	45,572
Net cash provided by investing activities	10,610	45,572
Net increase (decrease) in cash and cash equivalents	667,833	(5,114,011)
Cash and cash equivalents - beginning	4,021,748	35,185,148
Cash and cash equivalents - ending	\$ 4,689,581	\$ 30,071,137

(Continued)

See accompanying notes.

Bay County District School Board
Statement of Cash Flows – Proprietary Funds (Continued)
Year ended June 30, 2022

	Business-type Activities - Beacon Learning Center	Governmental Activities - Internal Service Fund
Reconciliation of net operating income (loss) to net cash provided (used) by operating activities		
Net operating income (loss)	\$ 569,948	\$ (3,599,114)
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities		
Depreciation	4,978	-
(Increase) decrease in assets		
Accounts receivable, net	75,115	-
Prepaid expenses	-	(460,441)
Other current assets	-	(751,634)
(Increase) decrease in deferred outflows of resources		
Deferred outflows related to pensions	(16,149)	(5,383)
Deferred outflows related to other postemployment benefits	1,497	499
Increase (decrease) in liabilities		
Accounts payable	(4,135)	292,887
Accrued expenses	115	(53)
Accrued compensated absences	(16,954)	5,530
Estimated insurance claims payable	-	(4,414,273)
Unearned revenue	117,225	-
Net pension liability	(638,739)	(212,913)
Other postemployment benefits liability	(8,584)	(2,861)
Increase (decrease) in deferred inflows of resources		
Deferred inflows related to pensions	559,279	186,426
Deferred inflows related to other postemployment benefits	6,631	2,210
Total adjustments	80,279	(5,360,006)
Net cash provided (used) by operating activities	\$ 650,227	\$ (8,959,120)

See accompanying notes.

Bay County District School Board
Combining Statement of Net Position – Discretely Presented Component Units
June 30, 2022

	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
Assets								
Current assets								
Cash and cash equivalents	\$ 17,559,647	\$ 698,136	\$ 553,934	\$ 2,003,056	\$ 891,051	\$ 1,103,547	\$ 95,854	\$ 22,905,225
Investments	842,624	-	-	-	-	232,636	-	1,075,260
Restricted investments	3,230,580	1,842,272	-	-	-	-	-	5,072,852
Accounts receivable, net	91,928	1,102,937	-	-	-	-	-	1,194,865
Due from other agencies	767,328	367,811	128,677	404,965	111,789	24,132	-	1,804,702
Prepays	216,537	45,966	-	57,579	9,000	-	-	329,082
Inventories	10,453	-	-	-	-	-	-	10,453
Other current assets	11,426	-	-	-	-	1,001,373	-	1,012,799
Total current assets	22,730,523	4,057,122	682,611	2,465,600	1,011,840	2,361,688	95,854	33,405,238
Noncurrent assets								
Capital assets								
Nondepreciable	2,941,367	1,505,200	-	2,000,000	107,031	-	-	6,553,598
Depreciable, net	40,471,890	15,926,616	107,682	13,811,858	1,508,382	-	-	71,826,428
Right-to-use lease assets, net	184,195	100,673	-	-	-	-	-	284,868
Total noncurrent assets	43,597,452	17,532,489	107,682	15,811,858	1,615,413	-	-	78,664,894
Total assets	66,327,975	21,589,611	790,293	18,277,458	2,627,253	2,361,688	95,854	112,070,132
Deferred outflows of resources	5,252,574	1,958,961	166,459	1,363,482	595,484	-	-	9,336,960
Total assets and deferred outflows of resources	71,580,549	23,548,572	956,752	19,640,940	3,222,737	2,361,688	95,854	121,407,092
Liabilities								
Current liabilities								
Accounts payable	340,686	1,420,061	66,078	89,679	12,292	2,989	-	1,931,785
Accrued expenses	52,618	171,040	-	308,920	56,627	-	-	589,205
Construction contracts payable - retainage	-	634,155	-	-	-	-	-	634,155

(Continued)

See accompanying notes.

Bay County District School Board
Combining Statement of Net Position – Discretely Presented Component Units (Continued)
June 30, 2022

	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
Due to other agencies	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 252,991	\$ -	\$ 252,991
Unearned revenue	326,753	-	-	9,005	-	69,314	-	405,072
Matured interest payable	519,107	-	-	-	-	-	-	519,107
Total current liabilities	1,239,164	2,225,256	66,078	407,604	68,919	325,294	-	4,332,315
Noncurrent liabilities								
Due within one year								
Accrued compensated absences	255,734	-	-	-	-	-	-	255,734
Financed purchase liability	106,817	-	-	-	-	-	-	106,817
Bonds payable	610,000	-	-	-	-	-	-	610,000
Notes payable	-	196,049	51,849	440,829	25,074	-	-	713,801
Lease liability	90,225	92,695	-	-	-	-	-	182,920
Due in more than one year								
Accrued compensated absences	124,502	-	-	-	-	-	-	124,502
Financed purchase liability	244,165	-	-	-	-	-	-	244,165
Bonds payable	32,793,404	-	-	-	-	-	-	32,793,404
Notes payable	-	4,327,684	-	5,421,871	266,271	-	-	10,015,826
Lease liability	97,884	7,978	-	-	-	-	-	105,862
Net pension liability	6,750,152	1,709,042	202,632	1,424,522	511,824	-	-	10,598,172
Unearned contribution	-	-	-	4,700,521	-	-	-	4,700,521
Total noncurrent liabilities	41,072,883	6,333,448	254,481	11,987,743	803,169	-	-	60,451,724
Total liabilities	42,312,047	8,558,704	320,559	12,395,347	872,088	325,294	-	64,784,039
Deferred inflows of resources	7,433,374	1,999,876	212,992	1,546,682	533,195	-	-	11,726,119
Total liabilities and deferred inflows of resources	49,745,421	10,558,580	533,551	13,942,029	1,405,283	325,294	-	76,510,158

(Continued)

See accompanying notes.

Bay County District School Board
Combining Statement of Net Position – Discretely Presented Component Units (Continued)
June 30, 2022

	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
Net position								
Net investment in capital assets	\$ 11,357,657	\$ 12,908,083	\$ 55,833	\$ 5,248,637	\$ 1,324,068	\$ -	\$ -	\$ 30,894,278
Restricted								
Other purposes	3,186,863	1,842,272	-	-	-	695,285	95,854	5,820,274
Unrestricted	7,290,608	(1,760,363)	367,368	450,274	493,386	1,341,109	-	8,182,382
Total net position	\$ 21,835,128	\$ 12,989,992	\$ 423,201	\$ 5,698,911	\$ 1,817,454	\$ 2,036,394	\$ 95,854	\$ 44,896,934

See accompanying notes.

Bay County District School Board
Combining Statement of Activities – Discretely Presented Component Units
Year ended June 30, 2022

	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
Revenues								
Charges for services	\$ 1,602,117	\$ 123,269	\$ -	\$ 159,393	\$ 8,848	\$ -	\$ -	\$ 1,893,627
Operating grants and contributions	2,929,080	1,531,470	178,768	877,319	503,842	-	-	6,020,479
Capital grants and contributions	790,746	313,771	29,764	357,747	145,197	-	-	1,637,225
Intergovernmental, grants and contributions not restricted to specific purposes, and local sources	27,366,366	5,062,213	1,259,749	5,676,030	2,083,980	-	-	41,448,338
Investment earnings	6,414	-	-	-	-	-	49	6,463
Miscellaneous	84,428	-	-	-	-	383,393	21,885	489,706
Total revenues	32,779,151	7,030,723	1,468,281	7,070,489	2,741,867	383,393	21,934	51,495,838
Expenses								
Instructional services	15,146,792	3,067,615	1,072,222	4,116,458	1,577,648	-	-	24,980,735
Instructional support services	-	266,278	-	93,888	-	-	-	360,166
Pupil services	759,568	-	115,619	-	-	-	-	875,187
Instructional media services	71,893	3,548	-	2,634	-	-	-	78,075
Instructional and curriculum development services	-	1,320	-	10,000	-	-	-	11,320
Instructional staff training services	336,732	37,708	1,298	6,498	1,003	-	-	383,239
Instruction related technology	320,165	121,545	4,302	25,091	-	-	-	471,103
School board	176,772	340,905	38,857	52,003	9,500	-	-	618,037
General administrative services	1,542,151	-	-	-	-	-	-	1,542,151
School administrative services	1,932,451	996,615	8,464	530,245	437,522	-	-	3,905,297
Facilities acquisition and construction	58,131	62,644	-	14,702	-	-	-	135,477
Fiscal services	26,294	134,155	34,446	141,615	41,870	-	-	378,380
Food services	1,004,923	245,451	-	80,464	161,566	-	-	1,492,404
Pupil transportation services	294,794	175	26,958	-	-	-	-	321,927

(Continued)

See accompanying notes.

Bay County District School Board
Combining Statement of Activities – Discretely Presented Component Units (Continued)
Year ended June 30, 2022

	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
Plant operations	\$ 2,036,498	\$ 732,885	\$ 171,705	\$ 971,566	\$ 185,997	\$ -	\$ -	\$ 4,098,651
Maintenance services	455,181	41,397	6,020	43,178	1,510	-	-	547,286
Community services	306,655	47,923	4,800	47,576	8,117	530,547	30,654	976,272
Unallocated interest on long-term debt	1,611,445	294,733	3,107	251,422	10,658	-	-	2,171,365
Unallocated depreciation and amortization	2,640,447	991,884	9,629	470,744	111,190	-	-	4,223,894
Total expenses	28,720,892	7,386,781	1,497,427	6,858,084	2,546,581	530,547	30,654	47,570,966
Change in net position before extraordinary item	4,058,259	(356,058)	(29,146)	212,405	195,286	(147,154)	(8,720)	3,924,872
Extraordinary item	(3,381,724)	-	-	-	-	-	-	(3,381,724)
Change in net position	676,535	(356,058)	(29,146)	212,405	195,286	(147,154)	(8,720)	543,148
Net position - beginning (as originally reported)	21,164,314	13,346,050	452,347	5,486,506	1,622,168	2,183,548	104,574	44,359,507
Prior period adjustments	(5,721)	-	-	-	-	-	-	(5,721)
Net position - beginning (as restated)	21,158,593	13,346,050	452,347	5,486,506	1,622,168	2,183,548	104,574	44,353,786
Net position - ending	\$ 21,835,128	\$ 12,989,992	\$ 423,201	\$ 5,698,911	\$ 1,817,454	\$ 2,036,394	\$ 95,854	\$ 44,896,934

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 and an elected superintendent. The Superintendent of the District 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 7. 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 of 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 and proprietary funds.

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

Bay County District School Board Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District reports the following major governmental funds:

- General fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Debt service – other fund – to account for the accumulation of resources for, and the payment of, debt principal, interest, and related costs for the District’s certificates of participation, notes and bonds payable.
- Special revenue – Federal Education Stabilization fund – to account for certain federal grant program resources related to the Elementary and Secondary School Emergency Relief (ESSER I and II), Governor’s Emergency Education Relief (GEER I and II), Coronavirus Aid, Relief, and Economic Security (CARES), and other Coronavirus Response and Relief Supplement Appropriations (CRRSA).
- 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 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.

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.

Bay County District School Board Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting

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

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

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

The proprietary funds are reported using the flow of economic resources measurement focus and the accrual basis of accounting. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges for online educational resources and professional development courses. Operating expenses include salaries, benefits, materials, purchased services, capital outlay, and depreciation related to the development of these online educational resources and professional development courses. All revenues and expenses not

Bay County District School Board Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Operating expenses include insurance claims, excess coverage premiums, and related operating costs. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The 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 include cash on hand, demand deposits, certificates of deposit, and all highly liquid short-term debt instruments with original maturities of three months or less. 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 or through the Federally Insured Cash Account 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 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.

Unspent proceeds from 2019 and 2020 certificate of participation bonds, as well as funds transferred to the fiscal agent for repayment of bonds, are classified as restricted cash and cash equivalents on the balance sheet because their use is limited by applicable bond covenants.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. As of June 30, 2022, no allowance for doubtful accounts is recorded.

Unearned revenue recorded on the governmental fund balance sheet represents amounts received before eligibility requirements are met.

Bay County District School Board Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Activities and Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” within the fund financial statements. Long-term borrowings between funds are classified as “advances to other funds” or “advances from other funds” in the fund financial statements. These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any residual balance outstanding between the governmental and business-type activities at the end of the fiscal year, which are reported in the government-wide financial statements as internal balances.

