

Bay County District School Board

Annual Financial Statements

June 30, 2016



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BOARD MEMBERS AND SUPERINTENDENT

Board members and the Superintendent who served during the 2015-2016 fiscal year are listed below:

	District No.
Jerry Register	1
Ginger Littleton, Vice-Chairman	2
Joe Wayne Walker	3
Ryan Neves	4
Steve Moss, Chairman	5

William V. Husfelt III, Superintendent

Bay County District School Board
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Bay County District School Board (District), as of and for the year ended June 30, 2016, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Palm Bay Preparatory Academy or Central High School (charter schools under the Palm Bay Educational Group, Inc.), Chautauqua Charter School, Inc., Community Charter Academy, Inc., Rising Leaders Academy, Inc., or the Bay Education Foundation, Inc., all of which represent 28 percent, 41 percent, and 38 percent, respectively, of the assets, 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 or Central High School (charter schools under the Palm Bay Educational Group, Inc.), Chautauqua Charter School, Inc., Community Charter Academy, Inc., Rising Leaders Academy, Inc., and the Bay Education Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Bay County District School Board, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12, the schedule of funding progress for the retirees' health insurance other postemployment benefits plan and the schedule of employer contributions for the retirees' health insurance other postemployment benefits plan on page 73, the schedule of the District's proportionate share of the net pension liability – Florida Retirement System on page 74, the schedule of the District's contributions – Florida Retirement System on page 75, the schedule of the District's proportionate share of the net pension liability – Health Insurance Subsidy Program on page 76, and the schedule of the District's contributions – Health Insurance Subsidy Program on page 77, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining nonmajor fund financial statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The combining nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor 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 17, 2017, 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, grant agreements and other matters. The purpose of that report is 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 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 17, 2017

Management's Discussion and Analysis

Management of the District School Board of Bay County 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 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 2015-2016 fiscal year are as follows:

- Total assets of the District exceed total liabilities by \$169,615,078 (net position). Of this amount, a deficit of \$47,302,861 is unrestricted net position, \$15,548,295 is restricted net position, and \$199,035,636 is net investment in capital assets for governmental activities. \$2,309,577 is unrestricted net position and \$24,431 is net investment in capital assets for business-type activities. The District's total net position increased \$11,593,497 or 7 percent.
- At the end of the fiscal year, the unassigned fund balance of the general fund was \$23,340,103 or 11 percent of the general fund expenditures, compared to the previous fiscal year's unassigned general fund balance of \$21,981,090 also 11 percent of the general fund expenditures.
- During the fiscal year ended June 30, 2016, governmental activities' revenue increased to \$275,552,579 or 4 percent while governmental activities' expenses increased to \$264,121,336 or less than one percent. Business-type activities' revenues increased 6 percent to \$1,669,949 while business-type activities' expenditures increased 13 percent to \$1,507,695.

Nonfinancial Highlights

Key nonfinancial highlights for the 2015-2016 fiscal year are as follows:

- The District went from a fully insured health insurance program to a self-insured platform maintaining Blue Cross and Blue Shield of Florida as the administrator of the program.
- In June of 2016 the District was able to pay off the half cent sales tax note for technology purchased after the referendum passed.
- Thanks to a public/private partnership that will help with funding, the District is able to begin the complete renovation at Tommy Oliver Stadium and continue with many new major capital expenditures.

Overview of the Financial Statements

The basic financial statements consist of three components:

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

In addition, this report presents certain required supplementary information, which includes management's discussion and analysis, the schedule of funding progress for the retirees' health insurance other postemployment benefits plan, the schedule of employer contributions for the retirees' health insurance other postemployment benefits plan, the schedule of the District's proportionate share of the net pension liability – Florida Retirement System, the schedule of the District's contributions – Florida Retirement System, the schedule of the District's proportionate share of the net pension liability – Health Insurance Subsidy Program, and the schedule of the District's contributions – Health Insurance Subsidy Program; combining statements; and compliance section.

Government-wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the District's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net position and a statement of activities that are designed to provide consolidated financial information about the governmental and business-type activities of the District presented on the accrual basis of accounting. The statement of net position provides information about the District's financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and liabilities, 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 10 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 and Central High School; Community Charter Academy, Inc., d/b/a University Academy, Inc.; and Rising Leaders Academy Inc.) are reported as discretely presented

component units. The District also presents two foundations (Bay Education Foundation, Inc. and Bay Haven Foundation) as discretely presented component units. Although legally separate organizations, the component units are included in this report because they meet the criteria for inclusion provided by generally accepted accounting principles.

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

Fund Financial Statements

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

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. This financial resources measurement focus allows the governmental fund statements to provide information on near term inflows and outflows of spendable resources as well as balances of spendable resources available at the end of the fiscal year. Consequently, the governmental fund statements provide a detailed short-term view that may be used to evaluate the District's near term financing requirements.

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

The governmental fund's balance sheet and statement of revenues, expenditures, and changes in fund balance provide detailed information about the District's most significant funds. The District's major funds are the general fund, debt service – other fund, capital projects – local capital improvement fund, and capital projects – other fund. Data from the other governmental funds are combined into a single, aggregated presentation.

The District adopts an annual appropriated budget for its governmental funds. A budgetary comparison schedule 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 an internal service fund 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.

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

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

Notes to Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the District's progress in funding its obligation to provide other postemployment benefits to its employees.

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceed liabilities by \$169,615,078 at the close of the most recent fiscal year. The following is a summary of the District's net position as of June 30, 2016, compared to net position as of June 30, 2015:

<i>June 30,</i>	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 72,003,940	\$ 66,157,083	\$ 3,269,696	\$ 3,047,685	\$ 75,273,636	\$ 69,204,768
Capital assets, net	301,563,252	311,211,935	24,431	17,233	301,587,683	311,229,168
Total assets	373,567,192	377,369,018	3,294,127	3,064,918	376,861,319	380,433,936
Total deferred outflows of resources	24,530,449	19,636,587	112,413	77,049	24,642,862	19,713,636
Current liabilities	8,413,920	10,477,249	393,855	420,108	8,807,775	10,897,357
Noncurrent liabilities	211,292,162	197,288,718	613,910	382,640	211,906,072	197,671,358
Total liabilities	219,706,082	207,765,967	1,007,765	802,748	220,713,847	208,568,715
Total deferred inflows of resources	11,110,489	33,389,811	64,767	167,465	11,175,256	33,557,276
Net position						
Net investment in capital assets	199,035,636	195,003,685	24,431	17,233	199,060,067	195,020,918
Restricted	15,548,295	14,483,664	-	-	15,548,295	14,483,664
Unrestricted	(47,302,861)	(53,637,522)	2,309,577	2,154,521	(44,993,284)	(51,483,001)
Total net position	\$ 167,281,070	\$ 155,849,827	\$ 2,334,008	\$ 2,171,754	\$ 169,615,078	\$ 158,021,581

By far the largest portion of the District's net position reflects its net investment in capital assets. The District uses these capital assets to educate the students of Bay County, Florida; 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 (9%) represents resources that are subject to external restrictions on how they may be used.

The balance of unrestricted net position may be used to help meet the District's ongoing obligations to citizens and creditors. As of fiscal year end, the balance in unrestricted net position is a deficit of \$44,993,284. This deficit resulted from the implementation of GASB 68 during fiscal year 2015, which required the recognition of net pension liability and related deferred inflows and deferred outflows of resources.

The key elements of the changes in the District's net position for the fiscal years ended June 30, 2016, and 2015, are as follows:

Changes in Net Position

<i>Year Ended June 30,</i>	Governmental		Business-type		Total	
	Activities		Activities			
	2016	2015	2016	2015	2016	2015
Program revenues						
Charges for services	\$ 5,753,830	\$ 6,168,395	\$ 1,656,374	\$ 1,569,350	\$ 7,410,204	\$ 7,737,745
Operating grants/ contributions	9,382,425	9,507,439	-	-	9,382,425	9,507,439
Capital grants/ contributions	1,550,221	1,838,144	-	-	1,550,221	1,838,144
General revenues						
Property taxes, levied for operational purposes	86,564,558	84,156,950	-	-	86,564,558	84,156,950
Property taxes, levied for capital projects	18,220,196	17,756,124	-	-	18,220,196	17,756,124
Local sales taxes	20,131,724	19,052,650	-	-	20,131,724	19,052,650
Grants and contributions not restricted to specific programs	130,534,793	123,012,375	-	-	130,534,793	123,012,375
Unrestricted investment earnings	403,759	209,384	13,575	4,045	417,334	213,429
Miscellaneous	3,011,073	3,900,428	-	-	3,011,073	3,900,428
Total revenues	275,552,579	265,601,889	1,669,949	1,573,395	277,222,528	267,175,284
Functions/program expenses						
Instruction	142,328,019	138,948,402	-	-	142,328,019	138,948,402
Pupil services	9,252,320	8,960,225	-	-	9,252,320	8,960,225
Instructional media services	2,374,053	2,503,872	-	-	2,374,053	2,503,872
Instruction and curriculum development services	5,133,753	5,091,509	-	-	5,133,753	5,091,509
Instructional staff training services	3,647,025	2,901,341	-	-	3,647,025	2,901,341
Instruction related technology	106,213	288,155	-	-	106,213	288,155
School board	1,118,114	856,487	-	-	1,118,114	856,487
General administration	663,085	661,069	-	-	663,085	661,069
School administration	13,579,681	12,907,388	-	-	13,579,681	12,907,388
Facilities acquisition and construction	6,948,035	9,508,755	-	-	6,948,035	9,508,755
Fiscal services	1,727,536	1,596,512	-	-	1,727,536	1,596,512
Food services	9,094,195	9,584,215	-	-	9,094,195	9,584,215
Central services	2,941,845	9,124,341	-	-	2,941,845	9,124,341
Pupil transportation services	9,092,248	7,609,708	-	-	9,092,248	7,609,708
Operation of plant	16,567,625	14,023,699	-	-	16,567,625	14,023,699
Maintenance of plant	4,527,070	4,269,086	-	-	4,527,070	4,269,086

Year Ended June 30,	Governmental		Business-type		Total	
	2016	2015	2016	2015	2016	2015
Administrative						
technology services	\$ 3,124,817	\$ 2,848,212	\$ -	\$ -	\$ 3,124,817	\$ 2,848,212
Community services	3,201,883	3,117,576	-	-	3,201,883	3,117,576
Unallocated interest on						
long-term debt	3,331,077	4,149,157	-	-	3,331,077	4,149,157
Unallocated depreciation						
expense	25,362,742	24,562,605	-	-	25,362,742	24,562,605
Beacon Learning Center	-	-	1,507,695	1,338,133	1,507,695	1,338,133
Total functions/program expenses	264,121,336	263,512,314	1,507,695	1,338,133	265,629,031	264,850,447
Increase (decrease) in net position	\$ 11,431,243	\$ 2,089,575	\$ 162,254	\$ 235,262	\$ 11,593,497	\$ 2,324,837

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

State revenues (grants and contributions) increased by \$7,522,418 or 6% due mainly to an increase in the State's portion of the FEP formula and an increase in full-time equivalent students. This increase was partially offset by a reduction in the local portion of the formula.

Instruction expenses represents 54 percent of total governmental expenses in the 2016 fiscal year. Instruction expenses increased by \$3,379,617, or 2 percent, over the previous fiscal year due mainly to an increase in charter schools, salaries, and enrollment.