Interfund transactions are reflected as services provided, reimbursements, or transfers. Services provided, deemed to be at or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when on fund incurs a cost, charges the appropriate benefitting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or business-type funds are funds are netted as part of the reconciliation to the government-wide presentation.

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.

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.

Bay County District School Board Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest costs incurred during construction of capital assets 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:

Description	Estimated Lives
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
Right-to-use leased assets	3 – 4 years

Right-to-Use Lease Assets and Lease Liability

Lease contracts that provide the District with control of a nonfinancial asset, such as land, buildings or equipment, for a period of time in excess of twelve months are reported as a leased asset with a related lease liability. The lease liability is recorded at the present value of future lease payments, including fixed payments, variable payments based on an index or fixed rate and reasonably certain residual guarantees. The intangible leased asset is recorded for the same amount as the related lease liability plus any prepayments and initial direct costs to place the asset in service. Leased assets are amortized over the shorter of the useful life of the asset or the lease term. The lease liability is reduced for lease payments made, less the interest portion of the lease payment.

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

Other Postemployment Benefits (OPEB) Liability

For the purpose of measuring the net OPEB liability, deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the plan. For this

Bay County District School Board Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The District's proportionate share of OPEB amounts were further allocated to each participating employer based on the contributions paid by each employer. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

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

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

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 three types of items that qualify for reporting in this category, deferred outflows related to pensions, deferred outflows related to other postemployment benefits (OPEB), 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. The deferred outflows of resources related to pensions and OPEB are discussed in subsequent notes.

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 three items that qualify for reporting in this category. The first two items, deferred inflows of resources related to pensions and OPEB, are reported in the statement of net position and discussed in subsequent notes. The remaining item is reported in the governmental funds balance sheet as unavailable revenue related to grants and will be recognized as an inflow of resources in the period that the amounts become available.

Bay County District School Board Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unavailable revenue, which arises only under the modified accrual basis of accounting, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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 - 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.

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 generally, 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, 2022, of \$1,185,155 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, 2022, of \$82,986,563 is restricted by creditors for repayment of debt issued, state required carryover programs, food service, and capital projects. The balance as of June 30, 2022 of \$79,107,196 is restricted by enabling legislation.

Bay County District School Board Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2022.

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, 2022, of \$48,893,325 is from purchase orders issued and outstanding at year-end, carryover amounts for various projects, and Hurricane Michael repairs.

The unassigned fund balance classification is the residual classification for the general fund. The balance as of June 30, 2022 is \$31,205,299.

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 generally 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.

Bay County District School Board Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 2021 tax levy on September 9, 2021. 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.

Bay County District School Board Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. In August 2018, the voters approved the continuation of the half-cent school capital outlay surtax for an additional 10 years effective January 1, 2021.

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.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditure of monies are recorded as reservations of budget, is employed as an extension of the statutory required budgetary process. At year-end, outstanding encumbrances represent material purchase commitments for goods and services which were ordered, budgeted, and appropriated, but had not been received or completed at date. Although encumbrances lapse at year-end, it is the intention to substantially honor these encumbrances under authority provided in the subsequent year's budget. The Florida Department of Education requires that fund balances be reserved at fiscal year-end to report an amount likely to be expended from the 2022-2023 fiscal year budget as a result of purchase orders outstanding at June 30, 2022.

Use of 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, 2023, the date the financial statements were available to be issued.

Bay County District School Board Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement 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 payment provisions of the contract. 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. Additional information about the effects of the implementation of this statement on the financial statements can be found in note 2.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. There were no significant impacts of implementing this statement.

In May 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objectives of this statement are to address financial reporting issues that result from the replacement of an Interbank Offered Rate (IBOR) by providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment and clarification of the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; replacing LIBOR as an appropriate benchmark interest rate for the evaluation of the effectiveness of an interest rate swap with a Secured Overnight Financing Rate or the Effective Federal Funds Rate; and providing exceptions to the lease modifications guidance in statement 87 for lease contracts that are amended solely to replace an IBOR used to determine variable payments. There were no significant impacts of implementing this statement.

In June 2020, GASB issued GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting

Bay County District School Board Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform. There were no significant impacts of implementing this statement.

The following accounting standards have been issued by GASB that may impact the District in future years.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this statement are effective for fiscal years beginning after June 15, 2022.

In May 2020, GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

Bay County District School Board Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this statement is implemented. Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation of this statement.

GASB Statement No. 100, *Accounting Changes and Error Corrections*, This statement establishes accounting and financial reporting requirements for (a) accounting changes and (b) the correction of an error in previously issued financial statements (error correction). This statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. This statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. Furthermore, this statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). The requirements of this statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 101, *Compensated Absences*, The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this statement are effective for fiscal years beginning after December 15, 2023.

The District is evaluating the requirements of the above statements and their impact on reporting.

Note 2: CHANGE IN ACCOUNTING PRINCIPLES

In fiscal year 2022, the District implemented GASB Statement No. 87, *Leases*. In accordance with generally accepted accounting principles, the implementation of this statement requires the restatement of the June 30, 2021 net position in the statement of activities to record the cumulative effect of recording the original basis of the leased assets less accumulated amortization, net of the respective lease liabilities at June 30, 2021.

Bay County District School Board
Notes to Financial Statements

Note 2: CHANGE IN ACCOUNTING PRINCIPLES (Continued)

	Governmental Activities - Net Position	Business-type Activities - Net Position	Component Units - Net Position
Balance at June 30, 2021, as originally reported	\$ 256,164,820	\$ 2,729,975	\$ 44,359,507
Restatement due to implementation of GASB Statement No. 87			
Right-to-use lease assets	338,963	-	349,584
Lease liability	(338,963)	-	(355,305)
Balance at June 30, 2021, as restated	\$ 256,164,820	\$ 2,729,975	\$ 44,353,786

Note 3: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The following is an explanation of differences between the governmental funds balance sheet and the governmental activities' statement of net position:

The total fund balances of the District's governmental funds at June 30, 2022 (\$164,270,342) differs from the total net position of governmental activities (\$315,737,703) reported in the statement of net position. This difference results from the long-term economic resources focus of the statement of net position and the current financial resources focus of the governmental funds' 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 these assets are reported as expenditures in governmental funds. However, they are capitalized and depreciated in the statement of net position.

Cost of capital assets	\$ 891,748,175
Accumulated depreciation and amortization	(536,155,745)
Capital assets net of accumulated depreciation and amortization	\$ 355,592,430

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

Note 3: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

Long-term Debt

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

Notes payable	\$ (1,053,000)
Lease liability	(297,155)
Certificates of participation payable	(111,863,576)
Other postemployment benefits	(3,724,224)
Net pension liability	(64,776,791)
Accrued compensated absences	(11,921,838)
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Total long-term liabilities	\$ (193,636,584)
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Deferred Inflows and Outflows of Resources Related to Noncurrent Debt

Deferred inflows and outflows related to the pension plans, other postemployment benefits, and loss from debt refunding in 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	\$ 49,291,616
Deferred inflows of resources related to pensions	(83,743,069)
Deferred outflows of resources related to other postemployment benefits	548,590
Deferred inflows of resources related to other postemployment benefits	(2,083,761)
Deferred outflows of resources related to debt refunding	2,137,009
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Deferred outflows and inflows of resources	\$ (33,849,615)
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Deferred Inflows Related to Unavailable Revenue

Receivables not collected within 60 days of year-end are not considered available to pay the current period's expenditures and, therefore, are deferred inflows of resources in the governmental funds.

Deferred inflows of resources related to unavailable revenue	\$ 4,635,788
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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.

Bay County District School Board
Notes to Financial Statements

Note 3: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

Total assets and deferred outflows of resources	\$ 34,401,510
Total liabilities and deferred inflows of resources	(15,676,168)
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Total internal service fund	\$ 18,725,342
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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	\$ 57,044,883
Depreciation and amortization	(24,726,923)
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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	\$ 32,317,960
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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:

Loss on disposal of fixed assets	\$ (929,710)
Donation of fixed assets	622,015
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Net adjustment to decrease net changes in fund balance - total governmental funds to arrive at change in net position of governmental activities	\$ (307,695)
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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:

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

Note 3: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

Principal payments and payments to bond refunding escrow	\$	9,934,912
Forgiveness of notes payable		5,000,000
Amortization of loss on debt refunding and bond premiums		339,711
Debt proceeds		(162,604)
<hr/>		
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at change in net position of governmental activities	\$	15,112,019
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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	\$	210,583
Change in other postemployment benefits liability		1,048,276
Change in net pension liability		78,005,053
Change in deferred inflows of resources related to pensions		(68,301,022)
Change in deferred outflows of resources related to pensions		1,972,171
Change in deferred inflows of resources related to other postemployment benefits		(809,814)
Change in deferred outflows of resources related to other postemployment benefits		(182,862)
<hr/>		
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at change in net position of governmental activities	\$	11,942,385
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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	\$	32,078,439
Total expenses		(31,843,102)
<hr/>		
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at change in net position of governmental activities	\$	235,337
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Certain funds due from other agencies are not available and, therefore, not are recognized as revenue in the governmental fund statements. However, these funds are recognized as revenue under the full accrual basis of accounting in the statement of activities.

Change in unavailable revenue	\$	(4,013,624)
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Net adjustment to decrease net changes in fund balance - total governmental funds to arrive at change in net position of governmental activities	\$	(4,013,624)
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Bay County District School Board Notes to Financial Statements

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
- 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

Bay County District School Board Notes to Financial Statements

Note 4: DEPOSITS AND INVESTMENTS (Continued)

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

Bay County District School Board Notes to Financial Statements

Note 4: DEPOSITS AND INVESTMENTS (Continued)

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.

- a) 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.

- 2) Money market funds: Securities and Exchange Commission registered money market funds with the highest credit quality rating from a rating agency. The funds must be registered and in compliance with 17 C.F.R. 270.2a-7 of the Federal Code of Regulations.
 - a) Eligible funds - Shares in open-end, no-load provided such funds are registered under the Federal Investment Company Act of 1940 and operated in accordance with 17 C.F.R. 270.2a-7
 - b) Portfolio composition - A maximum of thirty percent of available monies may be invested in any one registered 2a-7 money market fund. A combined maximum of fifty percent of available monies may be invested in all registered 2a-7 money market funds.
 - c) Limits of individual issuers - A maximum of thirty percent of available monies may be invested with any one SEC Rule 2a-7 money market fund.
 - d) Rating requirements - The funds shall be rated "AAAm" or "AAAm-G" or better by Standard & Poor's, or the equivalent by another rating agency.
 - e) Due diligence requirements - A thorough review of any investment in a fund is required prior to investing, and on a continual basis thereafter. The basis for such review shall be contained in the administrative procedures developed by the superintendent.
- 3) 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.

Bay County District School Board Notes to Financial Statements

Note 4: DEPOSITS AND INVESTMENTS (Continued)

- 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.
- 4) 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.
- 5) 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.
- 6) Due diligence requirements - A thorough review of any other investment permitted by the state statute and not prohibited by this policy is required prior to investing, and on a continual basis.

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

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

Custodial Credit Risk

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to the District. The District does not have a policy for custodial credit risk. All bank balances of the District were fully insured or collateralized as required by Chapter 280, Florida Statutes at June 30, 2022.

Bay County District School Board Notes to Financial Statements

Note 4: DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk

As of June 30, 2022, the District did not hold any investments that were considered to be a concentration of credit risk.

At June 30, 2022, the District had the following investments:

Deposits and investments	Maturities	Fair Value
State Board of Administration (SBA):		
Florida Prime (1)	28 Day Average	\$ 86,750,200
Goldman Sachs Government Obligations Fund (1) (2)	11 Day Average	17,749,368
Total		\$ 104,499,568

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

(2) The Goldman Sachs 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 in trust in connection with the District's certificates of participation.

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 Goldman Sachs Government Obligations Fund is valued using Level 1 inputs.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's investment policy limits the length of investments as follows: (1) investments of short-term funds shall have maturities of no longer than 12 months, and (2) investments of bond reserves, construction funds, and other nonoperating funds shall have a term appropriate for the need for funds and in accordance with debt covenants, but in no event shall exceed five years. Investments of construction funds that are proceeds of tax-exempt debt issues shall have maturities of no longer than three years.

Florida PRIME and Goldman Sachs 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

Bay County District School Board Notes to Financial Statements

Note 4: DEPOSITS AND INVESTMENTS (Continued)

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, 2022, is 28 days and for Golman Sachs Government Obligations Fund at June 30, 2022, is 11 days. Next interest rate reset dates for floating rate securities are used in the calculation of the WAM.

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.

As of June 30, 2022, there were no redemption fees, maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100 percent of their account value.

Note 5: CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the tables below:

Governmental Activities	Restated June 30, 2021	Additions	Deletions/ Transfers	June 30, 2022
Capital assets not being depreciated				
Land	\$ 20,037,401	\$ 101,535	\$ -	\$ 20,138,936
Construction in progress	78,605,777	33,863,210	31,334,267	81,134,720
Total capital assets not being depreciated	98,643,178	33,964,745	31,334,267	101,273,656

(Continued)

Bay County District School Board
Notes to Financial Statements

Note 5: CHANGES IN CAPITAL ASSETS (Continued)

Governmental Activities	Restated June 30, 2021	Additions	Deletions/ Transfers	June 30, 2022
Capital assets being depreciated				
Improvements other than buildings	\$ 20,838,055	\$ 487,327	\$ 41,175	\$ 21,284,207
Buildings and fixed equipment	657,014,643	46,405,288	-	703,419,931
Furniture, fixtures, and equipment	37,384,869	5,357,128	4,081,367	38,660,630
Motor vehicles	16,063,246	1,694,363	254,934	17,502,675
Audio visual materials and computer software	9,129,709	-	-	9,129,709
Total capital assets being depreciated	740,430,522	53,944,106	4,377,476	789,997,152
Less accumulated depreciation				
Improvements other than buildings	9,373,129	827,982	41,175	10,159,936
Buildings and fixed equipment	458,267,897	19,428,410	-	477,696,307
Furniture, fixtures, and equipment	26,777,066	2,947,843	4,081,367	25,643,542
Motor vehicles	12,382,259	1,288,187	254,934	13,415,512
Audio visual materials and computer software	9,030,147	25,260	-	9,055,407
Total accumulated depreciation	515,830,498	24,517,682	4,377,476	535,970,704
Total capital assets being depreciated, net of accumulated depreciation	224,600,024	29,426,424	-	254,026,448
Right-to-use lease assets, being amortized *				
Equipment	338,963	162,604	(24,200)	477,367
Right-to-use lease assets, being amortized	338,963	162,604	(24,200)	477,367
Less accumulated amortization				
Equipment	-	209,241	(24,200)	185,041
Total accumulated amortization	-	209,241	(24,200)	185,041
Right-to-use lease assets being amortized, net	338,963	(46,637)	-	292,326
Total governmental activities' capital assets, net	\$ 323,582,165	\$ 63,344,532	\$ 31,334,267	\$ 355,592,430

* June 30, 2021 balance is restated with the implementation of GASB No. 87.

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

Note 5: CHANGES IN CAPITAL ASSETS (Continued)

Business-type Activities	June 30, 2021	Additions	Deletions	June 30, 2022
Capital assets being depreciated				
Furniture, fixtures, and equipment	\$ 170,400	\$ 2,469	\$ -	\$ 172,869
Motor vehicles	16,367	-	-	16,367
Audio visual materials and computer software	84,593	-	-	84,593
Total capital assets being depreciated	271,360	2,469	-	273,829
Less accumulated depreciation				
Furniture, fixtures, and equipment	152,974	4,978	-	157,952
Motor vehicles	16,367	-	-	16,367
Audio visual materials and computer software	84,593	-	-	84,593
Total accumulated depreciation	253,934	4,978	-	258,912
Total capital assets being depreciated, net of accumulated depreciation	17,426	(2,509)	-	14,917
Total business-type activities' capital assets, net	\$ 17,426	\$ (2,509)	\$ -	\$ 14,917

Depreciation expense was charged to functions as follows:

Function	Amount
Governmental activities	
Pupil transportation services	\$ 1,369,833
Plant operations	113,937
Central services	210,593
Unallocated	22,823,319
Total governmental activities	\$ 24,517,682
Business-type activities	
Beacon Learning Center	\$ 4,978

Bay County District School Board Notes to Financial Statements

Note 6: NOTES PAYABLE

In October 2020, the District entered into an agreement with Federal Emergency Management Agency (FEMA) for a \$5,000,000 loan under the Community Disaster Loan (CDL) program with an interest rate of 1.625% per year due in November 2024. On September 30, 2021 the U.S. Congress passed the Extending Government Funding and Delivering Emergency Assistance Act (P.L. 117-43). This act cancelled the loan principal and interest due to FEMA and the CDL was closed as of that date.

The notes payable balance from direct borrowings at June 30, 2022 is comprised of the following:

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 and is expected to be repaid with Local Capital Improvement 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, 2021, the board has exercised two extensions to June 1, 2023. The total principal and interest remaining to be paid on the note is \$1,080,905. Total principal and interest paid during the fiscal year was \$1,081,094.

	\$	1,053,000
Total notes payable		1,053,000
Less amounts due within one year		1,053,000
Notes payable – amounts due in more than one year	\$	-

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

Year ending June 30,	Principal	Interest	Total
2023	\$ 1,053,000	\$ 27,905	\$ 1,080,905
Total	\$ 1,053,000	\$ 27,905	\$ 1,080,905

Note 7: 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.

Bay County District School Board Notes to Financial Statements

Note 7: CERTIFICATES OF PARTICIPATION (Continued)

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

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 Certificates, or (b) June 30, 2045. 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, 2045.

The District properties included in the ground lease under the master lease-purchase arrangement include properties at Patronis Elementary School; Lucille Moore Elementary School; Robert L. Young Service Center; J.R. Arnold High School; Emerald Bay Academy; New Horizons Learning Center; Breakfast Point Academy; Deer Point Elementary School; Jinks Middle School Gymnasium; Bay High School Science, Technology, Engineering, and Mathematics classrooms; and A. Gary Walsingham Academy.

Certificates outstanding as of June 30, 2022, include the following direct placements:

The Refunding Certificates of Participation, Series 2013, include outstanding serial certificates maturing from 2020 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 2020 through 2029. These payments are payable by the District, semiannually, on July 1 and January 1 at an interest rate of 2.56 percent.

The Certificates of Participation, Series 2019, include outstanding serial certificates maturing from 2021 through 2030. These payments are payable by the District, semiannually, on July 1 and January 1 at an interest rate of 1.99 percent.

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

The Certificates of Participation, Series 2020B, include outstanding serial certificates maturing from 2021 through 2023. These payments are payable by the District, semiannually, on July 1 and January 1 at an interest rate of 5 percent.

Bay County District School Board
Notes to Financial Statements

Note 7: CERTIFICATES OF PARTICIPATION (Continued)

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

Year ending June 30,	Principal	Interest	Premium	Total
2023	\$ 8,970,600	\$ 3,305,686	\$ 619,297	\$ 12,276,286
2024	8,380,000	3,003,499	336,587	11,383,499
2025	9,355,000	2,805,843	336,587	12,160,843
2026	9,575,000	2,583,569	336,587	12,158,569
2027	9,805,000	2,356,005	336,587	12,161,005
2028 - 2032	31,715,000	8,403,408	1,682,935	40,118,408
2033 - 2037	16,265,000	4,394,250	1,682,935	20,659,250
2038 - 2040	11,470,000	929,600	996,461	12,399,600
Total	\$ 105,535,600	\$ 27,781,860	\$ 6,327,976	\$ 133,317,460

Note 8: LEASE LIABILITY

The District has various lease agreements executed from March 2017 through June 2022 to obtain the right-to-use various copiers. The lease agreements require between 36 and 60 monthly payments of a low of \$29 to a high of \$478 depending on the type of machine and amount of use. There are no variable payment components of the leases taken into account in the determination of the value. The lease liabilities are measured at a discount rate between 1.54% and 3.83%, which is the imputed rate based on the District's historical borrowing rates and the Fidelity GO AA 20 year bond rates. As a result of the implementation of GASB Statement No. 87, the District has recorded right-to-use assets with a net book value of \$292,326 at June 30, 2022.

The following is a schedule of minimum future lease payments from lease agreements as of June 30, 2022:

Year ending June 30,	Principal	Interest	Total
2023	\$ 184,117	\$ 4,579	\$ 188,696
2024	92,453	1,356	93,809
2025	20,585	157	20,742
Total	\$ 297,155	\$ 6,092	\$ 303,247

Bay County District School Board
Notes to Financial Statements

Note 9: DEFEASED DEBT

On May 28, 2020, the Board issued \$10,775,000 in Refunding Certificates of Participation, Series 2020B, with an interest rate of 5 percent, to refund the District's Refunding Certificates of Participation, Series 2010. The net proceeds of \$11,590,252 (after payment of \$109,890 in fees and other issuance costs) together with other District funds were placed in an irrevocable trust with an escrow agent. As a result, \$15,175,000 of Refunding Certificates of Participation, Series 2010, were considered to be an in-substance defeasance at June 30, 2020. As a result the liability for these Certificates has been removed from the District's government-wide financial statements. This refunding reduced total debt service payments from the date of the defeasance and through the following 4 years by \$673,453 and resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$651,929.

Note 10: CHANGES IN LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2022:

Governmental Activities	(Restated) Beginning Balance	Additions	Deductions	Ending Balance	Due in One Year
Certificates of participation payable from direct placements	\$ 114,240,100	\$ -	\$ 8,704,500	\$ 105,535,600	\$ 8,970,600
Unamortized premium	6,972,974	-	644,998	6,327,976	619,297
Total certificates of participation payable from direct placements	121,213,074	-	9,349,498	111,863,576	9,589,897
Notes payable	7,079,000	-	6,026,000	1,053,000	1,053,000
Lease liability	338,963	162,604	204,412	297,155	184,117
Estimated insurance claims payable	19,250,326	22,975,612	27,389,885	14,836,053	6,567,627
Accrued compensated absences	12,153,946	779,976	985,029	11,948,893	2,389,779
Net pension liability	143,171,564	-	78,217,966	64,953,598	224,442
Other postemployment benefits liability	4,785,526	-	1,051,137	3,734,389	-
Total governmental activities	\$ 307,992,399	\$ 23,918,192	\$ 123,223,927	\$ 208,686,664	\$ 20,008,862

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

Note 10: CHANGES IN LONG-TERM LIABILITIES (Continued)

Business-type Activities	Beginning Balance	Additions	Deductions	Ending Balance	Due in One Year
Accrued compensated absences	\$ 230,028	\$ 19,654	\$ 36,608	\$ 213,074	\$ 42,615
Net pension liability	1,169,160	-	638,739	530,421	-
Other postemployment benefits liability	39,079	-	8,584	30,495	-
Total business-type activities	\$ 1,438,267	\$ 19,654	\$ 683,931	\$ 773,990	\$ 42,615

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

Note 11: INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

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

June 30, 2022	Receivables	Payables
General fund	\$ 2,705,158	\$ 522,948
Special revenue - Federal Education Stabilization fund	1,221,844	2,172,910
Capital projects - other fund	-	372,537
Beacon Learning Center	1,439	62,437
Nonmajor governmental funds	873,143	1,671,410
Internal service fund	666	8
Total	\$ 4,802,250	\$ 4,802,250

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.

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

Note 11: INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued)

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

June 30, 2022	Transfers In	Transfers Out
General fund	\$ 4,174,994	\$ 5,910,988
Capital projects - other fund	5,910,988	3,402,601
Debt service - other fund	13,382,545	-
Nonmajor governmental funds	-	17,943,817
Internal service fund	3,788,879	-
Total	\$ 27,257,406	\$ 27,257,406

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 (nonmajor) to the internal service fund for property casualty insurance premiums and from general fund to the Federal Education Stabilization fund to reclassify certain expenditures originally expended in the general fund but identified as allowable expenditures under the CARES Act grants in the current year which allowed for identified expenditures to be reimbursed retroactively to March 13, 2020.

Note 12: NET POSITION CLASSIFICATION

Net Position Restrictions

The following is a description of reported net position restrictions in governmental activities at June 30, 2022.