Business-type activities charges for services provided 99 percent of the revenues for business-type activities.

Financial Analysis of the District's Funds

Major Governmental Funds

The general fund is the District's chief operating fund. As of June 30, 2016, unassigned fund balance was \$23,340,103, while the total fund balance was \$26,616,779. As of June 30, 2016 total assets were \$28,077,513 and total liabilities were \$1,460,734.

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 \$3,944 at June 30, 2016.

The capital projects – local capital improvement fund had a total fund balance of \$3,293,739 at June 30, 2016 all of which has been restricted for capital projects.

The capital projects – other fund had a total fund balance of \$7,133,051 at June 30, 2016 all of which has been restricted for capital projects.

Proprietary Funds

Unrestricted net position of the enterprise fund – Beacon Learning Center was \$2,309,577 at June 30, 2016, while total net position was \$2,334,008.

Internal Service Fund

Unrestricted net position of the internal service fund was \$4,721,895 at June 30, 2016.

General Fund Budgetary Highlights

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

For the year ended June 30, 2016 actual revenues and other financing sources totaled \$1,387,380 more than the final budgeted amounts, while actual expenditures were \$17,513,661 less than the final budgeted amounts. Positive budget variances occurred in several functions, including instructional, central services, and plant operations. The ending fund balance exceeded the estimated fund balance contained in the final amended budget by \$18,901,041 due to significant cost savings and the establishment of several reserve accounts designed to help the District offset expected revenue shortfalls.

Capital Assets and Long-term Debt

Capital Assets

The District's investment in capital assets for its governmental and business-type activities as of June 30, 2016, was \$301,563,252 and \$24,431, respectively (net of accumulated depreciation). This investment in capital assets includes land; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; property under capital lease; motor vehicles; construction in progress; audio visual materials; and computer software.

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

Debt Administration

At June 30, 2016, the District had total long-term debt outstanding of \$211,906,072. This amount is comprised of \$10,260,888 of accrued compensated absences, \$81,739,353 of net pension liability, \$1,516,000 of bonds payable, \$ 17,333,610 in estimated insurance claims payable, \$21,809,000 in sales tax revenue anticipation notes, \$79,069,200 of certificates of participation payable, \$133,416 in obligations under capital leases, and \$44,605 of other postemployment benefits.

Additional information on the District's long-term debt can be found in notes 6 through 11 to the financial statements.

Requests for Information

This financial report is designed to provide a general overview of the Bay County District School Board's finances. Questions concerning information provided in the report, requests for additional financial information or information associated with the District's discretely presented component units should be addressed to the Manager of Financial Services, 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, 2016

Primary Government				
	Governmental Activities	Business-type Activities	Total	Component Units
Assets				
Current assets				
Cash and cash equivalents	\$ 67,532,706	\$ 3,331,359	\$ 70,864,065	\$ 16,867,498
Investments	-	-	-	3,092,300
Accounts receivable, net	200	-	200	3,724,737
Internal balances	61,663	(61,663)	-	-
Due from other agencies	551,921	-	551,921	136,979
Prepaid expenses	1,590,958	-	1,590,958	174,237
Inventories	927,795	-	927,795	8,922
Other current assets	1,338,697	-	1,338,697	23,836
Total current assets	72,003,940	3,269,696	75,273,636	24,028,509
Noncurrent assets				
Capital assets				
Nondepreciable	25,181,011	-	25,181,011	2,305,128
Depreciable, net	276,382,241	24,431	276,406,672	40,412,760
Total noncurrent assets	301,563,252	24,431	301,587,683	42,717,888
Total assets	373,567,192	3,294,127	376,861,319	66,746,397
Deferred outflows of resources				
Deferred loss from debt refunding	3,968,731	-	3,968,731	-
Deferred outflows related to net pension	20,561,718	112,413	20,674,131	2,514,693
Total assets and deferred outflows of resources	398,097,641	3,406,540	401,504,181	69,261,090
Liabilities				
Current liabilities				
Accounts payable	982,906	5,990	988,896	297,679
Accrued expenses	784,730	289	785,019	45,521
Construction contracts payable				
- retainage	87,390	-	87,390	-
Customer deposits	6,692	-	6,692	-
Due to other agencies	8,230	-	8,230	-
Unearned revenue	164,669	387,576	552,245	30,722
Matured certificates of participation payable	5,125,700	-	5,125,700	-
Matured interest payable	1,253,603	-	1,253,603	541,214
Total current liabilities	8,413,920	393,855	8,807,775	915,136

(Continued)

See accompanying notes.

Bay County District School Board
Statement of Net Position (Continued)
June 30, 2016

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Noncurrent liabilities				
Due within one year				
Certificates of participation payable	\$ 5,279,700	\$ -	\$ 5,279,700	\$ -
Accrued compensated absences	2,024,141	28,037	2,052,178	23,984
Obligations under capital leases	133,416	-	133,416	74,591
Bonds payable	656,000	-	656,000	265,000
Notes payable	5,506,000	-	5,506,000	292,846
Estimated insurance claims payable	7,514,988	-	7,514,988	-
Due in more than one year				
Certificates of participation payable	73,789,500	-	73,789,500	-
Accrued compensated absences	8,096,563	112,147	8,208,710	36,060
Obligations under capital leases	-	-	-	798,885
Bonds payable	860,000	-	860,000	30,189,791
Net pension liability	81,265,627	473,726	81,739,353	6,549,086
Notes payable	16,303,000	-	16,303,000	6,158,971
Unearned contribution	-	-	-	4,700,521
Estimated insurance claims payable	9,818,622	-	9,818,622	-
Other postemployment benefits	44,605	-	44,605	-
Total noncurrent liabilities	211,292,162	613,910	211,906,072	49,089,735
Total liabilities	219,706,082	1,007,765	220,713,847	50,004,871
Deferred inflows of resources				
Deferred inflows related to net pension	11,110,489	64,767	11,175,256	816,889
Total liabilities and deferred inflows of resources	230,816,571	1,072,532	231,889,103	50,821,760
Net position				
Net investment in capital assets	199,035,636	24,431	199,060,067	1,808,022
Restricted				
State required carryover programs	1,138,938	-	1,138,938	-
Debt service	36,983	-	36,983	1,215,609
Capital projects	10,358,799	-	10,358,799	-
Food service	4,013,575	-	4,013,575	-
Other purposes	-	-	-	6,340,710
Unrestricted	(47,302,861)	2,309,577	(44,993,284)	9,074,989
Total net position	\$ 167,281,070	\$ 2,334,008	\$ 169,615,078	\$ 18,439,330

See accompanying notes.

Bay County District School Board
Statement of Activities
Year ended June 30, 2016

	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	
Functions/Programs								
Primary Government								
Governmental activities								
Instructional services	\$ 142,328,019	\$ 1,603,657	\$ -	\$ -	\$ (140,724,362)	\$ -	\$ (140,724,362)	\$ -
Pupil services	9,252,320	-	-	-	(9,252,320)	-	(9,252,320)	-
Instructional media services	2,374,053	-	-	-	(2,374,053)	-	(2,374,053)	-
Instructional and curriculum development services	5,133,753	-	-	-	(5,133,753)	-	(5,133,753)	-
Instructional staff training services	3,647,025	-	-	-	(3,647,025)	-	(3,647,025)	-
Instruction related technology	106,213	-	-	-	(106,213)	-	(106,213)	-
School board	1,118,114	-	-	-	(1,118,114)	-	(1,118,114)	-
General administrative services	663,085	-	-	-	(663,085)	-	(663,085)	-
School administrative services	13,579,681	-	-	-	(13,579,681)	-	(13,579,681)	-
Facilities acquisition and construction	6,948,035	42,405	-	1,550,221	(5,355,409)	-	(5,355,409)	-
Fiscal services	1,727,536	-	-	-	(1,727,536)	-	(1,727,536)	-
Food services	9,094,195	1,671,549	8,678,943	-	1,256,297	-	1,256,297	-
Central services	2,941,845	-	-	-	(2,941,845)	-	(2,941,845)	-
Pupil transportation services	9,092,248	345,667	-	-	(8,746,581)	-	(8,746,581)	-
Plant operations	16,567,625	-	-	-	(16,567,625)	-	(16,567,625)	-
Maintenance services	4,527,070	-	-	-	(4,527,070)	-	(4,527,070)	-
Administrative technology services	3,124,817	-	-	-	(3,124,817)	-	(3,124,817)	-
Community services	3,201,883	2,090,552	-	-	(1,111,331)	-	(1,111,331)	-
Unallocated interest on long-term debt	3,331,077	-	703,482	-	(2,627,595)	-	(2,627,595)	-

(Continued)

See accompanying notes.

**Bay County District School Board
Statement of Activities (Continued)
Year ended June 30, 2016**

	Program Revenues				Net (Expenses)/Revenues and Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Unallocated depreciation	\$ 25,362,742	\$ -	\$ -	\$ -	\$ (25,362,742)	\$ -	\$ (25,362,742)	\$ -
Total governmental activities	264,121,336	5,753,830	9,382,425	1,550,221	(247,434,860)	-	(247,434,860)	-
Business-type activities								
Beacon Learning Center	1,507,695	1,656,374	-	-	-	148,679	148,679	-
Total business-type activities	1,507,695	1,656,374	-	-	-	148,679	148,679	-
Total primary government	\$ 265,629,031	\$ 7,410,204	\$ 9,382,425	\$ 1,550,221	(247,434,860)	148,679	(247,286,181)	-
Component units	\$ 28,833,424	\$ 1,978,742	\$ 532,286	\$ 151,746	-	-	-	(26,170,650)
Taxes								
Property taxes, levied for operating purposes					86,564,558	-	86,564,558	-
Property taxes, levied for capital projects					18,220,196	-	18,220,196	-
Local sales taxes					20,131,724	-	20,131,724	-
Grants and contributions not restricted to specific programs					130,534,793	-	130,534,793	33,531,180
Total general revenues					255,451,271	-	255,451,271	33,531,180
Interest earnings					403,759	13,575	417,334	37,731
Rental income					91,800	-	91,800	-
Miscellaneous					2,919,273	-	2,919,273	76,322
Total general revenues, interest and other revenue					258,866,103	13,575	258,879,678	33,645,233
Change in net position					11,431,243	162,254	11,593,497	7,474,583
Net position - beginning					155,849,827	2,171,754	158,021,581	10,964,747
Net position - ending					\$ 167,281,070	\$ 2,334,008	\$ 169,615,078	\$ 18,439,330

See accompanying notes.

**Bay County District School Board
Balance Sheet – Governmental Funds
June 30, 2016**

	General Fund	Debt Service - Other Fund	Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 26,694,189	\$ 6,383,247	\$ 3,478,888	\$ 7,308,722	\$ 4,066,953	\$ 47,931,999
Accounts receivable, net	200	-	-	-	-	200
Due from other agencies	210,287	-	5,555	256	335,824	551,922
Due from other funds	286,317	-	-	-	277	286,594
Inventories	886,520	-	-	-	41,274	927,794
Prepays	-	-	-	104,162	-	104,162
Total assets	\$ 28,077,513	\$ 6,383,247	\$ 3,484,443	\$ 7,413,140	\$ 4,444,328	49,802,671
Liabilities and fund balances						
Liabilities						
Accounts payable	\$ 822,317	\$ -	\$ 76,083	\$ 257,623	\$ 78,123	1,234,146
Accrued expenses	506,700	-	-	-	20,362	527,062
Construction contracts payable - retainage	-	-	64,924	22,466	-	87,390
Deposits payable	6,692	-	-	-	-	6,692
Due to other agencies	-	-	-	-	8,230	8,230
Due to other funds	280	-	49,697	-	169,686	219,663
Matured certificates of participation payable	-	5,125,700	-	-	-	5,125,700
Matured interest payable	-	1,253,603	-	-	-	1,253,603
Unearned revenue	124,745	-	-	-	39,924	164,669
Total liabilities	1,460,734	6,379,303	190,704	280,089	316,325	8,627,155

(Continued)

See accompanying notes.