Governmental Activities	
State required carryover programs	\$ 5,273,759
Debt service	6,335
Capital projects	69,005,090
Food service	4,828,347
Other purposes	3,873,032
Total	\$ 82,986,563

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

Note 12: NET POSITION CLASSIFICATION (Continued)

Net Investment in Capital Assets

The elements of the calculation for net investment in capital assets are as follows:

	Governmental	Business-type	Total
Capital assets, net	\$ 355,592,430	\$ 14,917	\$ 355,607,347
Outstanding debt related to capital assets	(121,918,231)	-	(121,918,231)
Unspent bond proceeds	7,246,366	-	7,246,366
Total	\$ 240,920,565	\$ 14,917	\$ 240,935,482

Note 13: SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District's state revenue sources for the year ended June 30, 2022:

	Amount
Florida Education Finance Program	\$ 84,733,601
Categorical Educational Program - Class Size Reduction	26,180,484
Workforce Development Program	2,854,566
Voluntary prekindergarten	1,496,259
Charter school capital outlay	2,679,909
Capital outlay and debt service distributed	920,902
Other miscellaneous	3,451,888
Total	\$ 122,317,609

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

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

Note 14: PROPERTY TAXES

The following is a summary of millage rates and taxes levied on the 2021 tax roll for the 2021-2022 fiscal year.

	Millage Rate	Taxes Levied
General fund		
Nonvoted school tax		
Required local effort	3.599	\$ 75,316,685
Basic discretionary local effort	0.748	15,653,482
Capital projects funds		
Nonvoted tax		
Local capital improvements	1.500	31,390,672
Total	5.847	\$ 122,360,839

Note 15: DEFINED BENEFIT PENSION PLANS

General Information

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

Essentially all regular employees of the District are eligible to enroll as members of the state-administered FRS. Provisions relating to 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. An annual comprehensive 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).

Bay County District School Board Notes to Financial Statements

Note 15: DEFINED BENEFIT PENSION PLANS (Continued)

Florida Retirement System Pension Plan

Plan Description

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

- Regular – Members of the FRS who do not qualify for membership in the other classes
- Elected County Officers – Members who hold specified elective offices in local government
- Special Risk – Members who are employed as law enforcement officers and meet the criteria to qualify for this class

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. Employees enrolled in the Plan may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

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

Benefits Provided

Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total

Bay County District School Board Notes to Financial Statements

Note 15: DEFINED BENEFIT PENSION PLANS (Continued)

value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following table shows the percentage value for each year of service credit earned:

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

As provided in Section 121.101, Florida Statutes, if the member was initially enrolled in FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member was initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Health Insurance Subsidy Plan

Plan Description

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

Benefits Provided

For the fiscal year ended June 30, 2022, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section

Bay County District School Board Notes to Financial Statements

Note 15: DEFINED BENEFIT PENSION PLANS (Continued)

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 2021-2022 fiscal year were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (1)
FRS, regular	3.00	10.82
FRS, elected county official	3.00	51.42
FRS, special risk	3.00	25.89
DROP – applicable to members from all of the above classes	0.00	18.34
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, 2022, 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 \$12,204,368 to FRS and \$2,242,572 to the HIS Plan for the fiscal year ended June 30, 2022. The District contributed 100% of its statutorily required contributions for the current and preceding three years.

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, 2021, and the total pension liabilities used to calculate the net pension liability were determined by an actuarial valuation dated July 1, 2021 for FRS and an actuarial valuation date July 1, 2020 for HIS. The District's proportions of the net pension liability was based on the District's actuarially determined share of contributions to the pension plans, relative to the contributions of all participating entities.

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

Note 15: DEFINED BENEFIT PENSION PLANS (Continued)

	FRS	HIS
Net pension liability	\$ 20,894,055	\$ 44,589,964
Proportion at:		
Current measurement date	0.2766009%	0.3635100%
Prior measurement date	0.2387623%	0.3346288%
Pension expense/(benefit)	\$ (61,394)	\$ 2,704,652

Deferred Outflows/Inflows of Resources Related to Pensions

At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to FRS 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)	\$ 3,581,274	\$ -
Effect of assumptions changes or inputs	14,296,748	-
Net difference between projected and actual investment earnings	-	72,894,106
Changes in proportion and differences between contributions and proportionate share of contributions	9,751,934	5,852,903
District contributions subsequent to the measurement date	12,204,368	-
Total	\$ 39,834,324	\$ 78,747,009

June 30, 2022, 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)	\$ 1,492,093	\$ 18,676
Effect of assumptions changes or inputs	3,503,773	1,837,220
Net difference between projected and actual investment earnings	46,484	-

(Continued)

Bay County District School Board
Notes to Financial Statements

Note 15: DEFINED BENEFIT PENSION PLANS (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 2,710,531	\$ 4,054,464
District contributions subsequent to the measurement date	2,242,572	-
Total	\$ 9,995,453	\$ 5,910,360

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, 2023. 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
2023	\$ (9,544,793)	\$ 387,013
2024	(10,778,075)	(159,549)
2025	(14,280,801)	254,026
2026	(18,084,614)	531,550
2027	1,571,230	598,083
Thereafter	-	231,398
Total	\$ (51,117,053)	\$ 1,842,521

Actuarial Assumptions

The total pension liability for each of the defined benefit plans was measured as of June 30, 2021. The total pension liability for FRS was determined by an actuarial valuation dated July 1, 2021. The total pension liability for HIS was determined by an actuarial valuation dated July 1, 2020. The total pension liability for each of the plans was determined using the individual entry-age normal actuarial cost method and the following significant actuarial assumptions:

	FRS	HIS
Inflation	2.40%	2.40%
Salary increases	3.25%	3.25%
Investment rate of return	6.80%	N/A
Discount rate	6.80%	2.16%

Mortality assumptions for both plans were based on the PUB-2010 based table projected generationally with Scale MP-2018. The actuarial assumptions used in the FRS valuation dated July 1, 2021 were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018. No

Bay County District School Board Notes to Financial Statements

Note 15: DEFINED BENEFIT PENSION PLANS (Continued)

experience study has been completed for the HIS valuation, as it is on a pay-as-you-go basis, but the actuarial assumptions used for the valuation were based on certain results from the most recent experience study for FRS.

The following changes in actuarial assumptions occurred in 2021:

- FRS: Decreasing the maximum amortization period to 20 years for all current and future amortization bases.
- HIS: The municipal bond index rate and the discount rate used to determine the total pension liability decreased from 2.21% to 2.16%.

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%	2.10%	2.10%	1.10%
Fixed income	20.0%	3.80%	3.70%	3.30%
Global equity	54.2%	8.20%	6.70%	17.80%
Real estate (property)	10.3%	7.10%	6.20%	13.80%
Private equity	10.8%	11.70%	8.50%	26.40%
Strategic investments	3.7%	5.70%	5.40%	8.40%
	<u>100.0%</u>			

Discount Rate

The discount rate used to measure the total pension liability for the FRS Pension Plan was 6.80%. 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 2.16% was used to determine the total pension liability for the program. The Bond Buyer General Obligation Bond 20-Bond Municipal Bond Index was used as the applicable municipal bond index.

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

Note 15: DEFINED BENEFIT PENSION PLANS (Continued)

Sensitivity Analysis

The following tables demonstrate the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the collective net pension liability of the participating employers if the discount rate was 1.00% higher or 1.00% lower than the current discount rate at June 30, 2022.

FRS Net Pension Liability			HIS Net Pension Liability		
Current			Current		
1 % Decrease	Discount Rate	1 % Increase	1 % Decrease	Discount Rate	1 % Increase
\$ 93,439,614	\$ 20,894,055	\$ (39,745,898)	\$ 51,550,318	\$ 44,589,964	\$ 38,887,511

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, 2022, the District had no outstanding contributions to the FRS Plan or the HIS Plan required for the fiscal year ended June 30, 2022.

Note 16: DEFINED CONTRIBUTION PENSION PLAN

Investment Plan

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

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

Bay County District School Board Notes to Financial Statements

Note 16: DEFINED CONTRIBUTION PENSION PLAN (Continued)

account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2021-2022 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, 2022, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the District.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided 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 \$1,031,983 for the fiscal year ended June 30, 2022.

Note 17: 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

Bay County District School Board Notes to Financial Statements

Note 17: OTHER POSTEMPLOYMENT BENEFITS PLAN (Continued)

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 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:

Active plan members (currently electing medical)	2,241
Active plan members (Not electing medical)	533
Retirees and beneficiaries (electing medical)	145
Retirees spouses and beneficiaries (electing medical)	11
Total plan members	2,930

Total OPEB Liability

The District's total OPEB liability of \$3,764,884 was measured as of June 30, 2022, based on an actuarial valuation dated June 30, 2022.

Actuarial Assumptions and Other Inputs

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

Actuarial valuation method	Entry Age Normal
Mortality rates	Active and Retiree: PubG Healthy Headcount-weighted Mortality Tables with pre and post commencement rates and projected mortality improvement after year 2010 under Projection Scale MP-2021 (male and female scales).

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

Note 17: OTHER POSTEMPLOYMENT BENEFITS PLAN (Continued)

	Beneficiaries: PubG Contingent survivor Headcount-weighted Mortality Tables with pre and post commencement rates and projected mortality improvement after year 2010 under Projection Scale MP-2021 (male and female scales).				
Salary Increases	4 percent				
Discount rate	4.09 percent, based on the S&P Municipal Bond 20 Year High Grade Rate Index as of June 30, 2022.				
Healthcare cost trend rates	6.0 percent graded uniformly down to 5.5 percent over 2 years and following the Getzen model thereafter.				
Aging variance	Claims were adjusted based on the aging factors in the Dale Yamamoto study released by the Society of Actuaries in June 2013.				
Plan participation	40 percent of future eligible retirees are assumed to elect medical coverage upon retirement.				
Medical claims cost	\$14,521 annual cost				
Funding policy	Benefits are funded on a pay-as-you-go basis. No assets have been segregated and restricted to provide for these benefits.				
Annual retiree contribution	Medical plan: \$9,002 (retiree) and \$9,536 (spouse)				
Amortization periods	Contribution calculations: 20 years (closed) beginning July 1, 2017				
	Experience gains or losses: Amortized over the average working lifetime of all participants which for the current period is 7 years. Plan amendments are recognized immediately. Changes in actuarial assumptions are amortized over the average working lifetime of all participants.				
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.				
Expenses	Administrative expenses are included in the per capita health costs.				
Marital status	For current retirees, actual spouse participation and dates of birth were used. For future retirees, 6% are assumed to cover a spouse in retirement, and males are assumed to be 2 years older than female spouses.				
Retirement rates by age	55 - 20%, 56-58 - 5%, 59-61 - 10%, 62 - 25%, 63-64 - 5%, and 65 - 100%				
Disability and withdrawal rates by age		Attained Age			
		20	35	50	60
	Disability rates	1.000	1.000	10.100	10.800
	Withdrawal rates				
	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

Bay County District School Board Notes to Financial Statements

Note 17: OTHER POSTEMPLOYMENT BENEFITS PLAN (Continued)

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 4.09% for the measurement date of June 30, 2022.

Changes in Plan Provisions, Assumptions, and Actuarial Methods

The changes of assumptions were based on the following:

- The discount rate is 4.09% based on the S&P Municipal Bond 20 Year High Grade Rate Index as of June 30, 2022.
- The mortality rates were updated to the Pub.G Headcount Weighted Mortality Tables with improvement scale MP2021.
- The Marriage assumption was updated to assume that 6% of future retirees will elect to cover a spouse in retirement, and male were assumed to be 2 years older than female spouses.
- The health care cost trend rate was updated to 6.00% grading uniformly to 5.50% over 2 years and following the Getzen model thereafter.