Bay County District School Board
Balance Sheet – Governmental Funds (Continued)
June 30, 2016

	General Fund	Debt Service - Other Fund	Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
Fund balance						
Nonspendable						
Prepays	\$ -	\$ -	\$ -	\$ 104,162	\$ -	\$ 104,162
Inventories	886,520	-	-	-	41,274	927,794
Restricted						
State required carryover programs	1,138,938	-	-	-	-	1,138,938
Food service	-	-	-	-	4,013,575	4,013,575
Debt service	-	-	-	-	36,983	36,983
Capital projects	-	-	3,293,739	7,028,889	36,171	10,358,799
Assigned						
Debt service	-	3,944	-	-	-	3,944
Future purchases	1,251,218	-	-	-	-	1,251,218
Unassigned	23,340,103	-	-	-	-	23,340,103
Total fund balances	26,616,779	3,944	3,293,739	7,133,051	4,128,003	41,175,516
Total liabilities and fund balances	\$ 28,077,513	\$ 6,383,247	\$ 3,484,443	\$ 7,413,140	\$ 4,444,328	

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.	301,563,252
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.	4,721,895
Deferred outflows and inflows are not financial resources or liabilities and therefore, are not reported in the funds.	13,380,783
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.	(193,560,376)
Net position of governmental activities	\$ 167,281,070

See accompanying notes.

Bay County District School Board
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year ended June 30, 2016

	General Fund	Debt Service - Other Fund	Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Intergovernmental						
Federal direct	\$ 637,623	\$ -	\$ -	\$ -	\$ 1,278,699	\$ 1,916,322
Federal through state and local	1,047,179	-	-	-	23,998,761	25,045,940
State	111,392,375	-	-	-	2,379,372	113,771,747
Local						
Property taxes	86,463,423	-	-	-	-	86,463,423
Local sales taxes	-	-	-	20,131,723	-	20,131,723
District local capital improvement taxes	-	-	18,180,323	-	-	18,180,323
Payments in lieu of taxes	101,135	-	39,873	-	-	141,008
Charges for services	3,736,614	-	-	-	1,671,549	5,408,163
Rental income	91,800	-	-	-	-	91,800
Interest income	152,142	273	117,550	53,613	11,307	334,885
Miscellaneous	3,957,232	-	-	749,284	124,269	4,830,785
Total revenues	207,579,523	273	18,337,746	20,934,620	29,463,957	276,316,119
Expenditures						
Current - education						
Instructional services	137,493,533	-	-	-	8,133,233	145,626,766
Pupil services	7,572,797	-	-	-	1,764,813	9,337,610
Instructional media services	2,360,003	-	-	-	31,312	2,391,315
Instructional and curriculum development services	2,925,851	-	-	-	2,253,248	5,179,099
Instructional staff training services	1,339,481	-	-	-	2,327,221	3,666,702
Instruction related technology	12,216	-	-	-	93,639	105,855
School board	1,122,705	-	-	-	-	1,122,705
General administrative services	666,257	-	-	-	568,455	1,234,712
School administrative services	13,954,055	-	-	-	89,062	14,043,117
Facilities acquisition and construction	507,564	-	1,684,310	4,753,846	-	6,945,720
Central services	2,915,340	-	-	-	8,185	2,923,525

(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, 2016

	General Fund	Debt Service - Other Fund	Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
Fiscal services	\$ 1,738,973	\$ -	\$ -	\$ -	\$ -	\$ 1,738,973
Food services	-	-	-	-	9,413,167	9,413,167
Pupil transportation services	8,232,352	-	-	-	16,180	8,248,532
Plant operations	15,902,209	-	-	-	-	15,902,209
Maintenance services	4,512,838	-	-	-	-	4,512,838
Administrative technology services	3,141,476	-	-	-	-	3,141,476
Community services	1,941,142	-	-	-	1,278,699	3,219,841
Capital outlay	547,544	-	8,045,481	7,380,698	514,385	16,488,108
Debt service						
Principal	-	12,469,040	-	596,594	615,000	13,680,634
Interest and fiscal charges	-	2,912,774	-	-	113,016	3,025,790
Total expenditures	206,886,336	15,381,814	9,729,791	12,731,138	27,219,615	271,948,694
Excess (deficit) of revenues over (under) expenditures	693,187	(15,381,541)	8,607,955	8,203,482	2,244,342	4,367,425
Other financing sources (uses)						
Transfers in	2,014,246	15,372,602	-	-	-	17,386,848
Transfers out	-	-	(9,915,995)	(7,747,050)	(1,301,293)	(18,964,338)
Total other financing sources (uses)	2,014,246	15,372,602	(9,915,995)	(7,747,050)	(1,301,293)	(1,577,490)
Net changes in fund balances	2,707,433	(8,939)	(1,308,040)	456,432	943,049	2,789,935
Fund balances - beginning	23,909,346	12,883	4,601,779	6,676,619	3,184,954	38,385,581
Fund balances - ending	\$ 26,616,779	\$ 3,944	\$ 3,293,739	\$ 7,133,051	\$ 4,128,003	\$ 41,175,516

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, 2016

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

Net changes in fund balances - total governmental funds (page 20)	\$	2,789,935
Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of these assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		(9,699,723)
The net effect of miscellaneous noncash transactions involving capital assets (i.e. sales, trade-ins, adjustments , and donations) is to increase net assets.		51,040
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, net pension liabilities, and other postemployment benefits).		2,862,367
Internal service funds are used by management to charge the costs of workers' compensation and insurance costs to individual funds. The net change of certain activities of internal service funds is reported with governmental activities. The internal balance resulting from the allocation of internal service funds to business-type activities is also reported.		2,052,277
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.		13,375,347
<hr/>		
Change in net position of governmental activities (page 16)	\$	<u>11,431,243</u>

See accompanying notes.

Bay County District School Board
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual – General Fund
Year ended June 30, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Intergovernmental				
Federal direct	\$ 683,643	\$ 741,356	\$ 637,623	\$ (103,733)
Federal through state and local	500,000	848,151	1,047,179	199,028
State	112,137,687	111,392,412	111,392,375	(37)
Local				
Property taxes	85,910,216	85,910,216	86,463,423	553,207
Payments in lieu of taxes	-	-	101,135	101,135
Charges for services	1,928,670	3,574,732	3,736,614	161,882
Rental income	-	91,800	91,800	-
Interest income	75,000	75,228	152,142	76,914
Miscellaneous	2,225,000	3,162,894	3,957,232	794,338
Total revenues	203,460,216	205,796,789	207,579,523	1,782,734
Expenditures				
Current - education				
Instructional services	145,754,075	147,063,879	137,493,533	9,570,346
Pupil services	7,741,001	7,982,561	7,572,797	409,764
Instructional media services	2,588,694	2,444,149	2,360,003	84,146
Instructional and curriculum development services	3,094,549	3,283,042	2,925,851	357,191
Instructional staff training services	1,257,878	1,450,607	1,339,481	111,126
Instruction related technology	1,670	15,002	12,216	2,786
School board	917,801	1,320,279	1,122,705	197,574
General administrative services	627,932	662,428	666,257	(3,829)
School administrative services	13,456,323	14,229,036	13,954,055	274,981
Facilities acquisition and construction	492,026	517,977	507,564	10,413
Fiscal services	2,040,545	2,758,196	1,738,973	1,019,223
Central services	3,596,302	4,016,572	2,915,340	1,101,232
Pupil transportation services	9,057,727	8,961,307	8,232,352	728,955
Plant operations	17,028,767	17,597,684	15,902,209	1,695,475
Maintenance services	5,132,235	5,230,082	4,512,838	717,244
Administrative technology services	3,427,063	3,503,914	3,141,476	362,438
Community services	1,956,558	2,089,048	1,941,142	147,906
Capital outlay	1,987,939	1,274,234	547,544	726,690
Total current	220,159,085	224,399,997	206,886,336	17,513,661
Excess (deficit) of revenues over (under) expenditures	(16,698,869)	(18,603,208)	693,187	19,296,395
Other financing sources (uses)				
Transfers in	1,415,628	2,409,600	2,014,246	(395,354)
Total other financing sources (uses)	1,415,628	2,409,600	2,014,246	(395,354)
Net changes in fund balance	(15,283,241)	(16,193,608)	2,707,433	18,901,041
Fund balance - beginning	23,909,346	23,909,346	23,909,346	-
Fund balance - ending	\$ 8,626,105	\$ 7,715,738	\$ 26,616,779	\$ 18,901,041

See accompanying notes.

Bay County District School Board
Statement of Net Position –
Proprietary Funds
June 30, 2016

	Business-type Activities - Beacon Learning Center	Governmental Activities - Internal Service Fund
Assets		
Current assets		
Cash and cash equivalents	\$ 3,331,359	\$ 19,600,707
Prepaid expenses	-	1,486,796
Other current assets	-	1,338,697
Total current assets	3,331,359	22,426,200
Noncurrent assets		
Capital assets		
Property, plant and equipment	221,410	-
Less accumulated depreciation	(196,979)	-
Total noncurrent assets	24,431	-
Total assets	3,355,790	22,426,200
Deferred outflows of resources	112,413	89,222
Total assets and deferred outflows of resources	3,468,203	22,515,422
Liabilities		
Current liabilities		
Accounts payable	5,990	6,428
Accrued expenses	289	-
Accrued compensated absences	28,037	6,426
Unpaid claims liability	-	7,514,988
Due to other funds	61,663	5,268
Unearned revenue	387,576	-
Total current liabilities	483,555	7,533,110
Noncurrent liabilities		
Accrued compensated absences	112,147	25,703
Net pension liability	473,726	366,047
Unpaid claims liability	-	9,818,622
Total noncurrent liabilities	585,873	10,210,372
Total liabilities	1,069,428	17,743,482
Deferred inflows of resources	64,767	50,045
Total liabilities and deferred inflows of resources	1,134,195	17,793,527
Net position		
Net investment in capital assets	24,431	-
Unrestricted	2,309,577	4,721,895
Total net pension	\$ 2,334,008	\$ 4,721,895

See accompanying notes.

Bay County District School Board
Statement of Revenues, Expenses, and Changes in Net Position –
Proprietary Funds
Year ended June 30, 2016

	Business-type Activities - Beacon Learning Center	Governmental Activities - Internal Service Fund
Operating revenues		
Charges for services	\$ 1,656,374	\$ 16,731,265
Other miscellaneous income	-	237,101
Total operating revenues	1,656,374	16,968,366
Operating expenses		
Salaries	828,360	467,184
Employee benefits	251,630	199,709
Purchased services	283,111	1,245,775
Materials and supplies	22,593	5,485
Small equipment	10,815	7,865
Insurance claims	-	11,651,272
Insurance premiums	-	2,964,952
Other expenses	105,450	20,211
Depreciation	5,736	-
Total operating expenses	1,507,695	16,562,453
Net operating income	148,679	405,913
Nonoperating revenues (expenses)		
Interest income	13,575	68,874
Transfers in	-	1,577,490
Total nonoperating revenues (expenses)	13,575	1,646,364
Changes in net position	162,254	2,052,277
Total net position - beginning	2,171,754	2,669,618
Total net position - ending	\$ 2,334,008	\$ 4,721,895

See accompanying notes.

Bay County District School Board
Statement of Cash Flows – Proprietary Funds
Year ended June 30, 2016

	Business-type Activities - Beacon Learning Center	Governmental Activities - Internal Service Fund
Operating activities		
Receipts for services	\$ 1,640,459	\$ 15,762,664
Payments to suppliers	(431,932)	(4,295,197)
Payments to employees	(986,782)	(654,476)
Payments for insurance claims and related fees	-	(8,593,746)
Net cash provided by operating activities	221,745	2,219,245
Capital and related financing activities		
Payments to/(from) other funds	2,630	2,421,608
Transfers from other funds, net	-	1,577,490
Purchase of capital assets	(12,934)	-
Net cash provided (used) by capital and related financing activities	(10,304)	3,999,098
Investing activities		
Interest received	13,575	68,874
Net cash provided by investing activities	13,575	68,874
Net increase in cash and cash equivalents	225,016	6,287,217
Cash and cash equivalents - beginning	3,106,343	13,313,490
Cash and cash equivalents - ending	\$ 3,331,359	\$ 19,600,707

(Continued)

See accompanying notes.

Bay County District School Board
Statement of Cash Flows – Proprietary Funds (Continued)
Year ended June 30, 2016

	Business-type Activities - Beacon Learning Center	Governmental Activities - Internal Service Fund
Reconciliation of net operating income to net cash provided by operating activities	\$ 148,679	\$ 405,913
Adjustments to reconcile net operating income to net cash provided by operating activities		
Depreciation	5,736	-
(Increase) decrease in assets		
Due from other governmental units	375	-
Prepaid expenses	-	(50,126)
Other current assets	-	(1,205,702)
(Increase) decrease in deferred outflows of resources	(35,364)	(25,724)
Increase (decrease) in liabilities		
Accounts payable	(8,271)	1,969
Accrued expenses	(1,692)	(783)
Accrued compensated absences	42,139	(5,405)
Unpaid claims liability	-	3,055,557
Unearned revenue	(16,290)	-
Net pension liability	189,131	131,509
Increase (decrease) in deferred inflows of resources	(102,698)	(87,963)
Total adjustments	73,066	1,813,332
Net cash provided by operating activities	\$ 221,745	\$ 2,219,245

See accompanying notes.

Bay County District School Board
Statement of Fiduciary Assets and Liabilities – Fiduciary Funds
June 30, 2016

		Agency Funds
Assets		
Cash and cash equivalents	\$	2,048,133
Investments		779,613
Accounts receivable, net		106,750
Inventories		86,672
Total assets	\$	3,021,168
Liabilities		
Accounts payable	\$	291,695
Due to other funds - budgetary		2,729,473
Total liabilities	\$	3,021,168

See accompanying notes.

Bay County District School Board
Combining Statement of Net Position – Discretely Presented Component Units
June 30, 2016

	Bay Haven Charter Academy, Inc.	Palm Bay Educational Group, Inc.	Chautauqua Charter School, Inc.	Community Charter Academy, Inc.	Rising Leaders Academy	Bay Education Foundation, Inc.	Bay Haven Foundation	Total Component Units
Assets								
Current assets								
Cash and cash equivalents	\$ 11,929,661	\$ 539,459	\$ 320,212	\$ 436,327	\$ 139,320	\$ 3,319,706	\$ 182,813	\$ 16,867,498
Investments	3,092,300	-	-	-	-	-	-	3,092,300
Accounts receivable, net	761,995	12,070	-	672	-	2,950,000	-	3,724,737
Due from other agencies	-	677	136,302	-	-	-	-	136,979
Prepaid expenses	74,904	63,020	1,776	34,537	-	-	-	174,237
Inventories	8,922	-	-	-	-	-	-	8,922
Other assets	11,426	-	-	12,410	-	-	-	23,836
Total current assets	15,879,208	615,226	458,290	483,946	139,320	6,269,706	182,813	24,028,509
Noncurrent assets								
Capital assets								
Nondepreciable	2,305,128	-	-	-	-	-	-	2,305,128
Depreciable, net	29,315,924	21,896	29,267	10,441,839	603,834	-	-	40,412,760
Total noncurrent assets	31,621,052	21,896	29,267	10,441,839	603,834	-	-	42,717,888
Total assets	47,500,260	637,122	487,557	10,925,785	743,154	6,269,706	182,813	66,746,397
Deferred outflows of resources	2,476,389	-	38,304	-	-	-	-	2,514,693
Total assets and deferred outflows of resources	49,976,649	637,122	525,861	10,925,785	743,154	6,269,706	182,813	69,261,090
Liabilities								
Current liabilities								
Accounts payable	90,813	91,179	8,209	107,478	-	-	-	297,679
Accrued expenses	45,521	-	-	-	-	-	-	45,521
Unearned revenue	30,722	-	-	-	-	-	-	30,722
Matured interest payable	541,214	-	-	-	-	-	-	541,214
Total current liabilities	708,270	91,179	8,209	107,478	-	-	-	915,136

(Continued)

See accompanying notes.

Bay County District School Board
Combining Statement of Net Position – Discretely Presented Component Units (Continued)
June 30, 2016

	Bay Haven Charter Academy, Inc.	Palm Bay Educational Group, Inc.	Chautauqua Charter School, Inc.	Community Charter Academy, Inc.	Rising Leaders Academy	Bay Education Foundation, Inc.	Bay Haven Foundation	Total Component Units
Noncurrent liabilities								
Due within one year								
Accrued compensated absences	\$ 23,984	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,984
Bonds payable	265,000	-	-	-	-	-	-	265,000
Obligations under capital leases	74,591	-	-	-	-	-	-	74,591
Notes payable	-	-	-	256,800	36,046	-	-	292,846
Due in more than one year								
Accrued compensated absences	36,060	-	-	-	-	-	-	36,060
Notes payable	-	-	-	5,612,631	546,340	-	-	6,158,971
Unearned contribution	-	-	-	4,700,521	-	-	-	4,700,521
Bonds payable	30,189,791	-	-	-	-	-	-	30,189,791
Net pension liability	6,384,197	-	164,889	-	-	-	-	6,549,086
Obligations under capital leases	798,885	-	-	-	-	-	-	798,885
Total noncurrent liabilities	37,772,508	-	164,889	10,569,952	582,386	-	-	49,089,735
Total liabilities	38,480,778	91,179	173,098	10,677,430	582,386	-	-	50,004,871
Deferred inflows of resources	765,849	-	51,040	-	-	-	-	816,889
Total liabilities and deferred inflows of resources	39,246,627	91,179	224,138	10,677,430	582,386	-	-	50,821,760
Net position								
Net investment in capital assets	1,699,365	21,896	29,267	-	57,494	-	-	1,808,022
Restricted								
Debt service	1,215,609	-	-	-	-	-	-	1,215,609
Other purposes	-	-	-	-	-	6,163,820	176,890	6,340,710
Unrestricted	7,815,048	524,047	272,456	248,355	103,274	105,886	5,923	9,074,989
Total net position	\$ 10,730,022	\$ 545,943	\$ 301,723	\$ 248,355	\$ 160,768	\$ 6,269,706	\$ 182,813	\$ 18,439,330

See accompanying notes.

Bay County District School Board
Combining Statement of Activities – Discretely Presented Component Units
Year ended June 30, 2016

	Bay Haven Charter Academy, Inc.	Palm Bay Educational Group, Inc.	Chautauqua Charter School, Inc.	Community Charter Academy, Inc.	Rising Leaders Academy	Bay Education Foundation, Inc.	Bay Haven Foundation	Total Component Units
Revenues								
Charges for services	\$ 1,642,406	\$ 22,244	\$ -	\$ 268,098	\$ 45,994	\$ -	\$ -	\$ 1,978,742
Operating grants and contributions	400,661	-	127,590	4,035	-	-	-	532,286
Capital grants and contributions	-	52,669	9,166	89,911	-	-	-	151,746
Grants and contributions not restricted to specific purposes	20,382,554	2,413,997	699,222	2,775,006	805,040	6,420,610	34,751	33,531,180
Investment earnings	15,448	-	-	-	-	21,887	396	37,731
Miscellaneous	76,322	-	-	-	-	-	-	76,322
Total revenues	22,517,391	2,488,910	835,978	3,137,050	851,034	6,442,497	35,147	36,308,007
Expenses								
Instructional services	10,802,082	830,119	547,181	1,716,531	458,427	-	-	14,354,340
Pupil services	356,622	24,246	82,804	-	-	-	-	463,672
Instructional media services	58,362	1,325	-	-	-	-	-	59,687
Instructional and curriculum development services	-	277	-	-	-	-	-	277
	-	408	-	41,377	-	-	-	41,785
Instructional staff training services	32,344	1,547	3,179	-	6,154	-	-	43,224
Instruction related technology	135,995	17,273	-	-	1,912	-	-	155,180
School board	134,567	142,311	57,811	115,525	45,848	-	-	496,062
General administrative services	1,213,065	-	-	-	-	119,815	-	1,332,880
School administrative services	1,591,324	453,841	33,922	219,902	101,746	-	-	2,400,735
Facilities acquisition and construction	57,534	323,061	21,000	1	-	-	-	401,596
Fiscal services	22,408	70,159	25,142	82,406	35,730	-	-	235,845
Food services	747,161	27,274	-	-	21,915	-	-	796,350
Pupil transportation services	307,332	1,865	35,803	28,504	6,560	-	-	380,064
Plant operations	1,770,608	78,107	20,419	362,237	36,667	-	-	2,268,038
Maintenance services	247,746	6,327	3,353	21,725	1,092	-	-	280,243

(Continued)

See accompanying notes.

Bay County District School Board

Combining Statement of Activities – Discretely Presented Component Units (Continued)

Year ended June 30, 2016

	Bay Haven Charter Academy, Inc.	Palm Bay Educational Group, Inc.	Chautauqua Charter School, Inc.	Community Charter Academy, Inc.	Rising Leaders Academy	Bay Education Foundation, Inc.	Bay Haven Foundation	Total Component Units
Community services	\$ 321,791	\$ 9,608	\$ 4,909	\$ 15,792	\$ 2,360	\$ 444,268	\$ 768,761	\$ 1,567,489
Unallocated interest on long-term debt	1,212,473	2,640	-	268,378	31,821	-	-	1,515,312
Unallocated depreciation	1,736,313	51,955	5,190	200,495	21,613	-	-	2,015,566
Loss on disposal of capital assets	-	25,079	-	-	-	-	-	25,079
Total expenses	20,747,727	2,067,422	840,713	3,072,873	771,845	564,083	768,761	28,833,424
Change in net position	1,769,664	421,488	(4,735)	64,177	79,189	5,878,414	(733,614)	7,474,583
Net position - beginning	8,960,358	124,455	306,458	184,178	81,579	391,292	916,427	10,964,747
Net position - ending	\$ 10,730,022	\$ 545,943	\$ 301,723	\$ 248,355	\$ 160,768	\$ 6,269,706	\$ 182,813	\$ 18,439,330

See accompanying notes.