Changes in the Total OPEB Plan Liability

	Amount
Balance at June 30, 2021	\$ 4,824,605
Changes for the year:	
Service cost	439,980
Interest	132,031
Differences between expected and actual experience	(1,004,898)
Changes of assumptions or other inputs	(325,826)
Benefit payments	(301,008)
Net change in other postemployment benefits liability	(1,059,721)
Balance at June 30, 2022	\$ 3,764,884

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following table presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.09 percent) or 1 percentage point higher (5.09 percent) than the current rate:

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

Note 17: OTHER POSTEMPLOYMENT BENEFITS PLAN (Continued)

	1 % Decrease	Current Discount Rate	1 % Increase
Total OPEB Liability	\$ 3,917,243	\$ 3,764,884	\$ 3,608,316

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 (5.0 percent decreasing to 4.5 percent) or 1 percentage point higher (7.0 percent decreasing to 6.5 percent) than the current healthcare cost trend rates:

	1 % Decrease	Current Cost Trend Rate	1 % Increase
Total OPEB Liability	\$ 3,407,320	\$ 3,764,884	\$ 4,180,061

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

For the fiscal year ended June 30, 2022, the District recognized OPEB expense of \$244,801. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Effect of assumptions changes or inputs	\$ 554,579	\$ 279,279
Net difference between projected and actual investment earnings	-	1,827,232
Total	\$ 554,579	\$ 2,106,511

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

Measurement period ending June 30,	
2023	\$ (327,209)
2024	(327,209)
2025	(327,206)
2026	(190,104)
2027	(190,104)
Thereafter	(190,100)
Total	\$ (1,551,932)

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

Note 18: CONSTRUCTION CONTRACTS AND OTHER SIGNIFICANT COMMITMENTS

Construction contracts – encumbrances include the following construction contract commitments at June 30, 2022:

Project	Total Contract Amount	Completed to Date	Balance Committed
Arnold High School			
Contractor	\$ 1,227,605	\$ 1,043,768	\$ 183,837
Contractor	3,258,710	1,111,806	2,146,904
Contractor	1,448,753	1,005,311	443,442
Bay High School			
Architect	809,794	617,415	192,379
Contractor	10,297,764	3,918,397	6,379,367
Architect	325,000	281,470	43,530
Contractor	8,260,983	8,146,481	114,502
Bozeman			
Contractor	1,012,693	895,730	116,963
Breakfast Point			
Contractor	1,273,378	395,573	877,805
Callaway			
Contractor	864,419	750,419	114,000
Deerpoint			
Contractor	548,301	213,830	334,471
Haney			
Contractor	2,931,866	1,961,702	970,164
Contractor	1,234,498	914,170	320,328
Architect	568,959	455,312	113,647
Contractor	11,765,524	279,249	11,486,275
Hutchinson Beach			
Contractor	1,094,341	382,462	711,879
Jinks			
Architect	371,708	370,358	1,350
Lucille Moore			
Contractor	553,684	334,108	219,576
Lynn Haven			
Contractor	1,345,091	1,217,017	128,074
Margaret K Lewis			
Contractor	725,055	693,673	31,382

(Continued)

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

Note 18: CONSTRUCTION CONTRACTS AND OTHER SIGNIFICANT COMMITMENTS (Continued)

Project	Total Contract Amount	Completed to Date	Balance Committed
Merritt Brown			
Contractor	\$ 401,413	\$ 152,505	\$ 248,908
Mosley			
Contractor	2,475,257	2,370,070	105,187
Mowat			
Architect	291,400	275,738	15,662
Contractor	5,006,627	3,647,187	1,359,440
Architect	995,616	774,834	220,782
Contractor	3,412,789	755,916	2,656,873
Patterson			
Contractor	354,744	349,117	5,627
Patronis			
Contractor	1,503,593	617,426	886,167
Parker			
Contractor	1,291,224	587,876	703,348
Rosenwald			
Contractor	1,680,272	1,413,005	267,267
Rutherford			
Architect	459,990	453,640	6,350
Contractor	5,025,913	4,541,558	484,355
Waller			
Contractor	453,473	317,782	135,691
Walsingham			
Architect	2,255,889	2,240,378	15,511
Contractor	30,003,213	27,292,650	2,710,563
West Bay			
Contractor	707,767	181,934	525,833
Contracts Under \$250,000			
	5,733,588	2,806,642	2,926,946
<hr/>			
Total	\$ 111,970,894	\$ 73,766,509	\$ 38,204,385

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 above construction contracts are identified as assigned fund balance on the balance sheet unless they are related to a fund which is already restricted.

Bay County District School Board Notes to Financial Statements

Note 19: RISK MANAGEMENT PROGRAMS

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Workers' compensation, automobile liability, and general liability coverage are being provided on a self-insured basis up to specified limits. The District has entered into agreements with various insurance companies to provide specific excess coverage of claim amounts above the stated amount on an individual claim basis. The District has contracted with an insurance administrator to administer these self-insurance programs, including the processing, investigating, and payment of claims.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund(s). The amount, if any, of expenditures from current or prior years which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts not recorded, if any, to be immaterial.

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 \$10,408,529 was actuarially determined to cover estimated incurred, but not reported, insurance claims payable at June 30, 2022 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
2019-2020	\$ 11,800,107	\$ 3,975,973	\$ (1,557,676)	\$ 14,218,404
2020-2021	14,218,404	-	(3,019,868)	11,198,536
2021-2022	11,198,536	1,350,096	(2,140,103)	10,408,529

Bay County District School Board Notes to Financial Statements

Note 19: RISK MANAGEMENT PROGRAMS (Continued)

Health Insurance Claims

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

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

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

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

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

The District reports a liability when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. This amount includes an amount for claims that have been incurred, but not reported. The District reevaluates the claims liability periodically and the claims liability totaled \$4,427,524 as of June 30, 2022.

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
2019-2020	\$ 4,966,608	\$ 19,467,824	\$ (14,569,519)	\$ 9,864,913
2020-2021	9,864,913	20,314,240	(22,127,363)	8,051,790
2021-2022	8,051,790	21,625,516	(25,249,782)	4,427,524

Bay County District School Board Notes to Financial Statements

Note 20: SUBSEQUENT EVENTS

The Board issued Certificates of Participation in the par amount of \$64,810,000 on September 1, 2022 with interest rates ranging from 4.0% to 5.5%. The bonds are to finance the acquisition, construction, and installation of certain educational facilities in Bay County, Florida, initially expected to include new classroom wings and/or gymnasiums and other capital improvement and related sitework at the following schools: Deane Bozeman School; Cedar Grove Elementary School; Merritt Brown Middle School; Northside Elementary School; Tommy Smith Elementary School; and Mowat Middle School (collectively, the "Series 2022A Project").

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, 2022

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental				
Federal direct	\$ 638,944	\$ 677,411	\$ 1,379,550	\$ 702,139
Federal through state and local	8,404,248	23,684,271	23,440,808	(243,463)
State	111,913,196	117,654,198	117,713,354	59,156
Local				
Property taxes	87,331,359	87,331,359	88,353,886	1,022,527
Payments in lieu of taxes	-	-	100,708	100,708
Charges for services	2,070,996	4,184,718	4,252,740	68,022
Rental income	-	136,301	137,771	1,470
Interest income	150,000	150,000	195,989	45,989
Miscellaneous	840,674	1,155,841	2,259,325	1,103,484
Total revenues	211,349,417	234,974,099	237,834,131	2,860,032
Expenditures				
Current - education				
Instructional services	165,821,485	165,379,654	143,772,797	21,606,857
Pupil services	13,229,565	14,490,123	13,012,463	1,477,660
Instructional media services	2,406,115	2,816,287	2,327,998	488,289
Instructional and curriculum development services	3,342,618	3,572,009	3,356,486	215,523
Instructional staff training services	1,377,813	1,783,957	1,310,123	473,834
Instruction related technology	244,185	293,349	202,259	91,090
School board	1,059,453	1,061,187	930,630	130,557
General administrative services	14,255,536	6,881,743	1,152,017	5,729,726
School administrative services	14,026,850	14,988,871	14,362,177	626,694
Facilities acquisition and construction	1,380,396	4,526,017	3,802,404	723,613
Fiscal services	1,944,429	2,020,817	1,847,974	172,843
Food services	30,438	128,782	63,336	65,446
Central services	2,675,391	3,180,361	2,168,478	1,011,883
Pupil transportation services	8,108,946	8,319,205	8,030,008	289,197
Plant operations	17,673,408	19,749,753	16,540,534	3,209,219
Maintenance services	5,308,732	5,459,945	5,119,979	339,966
Administrative technology services	3,604,024	3,753,032	3,574,696	178,336
Community services	2,198,826	2,357,842	2,176,188	181,654
Capital outlay	29,447,101	46,136,256	14,504,175	31,632,081
Debt service				
Principal	-	-	204,412	(204,412)
Interest and fiscal charges	-	-	13,461	(13,461)
Total current	288,135,311	306,899,190	238,472,595	68,426,595
Excess (deficit) of revenues over (under) expenditures	(76,785,894)	(71,925,091)	(638,464)	71,286,627

(Continued)

See independent auditors' report and notes to required supplementary information.

Bay County District School Board
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual – General Fund (Continued)
Year ended June 30, 2022

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Other financing sources (uses)				
Debt proceeds	\$ -	\$ -	\$ 162,604	\$ 162,604
Transfers in	1,835,083	4,557,492	4,174,994	(382,498)
Transfers out	-	(5,910,988)	(5,910,988)	-
Total other financing sources (uses)	1,835,083	(1,353,496)	(1,573,390)	(219,894)
Net changes in fund balance	(74,950,811)	(73,278,587)	(2,211,854)	71,066,733
Fund balance - beginning	88,507,005	88,507,005	88,507,005	-
Fund balance - ending	\$ 13,556,194	\$ 15,228,418	\$ 86,295,151	\$ 71,066,733

See independent auditors' report and notes to required supplementary information.

Bay County District School Board
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual – Federal Education Stabilization Fund
Year ended June 30, 2022

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental				
Federal through state and local	\$ 23,807,547	\$ 84,083,050	\$ 28,166,765	\$ (55,916,285)
State	-	-	-	-
Total revenues	23,807,547	84,083,050	28,166,765	(55,916,285)
Expenditures				
Current - education				
Instructional services	17,542,475	44,845,302	16,464,945	28,380,357
Pupil services	921,890	13,234,120	2,816,701	10,417,419
Instructional media services	64,858	382,668	219,460	163,208
Instructional and curriculum development services	301,562	1,236,865	689,392	547,473
Instructional staff training services	73,990	2,922,997	520,579	2,402,418
Instruction related technology	6,613	1,203,300	962,766	240,534
School board	-	2,321	2,184	137
General administrative services	417,872	2,049,129	646,146	1,402,983
School administrative services	174,994	1,291,182	836,722	454,460
Facilities acquisition and construction	152,016	1,091,617	21,333	1,070,284
Fiscal services	-	65,064	58,444	6,620
Food services	-	57,547	33,912	23,635
Central services	-	240,262	88,958	151,304
Pupil transportation services	68,570	1,173,248	582,960	590,288
Plant operations	229,097	3,219,815	1,515,168	1,704,647
Maintenance services	-	583,541	165,598	417,943
Administrative technology services	-	93,867	68,765	25,102
Community services	2,138,892	1,642,005	1,718,202	(76,197)
Capital outlay	1,714,718	8,748,200	754,530	7,993,670
Total current	23,807,547	84,083,050	28,166,765	55,916,285
Net changes in fund balance	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	\$ -	\$ -	\$ -	\$ -

See independent auditors' report and notes to required supplementary information.

Bay County District School Board
Schedule of Changes in the Total Other Postemployment
Benefits Liability and Related Ratios
Year ended June 30, 2022

June 30,	2022	2021	2020	2019	2018
Total OPEB liability					
Service cost	\$ 439,979	\$ 428,578	\$ 412,095	\$ 517,021	\$ 492,401
Interest	132,031	125,009	141,984	153,279	146,872
Changes in benefit terms	-	-	-	-	-
Differences between expected and actual experience	(1,004,898)	-	(1,931,783)	-	-
Changes in assumptions	(325,825)	-	1,109,156	-	-
Benefit payments/refunds	(301,008)	(386,070)	(371,221)	(448,904)	(415,652)
Net change in OPEB liability	(1,059,721)	167,517	(639,769)	221,396	223,621
Total OPEB liability - beginning	4,824,605	4,657,088	5,296,857	5,075,461	4,851,840
Total OPEB liability - ending (a)	\$ 3,764,884	\$ 4,824,605	\$ 4,657,088	\$ 5,296,857	\$ 5,075,461
Plan fiduciary net position					
Contributions - employer	\$ 301,008	\$ 386,070	\$ 371,221	\$ 448,904	\$ 415,652
Benefit payments/refunds	(301,008)	(386,070)	(371,221)	(448,904)	(415,652)
Net change in plan fiduciary net position	-	-	-	-	-
Plan fiduciary net position - beginning	-	-	-	-	-
Plan fiduciary net position - ending (b)	-	-	-	-	-
Net OPEB liability - ending (a) - (b)	\$ 3,764,884	\$ 4,824,605	\$ 4,657,088	\$ 5,296,857	\$ 5,075,461
Plan fiduciary net position as a percentage of the total OPEB liability	0%	0%	0%	0%	0%
Covered-employee payroll	\$ 121,916,615	\$ 91,326,813	\$ 87,814,243	\$ 95,658,624	\$ 91,979,446
Net OPEB liability as a percentage of covered-employee payroll	3.1%	5.3%	5.3%	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 and notes to required supplementary information.