Bay County District School Board Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Bay County District School Board (Board) has direct responsibility for operation, control, and supervision of District schools and is considered a primary government for financial reporting. The Bay County School District (District) is considered part of the Florida system of public education. The governing body of the District is the Board, which is composed of five elected members. The elected Superintendent of Schools is the executive officer of the Board. Geographic boundaries of the District correspond with those of Bay County.

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

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

- Blended Component Unit 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 8. Due to the substantive economic relationship between the District and the Corporation, the financial activities of the Corporation are included in the accompanying basic financial statements. Separate financial statements for the Corporation are not published.
- Discretely Presented Component Units The component unit columns in the government-wide financial statements include the financial data of two foundations and the District's ten charter schools.

The Bay Education Foundation, Inc., (Foundation) is a separate not-for-profit 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. The Bay Haven Foundation, is a separate not-for-profit 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 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 and Central High School; the 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.

Bay County District School Board Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The 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 school is dissolved or terminated, any encumbered funds and all school property purchased with public funds shall automatically revert to the District. The charter schools are considered component units of the District since they are fiscally dependent on the District to levy taxes for its support.

Copies of the separate financial statements for the charter schools and the foundations are available at the District's administrative office.

Basis of Presentation

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

Government-wide financial statements are prepared using the 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 operation of plant 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.

Bay County District School Board Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

- Enterprise Fund – Beacon Learning Center – to account for the financial activities and account balances of the Beacon Learning Center which provides educational services for a fee to individuals, public and private entities, and district school boards.
- Internal Service Fund – to account for the District’s self-insurance programs.
- Agency Funds – to account for resources of the school internal funds, which are used to administer moneys collected at several schools in connection with school, student athletic, class, and club activities.

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at fiscal year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

Basis of Accounting

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

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become 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. The District considers revenues to be available if they are collected within 60 days of the end of the 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). Expenditures are generally recognized when the related fund liability is incurred, as with accrual accounting. However, debt service expenditures, claims and judgments, 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The agency funds have no measurement focus but utilize the accrual basis of accounting for reporting its assets and liabilities. The Foundations are accounted for as a not-for-profits 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's governmental activities.

Cash, Cash Equivalents, and Investments

The District's cash and cash equivalents are considered to be cash on hand; demand deposits; certificates of deposit; and short-term, highly liquid 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; Hancock Horizon Government Money Market Fund; Federated Government Obligations Fund; and certificates of deposit.

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.

Investments consist of amounts placed in SBA Debt Service accounts for investment of debt service moneys; amounts placed with SBA for participation in Florida PRIME investment pool created by Sections 218.405 and 218.417, Florida Statutes; those held by a trustee pursuant to a trust agreement entered into and restricted as part of the financing agreement for the Certificates of Participation, Series 2007, Series 2010, Series 2013, and Series 2015; and those made locally. The investment pools operate under investment guidelines established by Section 215.47, Florida Statutes.

Bay County District School Board Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District's investments in Florida PRIME, which SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2016, 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 investments held by the trustee are reported at fair value.

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 cost of prepaids is 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. The capital assets so acquired are reported at cost in the government-wide statement of net positions 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 a useful service life of more than one year. Donated assets are recorded at fair value at the date of donation.

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

Bay County District School Board

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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, and pension expense, 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 the FRS's and the HIS's fiduciary net position have been determined on the same basis as they are reported by the FRS and the HIS plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Long-term Liabilities

Long-term obligations that will be financed from resources to be received in the future by governmental funds are reported as liabilities in the government-wide statement of net position. In the governmental fund financial statements, bonds and other long-term obligations are not recognized as liabilities until due.

Compensated Absences

In the government-wide financial statements, compensated absences (i.e., paid absences for employee vacation leave and sick leave) are accrued as liabilities to the extent that it is probable that the benefits will result in termination payments. 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 compensated absences includes salary related benefits, where applicable.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

statements, a flow assumption must be made about the order in which the resources are considered to be applied. Consequently, it is the District's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Fund Balance Flow Assumptions

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

Fund Balance Policies

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

The 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 balance as of June 30, 2016 of \$1,031,956 is from prepaids and inventories which are not in spendable form.

The restricted fund balance classification includes resources restricted by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation. The balance as of June 30, 2016 of \$15,548,295 is restricted by creditors for repayment of debt issued, state required carryover programs, food service, and capital projects.

The committed fund balance classification may include 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, 2016.

The assigned fund balance classification is intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board approves the assignment of the fund balances. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent fiscal year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

additional action does not normally have to be taken for the removal of an assignment. The balance as of June 30, 2016 of \$1,255,162 is from purchase orders issued and outstanding as of year end.

The unassigned fund balance classification is the residual classification for the District's fund balance. The balance as of June 30, 2016 is \$23,340,103.

Deferred outflows, deferred inflows, and net position

GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources and this standard renames the components of net position which were previously considered net assets.

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

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

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

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

GASB Statement 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Program Revenues

Amounts reported as program revenues include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than program revenues. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the District.

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 Florida Department of Education (Department) under the provisions of Section 1011.62, Florida Statutes. In accordance with this law, the District determines and reports the number of full-time equivalent (FTE) students and related data to the Department. The Department 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. The Department may also adjust subsequent fiscal period allocations based upon an audit of the District's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made.

The State provides financial assistance to administer certain educational programs. The State Board of Education 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. The Department generally requires that these educational program revenues be accounted for in the general fund. A portion of the fund balance of the general fund is restricted in the governmental fund financial statements for the balance of categorical and earmarked educational program resources.

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay money, to the District on an annual basis. The District is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the Department.

District Property Taxes

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

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

The Board adopted the 2015 tax levy on September 8, 2015. 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

Bay County District School Board Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

by the sale of interest bearing tax certificates to satisfy unpaid taxes. The procedures result in the collection of essentially all taxes prior to June 30 of the year following the year of assessment.

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

Capital Outlay Surtax

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

Federal Revenue Sources

The District receives federal awards for the enhancement of various educational programs. Federal awards are generally received based on applications submitted to, and approved by, various granting agencies. For federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred.

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 17, 2017, the date the financial statements were available to be issued.

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The total fund balance of the District's governmental funds (\$41,175,516) differs from the net position of governmental activities (\$167,281,070) reported in the statement of net position and governmental fund balance sheet. This difference results primarily for the long-term economic focus of the statement of net position versus the current fiscal resources focus of the governmental fund balance sheet.

Bay County District School Board
Notes to Financial Statements

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

Capital related items

When capital assets (property, leasehold improvements and equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets of the District as a whole.

Cost of capital assets	\$	655,487,475
Acumulated depreciation		(353,924,223)
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Capital assets net of accumulated depreciation	\$	301,563,252
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Long-term debt

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

Obligations under capital leases	\$	133,416
Bonds payable		1,516,000
Note payable		21,809,000
Certificate of participation payable		79,069,200
Other postemployment benefits		44,605
Net pension liability		80,899,580
Compensated absences payable		10,088,575
<hr/>		
Total long-term liabilities	\$	193,560,376
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Deferred inflows and outflows of resources

Deferred inflows and outflows related to the net pension liabilities applicable to the District's governmental activities are not reported as fund assets and liabilities.

Deferred change related to net pension - deferred inflow of resources	\$	20,472,496
Deferred change related to net pension - deferred outflow of resources		(11,060,444)
Deferred loss from debt refunding - deferred outflow of resources		3,968,731
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Deferred outflows and inflows of resources	\$	13,380,783
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Bay County District School Board Notes to Financial Statements

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

Internal service fund

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

Total assets and deferred outflows of resources	\$	22,515,422
Total liabilities and deferred inflows of resources		(17,793,527)
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Total internal service fund	\$	4,721,895
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The following is an explanation of 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 change in fund balance - total governmental funds and change in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of these assets are allocated over their estimated useful lives and reported as depreciation expense. The details of this difference are as follows:

Capital outlay	\$	16,488,108
Depreciation		(26,187,831)
<hr/>		
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at change in net position of governmental activities	\$	(9,699,723)
<hr/>		

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

Principal payments and payments to bond refunding escrow	\$	13,680,634
Amortization of loss on debt refunding		(305,287)
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Net adjustment to increase net changes in fund balances - total governmental funds to arrive at change in net position of governmental activities	\$	13,375,347
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Bay County District School Board Notes to Financial Statements

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

Another element of that reconciliation states 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 and amortization of bond discounts). The detail of this difference is as follows:

Change in compensated absences	\$ (105,827)
Change in other postemployment benefits	(6,429)
Change in net pension liability	(24,390,161)
Change in deferred inflows of resources related to pension	22,191,359
Change in deferred outflows of resources related to pension	5,173,425
<hr/>	
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at change in net position of governmental activities	\$ 2,862,367
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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, and donations) is to increase net position. The details of this difference are as follows:

Donation of fixed assets	\$ 51,040
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Also, 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	\$ 18,614,730
Total expenses	(16,562,453)
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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	\$ 2,052,277
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NOTE 3 - BUDGETARY COMPLIANCE AND ACCOUNTABILITY

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

- Budgets are prepared, public hearings are held, and original budgets are adopted annually for all governmental fund types in accordance with procedures and time intervals prescribed by law and State Board of Education 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.

Bay County District School Board Notes to Financial Statements

NOTE 3 - BUDGETARY COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

- Budgetary information is integrated into the accounting system and, to facilitate budget control, budget balances are encumbered when purchase orders are issued. Appropriations lapse at fiscal year end and encumbrances outstanding are honored from the subsequent year's appropriations.

NOTE 4 - DEPOSITS AND INVESTMENTS

As of June 30, 2016, the District has the following investments and maturities:

Deposits and investments	Maturities	Fair Value
State Board of Administration (SBA):		
Florida Prime (1) (2)	39 Day Average	\$ 15,019,646
Hancock Horizon Government Money Market		
Fund (1) (3)	N/A	6,379,308
FICA investments (1)	N/A	11,373,187
Florida Community Bank (1)	N/A	20,631,315
Demand deposits (1)	N/A	17,460,609
Total		\$ 70,864,065

- (1) Investments reported as cash equivalents.
- (2) SBA LGIP investments, totaling \$9,164, are held under trust agreements pursuant to financing arrangements for the Certificates of Participation, Series 2004, 2007, 2010, and 2013.
- (3) The Hancock Horizon Government Money Market Fund invests exclusively in obligations issued or guaranteed as to principal and interest by the United States Government or its agencies or instrumentalities, and repurchase agreements secured by such instruments. Shares in this fund are held as investments in the accounts governed by the trust agreements pursuant to Bay County School District's issues of Certificates of Participation, Series 2004, 2007, 2010, and 2013.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Section 218.415(17), Florida Statutes, limits investment maturities to provide sufficient liquidity to pay obligations as they come due. The District's investment policy limits 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.

NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)

Florida PRIME had a weighted average days to maturity (WAM) of 39 days at June 30, 2016. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Section 218.415(17), Florida Statutes, limits investments to State Board of Administration (SBA) Local Government Surplus Funds Trust Fund Investment Pool, known as Florida PRIME, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; Securities and Exchange Commission (SEC) registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits in qualified public depositories, as defined in Section 280.02, Florida Statutes; and direct obligations of the United States Treasury. The District's investment policy limits investments to those prescribed by Florida Statutes.

The District's investments in SBA Debt Service accounts are to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. The District relies on policies developed by SBA for managing interest rate risk and credit risk for this account.

The District's investment in Florida PRIME is rated AAAM by Standard & Poor's.

The District's investments with Hancock Horizon Government Money Market Fund are rated AAAM by Standard & Poor's.

The District's investments in certificates of deposit in the fiduciary fund are in qualified public depositories.

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 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.

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

NOTE 5 - CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the tables below:

GOVERNMENTAL ACTIVITIES	June 30, 2015	Additions	Deletions/ Transfers	June 30, 2016
Capital assets not being depreciated				
Land	\$ 16,383,950	\$ 2,450	\$ -	\$ 16,386,400
Construction in progress	31,517,865	7,963,735	30,686,989	8,794,611
Total capital assets not being depreciated	47,901,815	7,966,185	30,686,989	25,181,011
Capital assets being depreciated				
Improvements other than buildings	9,914,132	1,123,572	(1,529,907)	12,567,611
Buildings and fixed equipment	525,412,293	35,086,561	60,483	560,438,371
Furniture, fixtures, and equipment	34,449,424	1,623,295	2,741,308	33,331,411
Motor vehicles	12,242,324	1,389,903	413,445	13,218,782
Property under capital lease	3,951,184	-	2,199,841	1,751,343
Audio visual materials and computer software	8,962,325	36,621	-	8,998,946
Total capital assets being depreciated	594,931,682	39,259,952	3,885,170	630,306,464
Less accumulated depreciation				
Improvements other than buildings	5,700,769	460,932	(367,942)	6,529,643
Buildings and fixed equipment	283,305,846	20,991,567	60,483	304,236,930
Furniture, fixtures, and equipment	22,377,855	3,025,254	2,741,308	22,661,801
Motor vehicles	9,460,311	825,090	413,445	9,871,956
Property under capital lease	2,494,272	294,947	1,037,876	1,751,343
Audio visual materials and computer software	8,282,509	590,041	-	8,872,550
Total accumulated depreciation	331,621,562	26,187,831	3,885,170	353,924,223
Total capital assets being depreciated, net of accumulated depreciation	263,310,120	13,072,121	-	276,382,241
Capital assets, net	\$ 311,211,935	\$ 21,038,306	\$ 30,686,989	\$ 301,563,252

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

NOTE 5 - CHANGES IN CAPITAL ASSETS (CONTINUED)

BUSINESS-TYPE ACTIVITIES	June 30, 2015	Additions	Deletions	June 30, 2016
Capital assets being depreciated				
Furniture, fixtures, and equipment	\$ 137,701	\$ 12,934	\$ -	\$ 150,635
Motor vehicles	16,367	-	-	16,367
Audio visual materials and computer software	54,408	-	-	54,408
Total capital assets being depreciated	208,476	12,934	-	221,410
Less accumulated depreciation				
Furniture, fixtures, and equipment	120,468	5,736	-	126,204
Motor vehicles	16,367	-	-	16,367
Audio visual materials and computer software	54,408	-	-	54,408
Total accumulated depreciation	191,243	5,736	-	196,979
Total capital assets being depreciated, net of accumulated depreciation	17,233	7,198	-	24,431
Capital assets, net	\$ 17,233	\$ 7,198	\$ -	\$ 24,431

Depreciation expense was charged to functions as follows:

Function	Amount
Governmental Activities	
Pupil transportation services	\$ 629,509
Operation of plant	48,091
Central services	147,489
Unallocated	25,362,742
Total Governmental Activities	\$ 26,187,831
Business-type Activities	
Beacon Learning Center	\$ 5,736

NOTE 6 - OBLIGATIONS UNDER CAPITAL LEASE

During May of 2011, Bay County District School Board, entered into a capital lease for 29 modular classrooms. The payments began on June 10, 2011 with monthly payments due in the amount of \$27,428 for 60 months which includes interest of 2.88%. This obligation was paid off during the year ended June 30, 2016 and the related assets with a cost of \$1,529,907 and accumulated depreciation of \$367,942 were reclassified to improvements other than buildings.

Bay County District School Board Notes to Financial Statements

NOTE 6 - OBLIGATIONS UNDER CAPITAL LEASE (CONTINUED)

During December of 2011, Bay County District School Board, entered into a capital lease for computer software and hardware. The payments began on January 1, 2012 with monthly payments due in the amount of \$5,177 for 60 months which includes interest of 3.42%.

During March of 2012, Bay County District School Board, entered into a capital lease for computer software and hardware. The payments began August 2012 with annual payments due in the amount of \$105,159 for five years which includes interest of 2.42%.

During March of 2012, Bay County District School Board, entered into a capital lease for a phone system. The payments began March of 2012 with annual payments due in the amount of \$144,404 for five years which includes interest of 3.82%. This obligation was paid off during the current year and the related asset with a cost of \$669,934 and accumulated depreciation of \$669,934 was reclassified to furniture, fixtures, and equipment.

Future minimum installment purchase payments as of June 30 are as follows:

Amounts due for years ending June 30,	Total	Principal	Interest
2017	\$ 136,223	\$ 133,416	\$ 2,807
Total	\$ 136,223	\$ 133,416	\$ 2,807

The amount of assets acquired under the capital lease described above amounted to \$1,751,343 and are fully depreciated as of June 30, 2016.

NOTE 7 - NOTES PAYABLE

Notes payable is comprised of the following:

	Balance at June 30, 2016
Sales Tax Revenue Anticipation Notes, Series D	
\$30,105,500, borrowed June 21, 2011, under provisions of Section 1011.14, Florida Statutes. Interest rate is 1.7 percent. Proceeds were used for renovations at Surfside Middle school, renovations at Callaway Elementary School, and technology upgrades at various schools. The note is secured by a pledge of the District's sales tax revenues. For the year ended June 30, 2016 principal and interest payments on the bonds were 31% of pledged revenues. The notes have been paid off as of June 30, 2016. Principal and interest paid for the current year and total pledged revenues were \$6,291,624 and \$20,131,724, respectively.	\$ 0

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

NOTE 7 - NOTES PAYABLE (CONTINUED)

**Balance at
June 30, 2016**

Sales Tax Revenue Anticipation Notes, Series 2013

\$25,115,000, borrowed March 26, 2013, under provisions of Section 1011.14, Florida Statutes. Interest rate is 1.5 percent. Proceeds were used for various construction and renovation projects included in the list of projects approved by the Half Cent Sales Tax Committee. The note is secured by a pledge of the District's sales tax revenues. For the year ended June 30, 2016 principal and interest payments on the notes were 7% of pledged revenues. The total principal and interest remaining to be paid on the notes is \$22,532,767. Principal and interest paid for the current year and total pledged revenues were \$1,455,635 and \$20,131,724, respectively.

Total notes payable	21,809,000
Less current portion	5,506,000
Notes payable – noncurrent portion	\$ 16,303,000

Amounts payable for the planned extended repayment of the Section 1011.14, Florida Statutes notes payable is as follows:

Year ending June 30,	Total	Principal	Interest
2017	\$ 5,798,613	\$ 5,506,000	\$ 292,613
2018	5,148,889	4,932,000	216,889
2019	5,149,489	5,007,000	142,489
2020	5,148,968	5,082,000	66,968
2021	1,286,808	1,282,000	4,808
Total	\$ 22,532,767	\$ 21,809,000	\$ 723,767

NOTE 8 - BONDS PAYABLE

Bonds payable at June 30, 2016, are as follows:

Bond Type	Amount Outstanding	Interest Rate (Percent)	Annual Maturity To
State school bonds:			
Series 2009A, refunding	\$ 70,000	4.0 - 5.0	2019
Series 2014B, refunding	1,446,000	2.0 - 5.0	2020
Total bonds payable	\$ 1,516,000		

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

NOTE 8 - BONDS PAYABLE (CONTINUED)

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

Current year principal and interest payments on the Series 2009A bonds are 6% of pledged revenues. The total principal and interest remaining to be paid on the bonds is \$76,250. Principal and interest paid for the current year and total pledged revenues were \$40,250 and \$703,348, respectively.

Annual principal and interest payments on the Series 2014B bonds are 98% of pledged revenues. The total principal and interest remaining to be paid on the bonds is \$1,561,530. Principal and interest paid for the current year and total pledged revenues were \$686,839 and \$703,348, respectively.

Annual maturities of the bonds outstanding as of June 30, 2016, are as follows:

Year ending June 30,	Total	Principal	Interest
2017	\$ 729,370	\$ 656,000	\$ 73,370
2018	727,570	687,000	40,570
2019	98,220	92,000	6,220
2020	82,620	81,000	1,620
Total	\$ 1,637,780	\$ 1,516,000	\$ 121,780

NOTE 9 - CERTIFICATES OF PARTICIPATION

The District entered into a financing arrangement on November 1, 1994, which was characterized as a master lease-purchase agreement, with the Bay County Educational Facilities Finance Corporation (Corporation) whereby the District secured financing of various educational facilities in the total amount of \$23,715,000. The financing was accomplished through the issuance of Certificates of Participation, Series 1994 to be repaid from the proceeds of rents paid by the District.

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

NOTE 9 - CERTIFICATES OF PARTICIPATION (CONTINUED)

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

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

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

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

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

As a condition of these financing arrangements, the District has given a ground lease on District property to the Corporation, with a rental fee of \$10 per year. The initial term of the lease commenced on November 1, 1994, and ends on the earlier of (a) payment of the outstanding 1999 Certificates, 2004 Certificates, 2007 Certificates, and 2008 Certificates, or (b) June 30, 2034. The properties covered by the ground lease are, together with the improvements constructed thereon from the financing proceeds, leased back to the District. If the District fails to renew the lease and to provide for the rent payments through to term, the District may be required to surrender the sites included under the Ground Lease Agreement for the benefit of the securers of the certificates for a period of time specified by the arrangement which may be through June 30, 2034.

The District properties included in the ground lease under the master lease-purchase arrangement include properties at Patronis Elementary School, Lucille Moore Elementary School, Robert L. Young Service Center, J.R. Arnold High School, Emerald Bay Academy, New Horizons Learning Center, Breakfast Point Academy, and Deer Point Elementary School.

The Certificates of Participation Series 2007 include outstanding serial certificates maturing from 2012 through 2029. These payments are payable by the District, semiannually, on July 1 and January 1 at interest rates ranging from 3.7 to 5.0 percent.

Bay County District School Board Notes to Financial Statements

NOTE 9 - CERTIFICATES OF PARTICIPATION (CONTINUED)

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

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

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

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

Year ending June 30,	Total	Principal	Interest
2017	\$ 7,636,077	\$ 5,279,700	\$ 2,356,377
2018	7,573,040	5,385,700	2,187,340
2019	7,567,773	5,549,400	2,018,373
2020	7,566,841	5,728,800	1,838,041
2021	7,568,254	5,925,500	1,642,754
2022-2026	35,902,725	30,700,100	5,202,625
2027-2029	21,558,432	20,500,000	1,058,432
Total	\$ 95,373,142	\$ 79,069,200	\$ 16,303,942

NOTE 10 - DEFEASED DEBT

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

On July 25, 2013, the Board issued \$7,152,900 in Refunding Certificates of Participation, Series 2013, with an interest rate of 2.21 percent to refund the District's Refunding Certificates of Participation,

Bay County District School Board Notes to Financial Statements

NOTE 10 - DEFEASED DEBT (CONTINUED)

Series 2004. The Certificates of Participation, Series 2004, were refunded to reduce its total debt service payments over the next 10 years by \$888,371 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$705,501. The net proceeds of \$7,077,463 (after payment of \$69,592 in attorney fees and other issuance costs) were deposited with the trustee. On July 2014, the District called the Refunding Certificates of Participation, Series 1999, totaling \$6,760,000, at 100 percent.