Bay County District School Board
Schedule of Employer Contributions for the Retirees' Health Insurance –
Other Postemployment Benefits

June 30,	2022	2021	2020	2019	2018
Contractually required contribution	\$ 834,919	\$ 790,716	\$ 745,377	\$ 873,223	\$ 820,456
Contributions in relation to the contractually required contribution	(301,008)	(386,070)	(371,221)	(448,904)	(415,652)
Contribution deficiency/(excess)	\$ 533,911	\$ 404,646	\$ 374,156	\$ 424,319	\$ 404,804
District's covered-employee payroll	\$ 121,916,615	\$ 91,326,813	\$ 87,814,243	\$ 95,658,624	\$ 91,979,446
Contributions as a percentage of covered-employee payroll	0.2%	0.4%	0.4%	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 and notes to required supplementary information.

Bay County District School Board
Schedule of the District's Proportionate Share of the Net Pension Liability –
Florida Retirement System
June 30, 2022

June 30,	2021	2020	2019	2018	2017
District's proportion of the net pension liability	0.276600910%	0.238762281%	0.259251435%	0.273873916%	0.277793791%
District's proportionate share of the net pension liability	\$ 20,894,055	\$ 103,483,091	\$ 89,282,585	\$ 82,492,243	\$ 82,197,743
District's covered payroll	\$ 128,809,588	\$ 116,142,935	\$ 121,280,909	\$ 125,344,151	\$ 124,140,536
District's proportionate share of the net pension liability as a percentage of its covered payroll	16.22%	89.10%	73.62%	65.81%	66.21%
Plan fiduciary net position as a percentage of the total pension liability	96.40%	78.85%	82.61%	84.26%	83.89%

(Continued)

See independent auditors' report and notes to required supplementary information.

Bay County District School Board
Schedule of the District's Proportionate Share of the Net Pension Liability –
Florida Retirement System (Continued)
June 30, 2022

June 30,	2016	2015	2014	2013	2012 *
District's proportion of the net pension liability	0.288077399%	0.313827488%	0.317902372%	0.310217062%	N/A
District's proportionate share of the net pension liability	\$ 72,739,769	\$ 40,535,029	\$ 19,396,720	\$ 53,402,163	N/A
District's covered payroll	\$ 123,114,770	\$ 122,615,413	\$ 119,580,531	\$ 115,355,362	N/A
District's proportionate share of the net pension liability as a percentage of its covered payroll	59.08%	33.06%	16.22%	46.29%	N/A
Plan fiduciary net position as a percentage of the total pension liability	84.88%	92.00%	96.09%	88.54%	N/A

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

See independent auditors' report and notes to required supplementary information.

Bay County District School Board
Schedule of the District's Contributions – Florida Retirement System
Year ended June 30, 2022

Year ended June 30,	2022	2021	2020	2019	2018
Contractually required contribution	\$ 12,204,368	\$ 10,708,045	\$ 8,025,549	\$ 8,127,318	\$ 7,805,187
Contributions in relation to the contractually required contribution	(12,204,368)	(10,708,045)	(8,025,549)	(8,127,318)	(7,805,187)
Contribution deficiency/(excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 135,094,709	\$ 128,809,588	\$ 116,142,935	\$ 121,280,909	\$ 125,344,151
Contributions as a percentage of covered payroll	9.03%	8.31%	6.91%	6.70%	6.23%

(Continued)

See independent auditors' report and notes to required supplementary information.

Bay County District School Board
Schedule of the District's Contributions – Florida Retirement System (Continued)
Year ended June 30, 2022

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

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

See independent auditors' report and notes to required supplementary information.

Bay County District School Board
Schedule of the District's Proportionate Share of the Net Pension
Liability – Health Insurance Subsidy Program
June 30, 2022

June 30,	2021	2020	2019	2018	2017
District's proportion of the net pension liability	0.363509981%	0.334628812%	0.362602063%	0.383751553%	0.389354110%
District's proportionate share of the net pension liability	\$ 44,589,964	\$ 40,857,633	\$ 40,571,542	\$ 40,616,695	\$ 41,631,538
District's covered payroll	\$ 128,809,588	\$ 116,142,935	\$ 121,280,909	\$ 125,344,151	\$ 124,140,536
District's proportionate share of the net pension liability as a percentage of its covered payroll	34.62%	35.18%	33.45%	32.40%	33.54%
Plan fiduciary net position as a percentage of the total pension liability	3.56%	3.00%	2.63%	2.15%	1.64%

(Continued)

See independent auditors' report and notes to required supplementary information.

Bay County District School Board
Schedule of the District's Proportionate Share of the Net Pension
Liability – Health Insurance Subsidy Program (Continued)
June 30, 2022

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

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

See independent auditors' report and notes to required supplementary information.

Bay County District School Board
Schedule of the District's Contributions – Health
Insurance Subsidy Program
Year ended June 30, 2022

Year ended June 30,	2022		2021		2020		2019		2018	
Contractually required contribution	\$	2,242,572	\$	2,138,239	\$	1,927,973	\$	2,013,263	\$	2,081,094
Contributions in relation to the contractually required contribution		(2,242,572)		(2,138,239)		(1,927,973)		(2,013,263)		(2,081,094)
Contribution deficiency/(excess)	\$	-	\$	-	\$	-	\$	-	\$	-
District's covered payroll	\$	135,094,709	\$	128,809,588	\$	116,142,935	\$	121,280,909	\$	125,344,151
Contributions as a percentage of covered payroll		1.66%		1.66%		1.66%		1.66%		1.66%

(Continued)

See independent auditors' report and notes to required supplementary information.

**Bay County District School Board
Schedule of the District's Contributions – Health
Insurance Subsidy Program (Continued)
Year ended June 30, 2022**

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

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

See independent auditors' report and notes to required supplementary information.

Bay County District School Board Notes to Required Supplementary Information

Note 1: 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 2: SCHEDULE OF CHANGES IN THE TOTAL OTHER POSTEMPLOYMENT BENEFITS LIABILITY AND RELATED RATIOS AND SCHEDULE OF EMPLOYER CONTRIBUTIONS FOR THE RETIREES' HEALTH INSURANCE – OTHER POSTEMPLOYMENT BENEFITS

No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits. OPEB is funded on a pay-as-you-go system.

Changes of Assumptions. The discount rate increased from 2.98 percent to 4.09 percent, the mortality rates were updated to the Pub.G Headcount Weighted Mortality Tables with improvement scale MP2021, the health care cost trend rate was updated to 6.00 percent grading uniformly to 5.50 percent over two years and following the Getzen model thereafter, and the marriage assumption was updated to assume that 6 percent of future retirees will elect to cover a spouse in retirement, and male were assumed to be 2 years older than female spouses.

Note 3: SCHEDULE OF NET PENSION LIABILITY AND SCHEDULE OF CONTRIBUTIONS – FLORIDA RETIREMENT SYSTEM

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

Note 4: SCHEDULE OF NET PENSION LIABILITY AND SCHEDULE OF CONTRIBUTIONS – HEALTH INSURANCE SUBSIDY PROGRAM

Changes of Assumptions. In 2021, the municipal bond index rate and the discount rate used to determine the total pension liability decreased from 2.21% to 2.16%.

Combining Statements

**Bay County District School Board
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2022**

	Public Education Capital Outlay Fund	Capital Outlay and Debt Service Fund	Capital Projects - Local Capital Improvement Fund	Food Service Fund	Miscellaneous Special Revenue Fund	Other Federal Programs Fund	Total Other Governmental Funds
Assets							
Cash and cash equivalents	\$ 939	\$ 2,667,544	\$ 16,099,137	\$ 4,861,615	\$ 4,098,016	\$ -	\$ 27,727,251
Accounts receivable, net	-	-	-	-	227,067	-	227,067
Due from other agencies	-	927,247	726,953	-	-	1,006,463	2,660,663
Due from other funds	-	-	374,050	4,750	-	494,343	873,143
Inventories	-	-	-	128,299	134,088	-	262,387
Total assets	\$ 939	\$ 3,594,791	\$ 17,200,140	\$ 4,994,664	\$ 4,459,171	\$ 1,500,806	\$ 31,750,511
Liabilities and fund balance							
Liabilities							
Accounts payable	\$ -	\$ -	\$ 902,922	\$ 2,579	\$ 168,082	\$ 49,251	\$ 1,122,834
Accrued expenses	-	-	-	3,935	-	244,922	248,857
Construction contracts payable - retainage	-	-	217,854	-	-	-	217,854
Due to other agencies	-	-	-	-	-	18,094	18,094
Due to other funds	-	-	281,542	-	201,329	1,188,539	1,671,410
Unearned revenue	-	751	-	31,504	82,640	-	114,895
Total liabilities	-	751	1,402,318	38,018	452,051	1,500,806	3,393,944
Fund balance							
Nonspendable							
Inventories	-	-	-	128,299	134,088	-	262,387
Restricted							
Food service	-	-	-	4,828,347	-	-	4,828,347
Capital projects	939	3,594,040	15,797,822	-	-	-	19,392,801
Other	-	-	-	-	3,873,032	-	3,873,032
Total fund balances	939	3,594,040	15,797,822	4,956,646	4,007,120	-	28,356,567
Total liabilities and fund balances	\$ 939	\$ 3,594,791	\$ 17,200,140	\$ 4,994,664	\$ 4,459,171	\$ 1,500,806	\$ 31,750,511

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, 2022

	Public Education Capital Outlay Fund	Capital Outlay and Debt Service Fund	Capital Projects - Local Capital Improvement Fund	Food Service Fund	Miscellaneous Special Revenue Fund	Other Federal Programs Fund	Total Other Governmental Funds
Revenues							
Intergovernmental							
Federal through state and local	\$ -	\$ -	\$ -	\$ 11,913,457	\$ -	\$ 16,217,458	\$ 28,130,915
State	2,679,909	927,553	-	113,132	-	-	3,720,594
Local							
District local capital improvement taxes	-	-	30,487,883	-	-	-	30,487,883
Payment in lieu of taxes	-	-	34,751	-	-	-	34,751
Charges for services	-	-	-	576,010	-	-	576,010
Interest income	-	-	69,568	10,169	9,286	-	89,023
Miscellaneous	-	-	22,186	209	4,889,570	-	4,911,965
Total revenues	2,679,909	927,553	30,614,388	12,612,977	4,898,856	16,217,458	67,951,141
Expenditures							
Current - education							
Instructional services	-	-	-	-	4,315,955	9,969,253	14,285,208
Pupil services	-	-	-	-	-	1,526,601	1,526,601
Instructional media services	-	-	-	-	-	90,893	90,893
Instructional and curriculum development services	-	-	-	-	-	2,866,391	2,866,391
Instructional staff training services	-	-	-	-	-	1,021,504	1,021,504
Instruction related technology	-	-	-	-	-	31,269	31,269
School board	-	-	4,524	-	-	-	4,524
General administrative services	-	-	-	-	-	432,381	432,381
School administrative services	-	-	-	-	-	14,991	14,991
Facilities acquisition and construction	-	-	4,178,561	-	-	-	4,178,561
Central services	-	-	-	-	-	2,715	2,715
Food services	-	-	-	10,099,731	-	-	10,099,731
Pupil transportation services	-	-	-	-	-	13,755	13,755

(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, 2022

	Public Education Capital Outlay Fund	Capital Outlay and Debt Service Fund	Capital Projects - Local Capital Improvement Fund	Food Service Fund	Miscellaneous Special Revenue Fund	Other Federal Programs Fund	Total Other Governmental Funds
Capital outlay	\$ 4,739	\$ 88,331	\$ 11,466,905	\$ 29,162	\$ 31,957	\$ 247,705	\$ 11,868,799
Debt service							
Interest and fiscal charges	-	1,058	-	-	-	-	1,058
Total expenditures	4,739	89,389	15,649,990	10,128,893	4,347,912	16,217,458	46,438,381
Excess (deficit) of revenues over (under) expenditures	2,675,170	838,164	14,964,398	2,484,084	550,944	-	21,512,760
Other financing uses							
Transfers out	(2,679,909)	-	(15,263,908)	-	-	-	(17,943,817)
Total other financing uses	(2,679,909)	-	(15,263,908)	-	-	-	(17,943,817)
Net changes in fund balances	(4,739)	838,164	(299,510)	2,484,084	550,944	-	3,568,943
Fund balances - beginning	5,678	2,755,876	16,097,332	2,472,562	3,456,176	-	24,787,624
Fund balances - ending	\$ 939	\$ 3,594,040	\$ 15,797,822	\$ 4,956,646	\$ 4,007,120	\$ -	\$ 28,356,567

See independent auditors' report.