On December 2, 2014, the FDOE issued SBE Capital Outlay Bonds, Series 2014B. The refunding bonds were issued, in part, to refund callable portions of the SBE Capital Outlay Bonds, Series 2005B, maturing on or after January 1, 2015. The District's portion of the refunding SBE Capital Outlay Bonds, Series 2014B, was \$2,026,000. The refunding of the Series 2005B Bonds reduced the District's total debt service payments by \$214,006.

NOTE 11 - CHANGES IN LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2016:

Governmental Activities	Beginning Balance	Additions	Deductions	Ending Balance	Due in One Year
Obligations under capital leases	\$ 730,010	\$ -	\$ 596,594	\$ 133,416	\$ 133,416
Bonds payable	2,131,000	-	615,000	1,516,000	656,000
Notes payable	29,152,340	-	7,343,340	21,809,000	5,506,000
Certificates of participation payable	84,194,900	-	5,125,700	79,069,200	5,279,700
Estimated insurance claims payable	14,278,053	11,705,877	8,650,320	17,333,610	7,514,988
Compensated absences payable	10,020,282	1,719,298	1,618,876	10,120,704	2,024,141
Net pension liability	56,743,957	24,521,670	-	81,265,627	-
Other postemployment benefits payable	38,176	643,235	636,806	44,605	-
Total governmental activities	\$ 197,288,718	\$ 38,590,080	\$ 24,586,636	\$ 211,292,162	\$ 21,114,245

Business-type Activities	Beginning Balance	Additions	Deductions	Ending Balance	Due in One Year
Compensated absences payable	\$ 98,045	\$ 46,739	\$ 4,600	\$ 140,184	\$ 28,037
Net pension liability	284,595	189,131	-	473,726	-
Total business-type activities	\$ 382,640	\$ 235,870	\$ 4,600	\$ 613,910	\$ 28,037

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

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

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

NOTE 12 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

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

June 30, 2016	Receivables	Payables
General	\$ 286,317	\$ 280
Local capital improvement	-	49,697
Beacon Learning Center	-	61,663
Nonmajor governmental	277	169,686
Internal service	-	5,268
Total	\$ 286,594	\$ 286,594

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

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

June 30, 2016	Transfers In	Transfers Out
General	\$ 2,014,246	\$ -
Local capital improvement	-	9,915,995
Other capital projects	-	7,747,050
Debt service	15,372,602	-
Nonmajor governmental	-	1,301,293
Internal services	1,577,490	-
Total	\$ 18,964,338	\$ 18,964,338

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

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

NOTE 13 - SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District's State revenue sources for the 2015-2016 fiscal year:

Florida Education Finance Program	\$ 73,140,229
Categorical Educational Program - Class Size Reduction	30,219,402
Workforce Development Program	3,089,451
Voluntary prekindergarten	1,622,085
School recognition	1,865,373
Motor Vehicle License Tax (Capital Outlay and Debt Service)	703,348
Charter school capital outlay	763,972
Racing commission funds	211,083
Capital outlay and debt service distributed	245,994
Other miscellaneous	1,910,810
Total	\$ 113,771,747

NOTE 14 - PROPERTY TAXES

The following is a summary of millage rates and taxes levied on the 2015 tax roll for the 2015-2016 fiscal year.

	Millage Rate	Taxes Levied
General fund		
Nonvoted school tax		
Required local effort	4.959	\$ 77,760,637
Basic discretionary local effort	0.748	11,729,171
Capital projects funds		
Nonvoted tax		
Local capital improvements	1.2	18,816,851
Total	6.907	\$ 108,306,659

NOTE 15 - DEFINED BENEFIT PENSION PLANS

General Information

All of the District's employees participate in the Florida Retirement System (FRS). As provided by Chapters 121 and 112, Florida Statutes, FRS provides two cost sharing, multiple employer defined benefit plans administered by the Florida Department of Management Services, Division of Retirement, including FRS Pension Plan (Pension Plan) and the Retirees' Health Insurance Subsidy Pension Plan (HIS). Under Section 121.4501, Florida Statutes, the FRS also provides a defined contribution plan (Investment Plan) alternative to the FRS Pension Plan, which is administered by the State Board of Administration (SBA). See note 16 - defined contribution pension plan for additional information related to the Investment Plan. As a general rule, membership in FRS is compulsory for all employees working in a regularly established position for a state agency, county government, district school board, state university, community college, or a participating city or special district within the State of Florida. FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 121, Florida Statutes, and Chapter 60S, Florida Administrative Code. Amendments to the law can be made only by an act of the Florida State Legislature.

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for FRS. The latest report may be obtained by contacting the State of Florida Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000, or from the web site at www.dms.myflorida.com/workforce_operations/retirement/publications.

Florida Retirement System Pension Plan

Plan Description

The FRS Pension Plan is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees.

Benefits Provided

Benefits under the Pension Plan are computed on the basis of age, average final compensation, and service credit. For Pension Plan members enrolled before July 1, 2011, Regular class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Vested members with less than 30 years of service may retire before age 62 and receive reduced retirement benefits. Special Risk Administrative Support class members who retire at or after age 55 with at least six years of credited service or 25 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Special Risk class members (sworn law enforcement officers, firefighters, and correctional officers) who retire at or after age 55 with at least

NOTE 15 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

six years of credited service, or with 25 years of service regardless of age, are entitled to a retirement benefit payable monthly for life, equal to 3% of their final average compensation based on the five highest years of salary for each year of credited service. Senior Management Service class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 2% of their final average compensation based on the five highest years of salary for each year of credited service. Elected Officers' class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 3% (3.33% for judges and justices) of their final average compensation based on the five highest years of salary for each year of credited service.

For Plan members enrolled on or after July 1, 2011, the vesting requirement is extended to eight years of credited service for all these members and increasing normal retirement to age 65 or 33 years of service regardless of age for Regular, Senior Management Service, and Elected Officers' class members, and to age 60 or 30 years of service regardless of age for Special Risk and Special Risk Administrative Support class members. The final average compensation for all these members is based on the eight highest years of salary.

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

In addition to the above benefits, the DROP program allows eligible members to defer receipt of monthly retirement benefit payments while continuing employment with an FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest. There are no required contributions by DROP participants.

Health Insurance Subsidy Plan

Plan Description

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

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

NOTE 15 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Benefits Provided

For the fiscal year ended June 30, 2016, 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. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include medicare. 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 legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

Contributions

All enrolled members of FRS, other than DROP participants, are required to contribute three percent of their salary to FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS and HIS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. Generally membership is compulsory for all full-time and part-time employees. The rates, as a percentage of gross earnings, are as follows:

	July 1, 2015 through June 30, 2016	
	FRS	HIS
Regular employees	5.60%	1.66%
Elected district officers	40.61%	1.66%
DROP	11.22%	1.66%

The District's contributions, including employee contributions, totaled \$7,025,227 to FRS and \$2,043,679 to the HIS Plan for the fiscal year ended June 30, 2016. 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, 2015, and the total pension liabilities used to calculate the net pension liability were determined by an actuarial valuation dated July 1, 2015. The District's proportions of the net pension liabilities were based on the City's share of contributions to the pension plans relative to the contributions of all participating entities, actuarially determined.

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

NOTE 15 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

	FRS	HIS
Net pension liability	\$ 40,535,029	\$ 41,204,324
Proportion at:		
Current measurement date	0.313827488%	0.404026266%
Prior measurement date	0.317902372%	0.402468985%
Pension expense/(benefit)	\$ 183,536	\$ 33,439

Deferred Outflows/Inflows of Resources Related to Pensions

At June 30, 2016, 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)	\$ 4,279,299	\$ 961,367
Effect of assumptions changes or inputs	2,690,445	-
Net difference between projected and actual investment earnings	-	9,679,087
Changes in proportion and differences between contributions and proportionate share of contributions	902,989	534,802
District contributions subsequent to the measurement date	7,025,227	-
Total	\$ 14,897,960	\$ 11,175,256

At June 30, 2016, 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 assumptions changes or inputs	\$ 3,241,705	\$ -
Net difference between projected and actual investment earnings	22,305	-
Changes in proportion and differences between contributions and proportionate share of contributions	468,482	-
District contributions subsequent to the measurement date	2,043,679	-
Total	\$ 5,776,171	\$ -

Bay County District School Board Notes to Financial Statements

NOTE 15 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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, 2017. 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
2016	\$ (3,097,542)	\$ 650,880
2017	(3,097,542)	650,880
2018	(3,097,542)	650,880
2019	4,888,007	646,346
2020	890,141	644,170
Thereafter	211,955	489,336
Totals	\$ (3,302,523)	\$ 3,732,492

Actuarial Assumptions

The total pension liability for each of the defined benefit plans, measured as of June 30, 2015, was determined by an actuarial valuation dated July 1, 2015, using the individual entry age normal actuarial cost method and the following significant actuarial assumptions.

	FRS	HIS
Inflation	2.60%	2.60%
Salary increases	3.25%	3.25%
Investment rate of return	7.65%	N/A
Discount rate	7.65%	3.80%

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

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

The following changes in actuarial assumptions occurred in 2015:

- FRS: No changes in key actuarial assumptions.
- HIS: The municipal rate used to determine total pension liability decreased from 4.29% to 3.80%.

The long-term expected investment rate of return 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. For the FRS Pension Plan, the table below summarizes the target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class.

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

NOTE 15 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

	Target Allocation	Long-term Expected Real Rate of Return (Arithmetic)	Long-term Expected Real Rate of Return (Geometric)
Cash	1.0%	3.20%	3.10%
Fixed income	18.0%	4.80%	4.70%
Global equity	53.0%	8.50%	7.20%
Real estate (property)	10.0%	6.80%	6.20%
Private equity	6.0%	11.90%	8.20%
Strategic investments	12.0%	6.70%	6.10%
	<u>100.0%</u>		

Discount Rate

The discount rate used to measure the total pension liability for the FRS Pension Plan was 7.65%. FRS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Because the HIS Program is essentially funded on a pay-as-you-go basis, a municipal bond rate of 3.80% 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.

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, 2016.

FRS Net Pension Liability			HIS Net Pension Liability		
Current			Current		
1 % Decrease	Discount Rate	1 % Increase	1 % Decrease	Discount Rate	1 % Increase
6.65%	7.65%	8.65%	2.80%	3.80%	4.80%
\$ 105,035,428	\$ 40,535,029	\$ (13,139,897)	\$ 46,950,409	\$ 41,204,324	\$ 36,412,951

Pension plan fiduciary net position

Additional audited financial information supporting the Schedules of Employer Allocations and the Schedules of Pension Amounts by Employer, is located in the Florida CAFR for the fiscal year ended June

Bay County District School Board Notes to Financial Statements

NOTE 15 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

30, 2015, and in the Florida Retirement System Pension Plan and Other State-Administered Systems CAFR for the fiscal year ended June 30, 2015. The Florida CAFR is available on line at: <http://www.myfloridacfo.com/Division/AA/Reports/default.htm>.

The system's CAFR and the actuarial valuation reports as of July 1, 2015, are available online at: http://www.dms.myflorida.com/workforce_operations/retirement/publications.

Payables to the Pension Plan

At June 30, 2016, the District had no outstanding contributions to the Pension Plan or the HIS Plan required for the fiscal year ended June 30, 2016.