Compliance Section

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 fiscal year ended June 30, 2022, and have issued our report thereon dated March 31, 2023.

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 Report on Internal Control Over Compliance Required by the Uniform Guidance, Schedule of Findings and Questioned Costs, and our Independent Accountant’s 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, 2023, 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		
2021-22 FY	2020-21 FY	2019-20 FY
Finding No.	Finding No.	Finding No.
2022-102	2021-002	N/A

Financial Condition and Management

Section 10.804(1)(f)2., Rules of the Auditor General, requires us to communicate whether or not the Bay County District School Board 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 Bay County District School Board 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 Bay County District School Board. It is management's responsibility to monitor the Bay County District School Board'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 Bay County District School Board maintains on its website the information specified in Section 1011.035, Florida Statutes. In connection with our audit, we determined that the Bay County District School Board maintained on its Web site 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 note 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, Rigggs & Ingram, L.L.C.

Certified Public Accountants
Panama City Beach, Florida
March 31, 2023

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH LOCAL
GOVERNMENT INVESTMENT POLICIES**

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, 2022. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on District's compliance with those 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 those requirements is in accordance with (or based on) 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 risks of material misstatement of the District's compliance with those requirements, 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.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination of the District's compliance with the 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, 2022.

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, 2023

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, 2022, 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, 2023. 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.

Report on Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2022-001 through 2022-003 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2022-004 and 2022-005 to be significant deficiencies.

Report on Compliance and Other Matters

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

District's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's responses to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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 organization'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, Rigger & Ingram, L.L.C.

Certified Public Accountants
Panama City Beach, Florida
March 31, 2023

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL 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

Opinion on Each Major Federal Program

We have audited Bay County District School Board's (District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2022. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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

Bay County District School Board's basic financial statements include the operations of its discretely presented component units which are not included in the Bay County District School Board's schedule of expenditures of federal awards for the year ended June 30, 2022. Our audit, described above, did not include the operations of the discretely presented component units because the component units engaged other auditors to perform the audits of compliance as applicable.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-101 and 2022-102, to be significant deficiencies.

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

Government Auditing Standards requires the auditor to perform limited procedures on the District's responses to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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, Rigg & Ingram, L.L.C.

Certified Public Accountants
Panama City Beach, Florida
March 31, 2023

Bay County District School Board
Schedule of Expenditures of Federal Awards
Year ended June 30, 2022

Federal Awards Programs	Assistance Listing Number	Contract/ Grant Number	Expenditures	Passed Through to Subrecipients
U. S. Department of Agriculture				
Indirect				
Child Nutrition Cluster				
Passed through the Florida Department of Agriculture and Consumer Services				
School Breakfast Program	10.553	20002	\$ 2,086,767	\$ -
National School Lunch Program	10.555	20001, 20003	9,167,479	-
Summer Food Service Program for Children	10.559	19006, 19007, 20006, 20007	183,399	-
Passed through the Florida Department of Health				
USDA - Fresh Fruits and Vegetables Program	10.582	20004	31,164	-
Total Child Nutrition Cluster			11,468,809	-
Passed through the Florida Department of Health				
Child and Adult Care Food Program	10.558	A-4504	444,648	-
Total U.S. Department of Agriculture			11,913,457	-
U.S. Department of Education				
Direct				
Student Financial Assistance Cluster				
Federal Pell Grant Program	84.063	N/A	933,111	-
Total Student Financial Assistance Cluster			933,111	-
Impact Aid	84.041	N/A	138,029	-
Total Direct			1,071,140	-
Indirect				
Passed through the Florida Department of Education				
Special Education Cluster				
Special Education - Grants to States	84.027	262, 263	6,756,118	-
Special Education - Preschool Grants	84.173	266, 267	225,861	-
Total Special Education Cluster			6,981,979	-
Adult Education - Basic Grants to States	84.002	191	175,247	-
Title I Grants to Local Educational Agencies	84.010	212, 223, 226	6,923,514	-
Career and Technical Education - Basic Grants to States	84.048	161	428,693	-
Education for Homeless Children and Youth	84.196	127	131,157	-
English Language Acquisition Grants	84.365	102	166,088	-
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	224	992,798	-
Student Support and Academic Enrichment Program	84.424	241	551,351	-
Total Indirect			16,350,827	-

(Continued)

See independent auditors' report and notes to schedule of expenditures of federal awards.

Bay County District School Board
Schedule of Expenditures of Federal Awards (Continued)
Year ended June 30, 2022

Federal Awards Programs	Assistance Listing Number	Contract/ Grant Number	Expenditures	Passed Through to Subrecipients
Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act				
Direct				
COVID-19 - Education Stabilization Fund Under The Coronavirus Aid, Relief, and Economic Security Act	84.425E	N/A	\$ 989,896	\$ -
COVID-19 - Education Stabilization Fund Under The Coronavirus Aid, Relief, and Economic Security Act	84.425F	N/A	1,226,617	-
Total Direct			2,216,513	-
Indirect				
Passed through the Florida Department of Education				
COVID-19 - Education Stabilization Fund Under The Coronavirus Aid, Relief, and Economic Security Act	84.425C	123 - GEERS	213,397	-
COVID-19 - Education Stabilization Fund Under The Coronavirus Aid, Relief, and Economic Security Act	84.425D	124 - ESSER	15,804,503	-
COVID-19 - Education Stabilization Fund Under The Coronavirus Aid, Relief, and Economic Security Act	84.425U	121 - ARP	9,501,071	-
COVID-19 - Education Stabilization Fund Under The Coronavirus Aid, Relief, and Economic Security Act	84.425W	122 - ARP Homeless	254,770	-
Total Indirect			25,773,741	-
Total Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act			27,990,254	-
Disaster Recovery Assistance for Education				
Indirect				
Passed through the Florida Department of Education				
Disaster Recovery Assistance for Education	84.938A	105	6,382,448	-
Disaster Recovery Assistance for Education	84.938C	106	874,685	-
Total Indirect			7,257,133	-
Total Education Stabilization Fund Under the			7,257,133	-
Total U.S. Department of Education			52,669,354	-
U.S. Department of Health and Human Services				
Direct				
COVID-19 - Provider Relief Fund	93.498	N/A	1,824	-
Indirect				
Passed through the Florida Department of Education				
Substance Abuse and Mental Health Services				
Projects of Regional and National Significance	93.243	502	41,315	-
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			193,139	-

(Continued)

See independent auditors' report and notes to schedule of expenditures of federal awards.

**Bay County District School Board
Schedule of Expenditures of Federal Awards (Continued)
Year ended June 30, 2022**

Federal Awards Programs	Assistance Listing Number	Contract/ Grant Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Homeland Security				
Indirect				
Passed through Florida Executive Office of the Governor				
Disaster Grants - Public Assistance				
(Presidentially Declared Disasters)	97.036	Z0887	\$ 10,567,271	\$ -
Total U.S. Department of Homeland Security			10,567,271	-
U.S. Department of Defense				
Direct				
Army Junior Reserve Officers Training Corps	12.U01	N/A	71,003	-
Marine Corps Junior Reserve Officers Training Corps	12.U02	N/A	69,209	-
Navy Junior Reserve Officers Training Corps	12.U03	N/A	57,738	-
Air Force Junior Reserve Officers Training Corps	12.U04	N/A	110,461	-
Total U.S. Department of Defense			308,411	-
Total expenditures of federal awards			\$ 75,651,632	\$ -

See independent auditors' report and notes to schedule of expenditures of federal awards.

Bay County District School Board
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2022

1. Basis of Presentation - The accompanying schedule of expenditures of federal awards (SEFA) includes the federal award activity of the Bay County District School Board under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to, and does not, present the financial position, changes in financial position, or cash flows of the District.
2. Summary of significant accounting policies - Expenditures are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
3. Indirect cost rate - The District has not elected to use the 10 percent de minimis cost rate allowed under the Uniform Guidance.
4. Noncash assistance - The schedule includes \$658,305 of donated food received during the fiscal year under the National School Lunch Program. Donated food is valued at fair value at the time of donation. The District has no other types of federal assistance to be reported that includes, endowments, insurance, noncash assistance, personal protective equipment, other donated property, or free rent.
5. Disaster Grants - The District incurred expenditures for Disaster Grants – Public Assistance (Presidentially Declared Disasters) in prior fiscal years.
6. The District did not expend any federal awards in the form of loans or loan guarantees during the fiscal year.

**Bay County District School Board
Schedule of Findings and Questioned Costs
Year ended June 30, 2022**

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? | Yes |
| 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? | Yes |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | Yes |
| 4. Identification of major federal programs: | |

<u>Assistance Listing Number</u>	<u>Name of Federal Award</u>
84.027, 84.173	Special Education Cluster (IDEA)-Cluster
84.425 C/D/E/F/U/W	COVID-19 - Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)

- | | |
|---|-------------|
| 5. Dollar threshold used to distinguish between Type A and Type B programs: | \$2,269,549 |
| 6. Auditee qualified as low-risk auditee under 2 CFR 200.520? | No |

(Continued)

Bay County District School Board
Schedule of Findings and Questioned Costs (Continued)
Year ended June 30, 2022

Section II – Financial Statement Findings

2022-001 Lack of Appropriate Staffing and Journal Entry Review (initially reported in 2022)

Condition: The District made various reporting and record keeping errors during the year due to a lack of appropriate staffing. Due to the lack of proper staffing they were unable to perform the same level of reviews as they have in previous years and simply missed adjustments needed that would have generally been identified in review. Management also did not consistently review journal entries by staff in detail on a regular basis which allowed numerous posting errors to occur and not be identified by the District in a timely manner. Summarized below are some of the adjustments identified.

- Beginning balance adjustments were required due to prior year audit adjustments not being posted.
- Grant receivables were understated at year end.
- Adjustments related to inappropriate journal entries were necessary to cash, interfund balances, and certain year end payables.

Criteria: Section 1010.01, Florida Statutes, requires that each school district prepare and maintain financial records and accounts in accordance with generally accepted accounting principles (GAAP). The District is required to implement necessary processes and controls to allow for accurate reporting and record keeping.

Cause: The District lost two key employees in the finance department during the Spring of 2022. The loss of these employees resulted in a lack of staffing needed for appropriate review, a lack of knowledge in some areas due to limited documentation of procedures, as well as a lack of time necessary to perform procedures appropriately. Replacement staff were not as knowledgeable as expected resulting in errors not being identified.

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

Recommendation: The District should work to appropriately staff the finance department as well as prepare written documentation of procedures by position to assist with transition of staff in the future. The District should also improve their review procedures related to journal entries prepared by staff including detailed review of the purpose for entries which would have prevented or more quickly identified entry errors during the year.

Views of Responsible Officials and Planned Corrective Action: The District has worked hard on recruiting and retaining qualified staff for the Finance Department. As of June 30, 2022, only one person in the department had been in that department for more than a year. We are currently fully staffed and feel like we have adequate checks and balances to identify errors in a timely manner. With time and experience current staff is expected to need less monitoring and errors should diminish.

Bay County District School Board
Schedule of Findings and Questioned Costs (Continued)
Year ended June 30, 2022

2022-002 Lack of Review Related to Property, Plant, and Equipment (initially reported in 2022)

Condition: The District did not review current year activity associated with buildings and improvements activity to verify appropriate classification between capital and noncapital activity resulting in unidentified errors in capital outlay associated with various projects. The District's capital outlay was misstated in various funds by varying amounts from \$150,000 to \$530,000. The District also did not appropriately review the government-wide fixed asset balances. The District's government-wide additions to fixed assets were understated by approximately \$629,000 while deletions were overstated by approximately \$6,500,000 prior to proposed audit adjustments.

Criteria: Section 1010.01, Florida Statutes, requires that each school district prepare and maintain financial records and accounts in accordance with GAAP.

Cause: The District lost two key employees in the finance department during the Spring of 2022. One of the employees was instrumental in the review of buildings and improvement additions and the other was involved with the year-end government-wide balances for fixed assets.

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

Recommendation: The District should clearly document the procedures used to review buildings and improvements activity for appropriate classification between capital and noncapital activity including consideration of consistency in application of capitalization. The District should implement a secondary review of fixed asset schedules for financial statement preparation to include agreement of activity to subsidiary schedules and annual activity.

Views of Responsible Officials and Planned Corrective Action: Inexperienced staff at year-end close-out caused delays in some of the processes which in turn didn't leave adequate time for reviews. We believe that the entire department has a better understanding of what will be required at year-end and understands the procedures that are in place.

2022-003 Understatement of Year-End Payables and Related Year-End Receivables (initially reported in 2022)

Condition: The District's year-end accounts payable and grant receivables were misstated in various funds by varying amounts from \$125,000 to \$2,180,000 including understatement of revenues and year-end grant receivables associated with reimbursement type grants by approximately \$2,140,000.

Criteria: Section 1010.01, Florida Statutes, requires that each school district prepare and maintain financial records and accounts in accordance with GAAP.

Cause: The District lost two key employees in the finance department during the Spring of 2022. One of the employees was instrumental in identification and accrual of year-end payables which were not completed in the current year.

Bay County District School Board
Schedule of Findings and Questioned Costs (Continued)
Year ended June 30, 2022

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

Recommendation: The District should implement procedures to identify year-end payables more completely in the future. Potential additional procedures to be performed could include review of subsequent payments after year end beyond the first couple of pay runs already generally considered and review of the status of significant outstanding purchase orders at year-end.

Views of Responsible Officials and Planned Corrective Action: Current staff better understands year-end procedures for recording payables and receivables and their supervisors know that these entries must be double-checked to ensure our compliance with generally accepted accounting principles.

2022-004 Identification of Leases for Implementation of GASB Statement No. 87, Leases (initially reported in 2022)

Condition: The District prepared a schedule of copier leases associated with the implementation of GASB Statement No. 87 which was incomplete based on testing performed during the audit. However it was determined that the summary was not materially incomplete based on payments made during 2022 to copier lease entities.

Criteria: Section 1010.01, Florida Statutes, requires that each school district prepare and maintain financial records and accounts in accordance with GAAP. To appropriately implement GASB Statement No. 87, it is necessary to identify all lease agreements that are not considered short-term.

Cause: The District obtained information about current copier leases for fiscal year 2022 from the purchasing department but, based on review of actual invoice payments during the year, that schedule was incomplete.

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

Recommendation: The District should implement procedures to identify all leases not considered short-term for inclusion in reporting associated with right-to-use assets and lease liabilities under GASB Statement No. 87. The District should also consider working with the leasing entities to simplify the leases for the District to help clarify and identify them. The District should also implement procedures to review all new leases for appropriate consideration of implications of GASB Statement No. 87.

Views of Responsible Officials and Planned Corrective Action: This was the first year of implementing GASB 87 for the District and we made some minor mistakes. We believe we can make some improvements to our processes and eliminate those errors.

Bay County District School Board
Schedule of Findings and Questioned Costs (Continued)
Year ended June 30, 2022

2022-005 Preparation of the Schedule of Expenditures of Federal Awards (initially reported in 2022)

Condition: The District misclassified approximately \$1,200,000 as ALN 84.425E instead of 84.425F. The District's expenditures reported for multiple grants were understated due to unidentified year-end payables.

Criteria: Section 1010.01, Florida Statutes, requires that each school district prepare and maintain financial records and accounts in accordance with GAAP. 2 CFR Section 200.510 requires that the auditee prepare a Schedule of Expenditures of Federal Awards for the period covered by the auditee's financial statements which must include the total federal awards expended.

Cause: The District lost two key employees in the finance department during the Spring of 2022. One of the employees was instrumental in identification and accrual of year-end payables which were not completed in the current year and completion of the Schedule of Expenditures of Federal Awards.

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

Recommendation: The District should implement procedures to identify all significant year-end payables. Additional procedures to be performed could include review of subsequent payments after year-end beyond the first couple of pay runs (already generally considered) and review of the status of significant outstanding purchase orders at year-end.

Views of Responsible Officials and Planned Corrective Action: The District's inexperienced staff didn't recognize all payables in their correct period. This particular payable was in one of the federal grants relating to the CARES act. The heavy volume of federal grants related to Hurricane Michael and COVID recovery has proven to exacerbate the learning curve problems with our inexperienced staff. Moving forward staff has gained experience with the remaining grant funds and shouldn't cause problems in the future.

Section III – Federal Awards Findings and Questioned Costs

2022-101 Employees Missed in Time and Effort or Personnel Activity Report Control Procedures

Assistance Listing Number: 84.425U

Program Title: COVID-19 - Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act

Compliance Requirement: Activities Allowed or Unallowed/Allowable Costs/Cost Principles

Pass-through Entity: Florida Department of Education

Federal Grant/Contract Number and Grant Year: N/A

Finding Type: Significant Deficiency in Internal Control

Known Questioned Costs: \$0

Bay County District School Board
Schedule of Findings and Questioned Costs (Continued)
Year ended June 30, 2022

Condition: While testing controls, a group of employees were identified that the District missed when completing their triannual procedures related to obtaining time and effort or personnel activity reports from employees paid from grants.

Criteria: 2 CFR section 200.303 requires that nonfederal entities receiving federal awards establish and maintain internal control over the federal awards that provides reasonable assurance that the nonfederal entity is managing the federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal awards.

Effect: In this instance, the District performed time and effort and personnel activity reports as a control procedure not specifically required by the grant, due to the type of payroll. This could have been a much more significant issue if it had been associated with certain other grants.

Cause: The grant administrator indicated the employees were likely missed due to timing of posting payroll to the project and the reclassification of costs between projects during the year due to changes from the state level associated with accounting for the Education Stabilization Funds.

Recommendation: The District should implement and document standardized processes and procedures to identify employees throughout the District who are required to keep time and effort or personnel activity reports during the year. We also recommend general training be completed for all staff regarding this requirement.

Views of Responsible Officials and Planned Corrective Action: The District had an unusually high volume of federal grants related to the CARES Act and employed a good number of staff that were new to the District. Coincidentally there was a group of these new employees that didn't fill out the proper time and attendance reports relating to the grant. The remaining staff is aware of the requirements and this shouldn't be a problem moving forward.

2022-102 Lack of Documented Review of Reporting as Well as Inaccurate Reporting of Year-End Data and Delay in Filing Requirements

Assistance Listing Number: 84.425E/F

Program Title: COVID-19 - Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act

Compliance Requirement: Reporting

Pass-through Entity: Florida Department of Education

Federal Grant/Contract Number and Grant Year: N/A

Finding Type: Significant Deficiency in Internal Control

Known Questioned Costs: \$0

Condition: The District did not have procedures in place to review the reporting required by the grant for accuracy nor for verification of completion of the reporting requirements in a timely manner. Errors were noted in the June 30, 2022 institutional portion report identified as being the final report with all amounts expended at year-end while there was approximately \$82,000 remaining to be spent. In addition, it was noted that one of two quarterly reports sampled were uploaded late by three days.

Bay County District School Board
Schedule of Findings and Questioned Costs (Continued)
Year ended June 30, 2022

Criteria: The U.S. Department of Education requires institutions that received Higher Education Emergency Relief Funds (HEERF) to publicly post certain information accurately on their website related to the student aid and institutional portions of the funds within 10 days of the end of each quarter.

2 CFR section 200.303 requires that nonfederal entities receiving federal awards establish and maintain internal control over the federal awards that provides reasonable assurance that the nonfederal entity is managing the federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal awards.

Effect: By not having a review process in place to verify the reports were accurate and uploaded timely, the reports were not available to the public within the allowed time after quarter-end.

Cause: The District had limited employees involved in the disbursement of the HEERF funds resulting in only one person being able to prepare and review the reports. It is unclear why the quarter reviewed was uploaded late.

Recommendation: We recommend implementing a process for a secondary review of the reports being prepared as well as a process for verifying reports are uploaded to the website accurately and timely.

Views of Responsible Officials and Planned Corrective Action: The District's Technical College had separate funding through the CARES Act with new and different reporting requirements. We didn't meet all of the reporting requirements by June 30, 2022 but at this time the funds have been mostly liquidated.

**Bay County District School Board
Summary Schedule of Prior Year Audit Findings
Year ended June 30, 2022**

The District has taken corrective action for findings included in the prior year audit report, except as noted in finding 2022-102 in the federal awards findings section above.

Prior Year/ Current Year Finding No.	Program/Area	Brief Description	Status	Comments
2021-001/ N/A	Financial Statement/Financial Reporting	District financial reporting procedures need improvement to ensure that account balances and transactions are properly reported and required supplementary information (RSI) is properly included in the annual financial report (AFR) submitted to the Florida Department of Education (FDOE).	Corrected	The District did not have significant similar journal entries required as seen in the prior year.
2021-002/ 2022-102	Federal Awards/Lack of Documented Review of Reporting	The District did not have procedures in place to review the quarterly public reporting for the student aid portion of the grant for accuracy or a process in place to verify reports were publicly available on their website in a timely manner. In addition, only reports starting from March 31, 2021 were purportedly available on Tom P. Haney Technical College's website instead of through the beginning of the reporting requirements.	Partial	The District implemented procedures to make sure reports were uploaded and publicly available. The District did not substantially change their procedures to include a secondary review of reports required by the grant.



CORRECTIVE ACTION PLAN

WILLIAM V. HUSFELT III
SUPERINTENDENT

March 31, 2023

Bay County District School Board Management's Corrective Action Plans For the Fiscal Year Ended June 30, 2022

1311 Balboa Avenue
Panama City, Florida
32401-2080

Finding Number: 2022-001

Planned Corrective Action:

The District has worked hard on recruiting and retaining qualified staff for the Finance Department. As of 6/30/22, only one person in the department had been in that department for more than a year. We are currently fully staffed and feel like we have adequate checks and balances to identify errors in a timely manner. With time and experience current staff is expected to need less monitoring and errors should diminish.

Anticipated Completion Date: 3/31/2023

Responsible Contact Person: Jim Loyed

Finding Number: 2022-002

Planned Corrective Action:

Inexperienced staff at year-end close-out caused delays in some of the processes which in turn didn't leave adequate time for reviews. We believe that the entire department has a better understanding of what will be required at year-end and understands the procedures that are in place.

Anticipated Completion Date: 9/11/2024

Responsible Contact Person: Jim Loyed

Finding Number: 2022-003

Planned Corrective Action:

Current staff better understands year-end procedures for recording Payables and Receivables and their supervisors know that these entries must be double-checked to ensure our compliance with GAAP.

Anticipated Completion Date: 9/11/2024

Responsible Contact Person: Jim Loyed

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Hearing Impaired Access
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(800) 955-8771 TDD

www.bay.k12.fl.us

Board Members:

Jerry Register
District 1

Ann Leonard
District 2

Chris Moore
District 3

Winston Chester
District 4

Steve Moss
District 5

Finding Number: 2022-004

Planned Corrective Action:

This was the first year of implementing GASB 87 for the District and we made some minor mistakes. We believe we can make some improvements to our processes and eliminate those errors.

Anticipated Completion Date: 9/11/2024

Responsible Contact Person: Jim Loyed

Finding Number: 2022-005

Planned Corrective Action:

The District's inexperienced staff didn't recognize all payables in their correct period. This particular payable was in one of the federal grants relating to the CARES act. The heavy volume of federal grants related to Hurricane Michael and COVID recovery has proven to exacerbate the learning curve problems with our inexperienced staff. Moving forward staff has gained experience with the remaining grant funds and shouldn't cause problems in the future.

Anticipated Completion Date: 9/11/2024

Responsible Contact Person: Jim Loyed

Finding Number: 2022-101

Planned Corrective Action:

The District had an unusually high volume of federal grants related to the CARES Act and employed a good number of staff that were new to the District. Coincidentally there was a group of these new employees that didn't fill out the proper time and attendance reports relating to the grant. The remaining staff is aware of the requirements and this shouldn't be a problem moving forward.

Anticipated Completion Date: 9/11/2024

Responsible Contact Person: Jim Loyed

Finding Number: 2022-102

Planned Corrective Action:

The District's Technical College had separate funding through the CARES Act with new and different reporting requirements. We didn't meet all of the reporting requirements by 6/30/22 but at this time the funds have been mostly liquidated.

Anticipated Completion Date: 9/11/2024

Responsible Contact Person: Jim Loyed



William V. Husfelt, III

Superintendent of Schools