NOTE 16 - DEFINED CONTRIBUTION PENSION PLAN

Investment Plan

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. District employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. 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 Class, Elected District Officers, etc.), as the Pension Plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts during the 2015-16 fiscal year, as established by Section 121.72, Florida Statutes, are based on a percentage of gross compensation, by class, as follows:

	July 1, 2015 through June 30, 2016	
	FRS	HIS
Regular employees	5.60%	1.66%
Elected district officers	40.61%	1.66%
DROP	11.22%	1.66%

NOTE 16 - DEFINED CONTRIBUTION PENSION PLAN (CONTINUED)

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the Pension Plan is transferred to the Investment Plan, the member must have the years of service required for 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 five years. If the employee returns to FRS covered employment within the five year period, the employee will regain control over their account. If the employee does not return within the five year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2016, 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; the member may either transfer the account balance to the Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the 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 \$486,045 for the fiscal year ended June 30, 2016.

NOTE 17 – OTHER POSTEMPLOYMENT BENEFITS PLAN

Plan Description

The Other Postemployment Benefits Plan is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the District are eligible to participate in the District's health and hospitalization plan for medical and prescription drug coverage. 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, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The District does not offer any explicit subsidies for retiree coverage. Retirees are assumed to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The Other Postemployment Benefits Plan does not issue a stand-alone report, and is not included in the report of a Public Employee Retirement System or another entity.

Funding Policy

Contribution requirements of the District and plan members are established and may be amended through recommendations of the Insurance Committee and action from the Board. The District has not advance-

Bay County District School Board Notes to Financial Statements

NOTE 17 - OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2015-16 fiscal year, 258 retirees received other postemployment benefits. The District provided required contributions of \$636,806 toward the annual OPEB cost. Plan members receiving benefits contributed \$2,140,045. The approved rates per month for retiree plans are as follows:

	Blue Choice 117 & 317	BlueOptions 3900	BlueOptions HSA
Retiree only	\$ 678	\$ 464	\$ 450
Retiree & spouse	1,395	954	1,000
Retiree & child(ren)	993	679	773
Retiree/family	1,924	1,316	1,311

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with parameters of GASB Statement 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the District's annual OPEB cost for the fiscal year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation:

Description	Amount
Normal cost (service cost for one year)	\$ 369,337
Amortization of unfunded actuarial accrued liability	260,210
Interest on normal cost and amortization	14,009
Annual required contribution	643,556
Interest on net OPEB obligation	1,718
Adjustment to annual required contribution	(2,039)
Annual OPEB cost (expense)	643,235
Contributions toward the OPEB cost	(636,806)
Increase in net OPEB obligation	6,429
Net OPEB obligation, beginning of year	38,176
Net OPEB obligation, end of year	\$ 44,605

Bay County District School Board Notes to Financial Statements

NOTE 17 - OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 2016, and the two preceding years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013-2014	\$ 531,945	95.4%	\$ 24,322
2014-2015	557,011	97.5%	38,176
2015-2016	643,235	99.0%	44,605

Funded Status and Funding Progress

As of July 1, 2015, the most recent valuation date, the actuarial accrued liability for benefits was \$5,436,887, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$5,436,887 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$90,009,646 for the 2015-2016 actuarial accrued liability to the covered payroll was 6.04 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The required schedule of funding progress immediately following the notes to financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The District's OPEB actuarial valuation as of July 1, 2016, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2016, and the District's 2015-2016 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions do not include an assumed rate of return on invested assets. The actuarial assumptions include a 4.5 percent discount rate. The actuarial assumptions also included a payroll growth rate of 4 percent per year, and an annual healthcare cost trend rate of 6 percent initially beginning in the first year of the valuation

Bay County District School Board Notes to Financial Statements

NOTE 17 - OTHER POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

reduced uniformly to an ultimate rate of 5 percent over a two year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2016 was 21 years.

NOTE 18 - CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

Encumbrances - Appropriations in governmental funds are encumbered upon issuance of purchase orders for goods and services. Even though appropriations lapse at the end of the fiscal year, unfilled purchase orders of the current year are carried forward and the next year's appropriations are likewise encumbered. The following schedule is of all encumbrances at year end. The amount shown as encumbered on the financial statements is less because if funds are already restricted they are not considered encumbered.

The following is the schedule of encumbrances at June 30, 2016:

General	Local Capital Improvement	Capital Projects - Other	Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,251,218	\$ 2,312,026	\$ 2,365,454	\$ 617,647	\$ 6,546,345

Construction contracts – encumbrances include the following construction contract commitments June 30, 2016:

Project	Contract Amount	Completed to Date	Balance Committed
Arnold High School			
Architect	\$ 74,790	\$ 63,790	\$ 11,000
Contractor	442,075	293,799	148,276
Architect	28,263	23,764	4,499
Bay High School			
Architect	16,000	12,000	4,000
Contractor	200,284	-	200,284
Bozeman			
Architect	28,263	23,764	4,499
Cedar Grove			
Architect	253,067	190,054	63,013
Contractor	2,655,705	2,639,271	16,434
Cherry Street Elementary			
Architect	7,920	5,559	2,361
Architect	11,402	9,073	2,329
Contractor	111,727	21,333	90,394

Bay County District School Board Notes to Financial Statements

NOTE 18 - CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS (CONTINUED)

Project	Contract Amount	Completed to Date	Balance Committed
Deer Point Elementary			
Architect	\$ 10,400	\$ 8,830	\$ 1,570
Contractor	81,800	-	81,800
Haney			
Architect	9,840	7,872	1,968
Contractor	66,036	45,900	20,136
Architect	12,250	12,005	245
Architect	31,500	25,200	6,300
Contractor	296,735	223,455	73,280
Architect	103,574	93,305	10,269
Contractor	1,052,697	927,185	125,512
Hiland Park Elementary			
Contractor	152,980	-	152,980
Lynn Haven			
Contractor	7,920	5,559	2,361
M K Lewis Center			
Architect	13,355	10,737	2,618
Contractor	161,470	21,987	139,483
Architect	3,491	3,145	346
Northside Elementary			
Architect	6,881	5,528	1,353
Contractor	73,614	10,024	63,590
Oakland Terrace			
Contractor	8,138	7,978	160
Parker			
Architect	945	736	209
Contractor	9,729	1,325	8,404
Patronis			
Contractor	8,138	7,978	160
Patterson			
Architect	6,671	5,365	1,306
Contractor	47,970	6,532	41,438
Springfield Elementary			
Architect	20,500	16,400	4,100
Contractor	214,244	73,334	140,910
St. Andrews			
Architect	7,920	5,559	2,361

Bay County District School Board Notes to Financial Statements

NOTE 18 - CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS (CONTINUED)

Project	Contract Amount	Completed to Date	Balance Committed
Tommy Smith			
Architect	\$ 1,680	\$ 1,308	\$ 372
Tyndall Elementary			
Architect	9,310	8,387	923
Architect	39,800	31,840	7,960
Contractor	368,453	54,291	314,162
Architect	45,231	45,101	130
Contractor	480,200	468,288	11,912
West Bay Elementary			
Architect	13,500	12,275	1,225
Total	\$ 7,196,468	\$ 5,429,836	\$ 1,766,632

NOTE 19 - RISK MANAGEMENT PROGRAMS

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

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

General and Workers' Compensation Claims

A liability in the amount of \$15,019,325 was actuarially determined to cover estimated incurred, but not reported, insurance claims payable at June 30, 2016 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. Liabilities for unpaid workers' compensation claims and claims adjustment expenses were discounted and reported at their present value using an investment yield rate of 4 percent.

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

NOTE 19 - RISK MANAGEMENT PROGRAMS (CONTINUED)

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

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
2013-2014	\$ 14,347,818	4,122,336	\$ (4,058,632)	\$ 14,411,522
2014-2015	14,411,522	2,935,108	(3,068,577)	14,278,053
2015-2016	14,278,053	4,150,285	(3,409,013)	15,019,325

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.

The District's insurance consultant established monthly premiums based upon the District's historical claims history. A portion of the monthly premium is paid to Blue Cross Blue Shield of Florida for claims processing and administrative services as well as the stop loss insurance. The balance of the premium is deposited to an internal service fund. As of June 30, 2016, the claims liability of \$2,000,000 was reported as accounts payable in the Health Insurance Internal Service Fund. This liability is based on the requirements of Governmental Accounting Standards Board Statement 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Monthly invoices are submitted by Blue Cross Blue Shield of Florida representing claims paid on the District's behalf. The invoices are paid from the claims account previously referenced. The balance in the claims liability account at year end represents claims incurred prior to year end and paid subsequent to June 30, 2016. Each fund and department reports the premium costs related to its employees while the actual claims, cash and liability accounts are reported in the internal service fund. No actuarial estimate has been utilized to establish the claims reserve at fiscal year end.

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

NOTE 19 - RISK MANAGEMENT PROGRAMS (CONTINUED)

Funding for health insurance premiums is derived from three sources:

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

Changes in reported liabilities for the fiscal year ended June 30, 2016 are summarized as follows:

Claims liability as of January 1, 2016	\$	-
Claims and changes in estimate during the fiscal year		7,555,592
Claims paid		(5,241,307)
<hr/>		
Claims liability as of June 30, 2016	\$	2,314,285
<hr/>		

Required Supplementary Information

**Bay County District School Board
Required Supplementary Information
June 30, 2016**

Schedule of Funding Progress for the Retirees' Health Insurance Other Postemployment Benefits Plan:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities (AAL)	Unfunded Actuarial Liabilities (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2012	\$ 0	\$ 5,440,590	\$ 5,440,590	0.0%	\$ 85,435,020	6.37%
June 30, 2014	0	4,809,944	4,809,944	0.0%	85,033,475	5.66%
June 30, 2016	0	5,436,887	5,436,887	0.0%	90,009,646	6.04%

Schedule of Employer Contributions for the Retirees' Health Insurance Other Postemployment Benefits Plan:

Fiscal Year Ended June 30,	Total Contribution	Annual OPEB Cost	Percentage Contributed
2014	\$ 507,623	\$ 531,945	95.43%
2015	543,157	557,011	97.51%
2016	636,806	643,235	99.00%

See Independent Auditor's Report.

Bay County District School Board
Schedule of the District's Proportionate Share of the Net Pension Liability –
Florida Retirement System
June 30, 2016

June 30,	2015	2014	2013 *	2012 *	2011 *	2010 *	2009 *	2008 *	2007 *	2006 *
District's proportion of the net pension liability/(asset)	0.3138275%	0.3179024%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability/(asset)	\$ 40,535,029	\$ 19,396,720	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	108,811,517	106,460,773	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability/(asset) as a percentage of its covered-employee payroll	37.25%	18.22%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	92.00%	96.09%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* Disclosures for 2006 through 2013 are N/A because comparable information is not available at this time.

See Independent Auditor's Report.

Bay County District School Board
Schedule of the District's Contributions – Florida Retirement System
Year ended June 30, 2016

June 30,	2016	2015	2014	2013 *	2012 *	2011 *	2010 *	2009 *	2008 *	2007 *
Contractually required contribution	\$ 7,025,227	\$ 7,651,381	\$ 6,963,411	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(7,025,227)	(7,651,381)	(6,963,411)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency/(excess)	\$ -	\$ -	\$ -	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	\$ 108,386,130	\$ 108,811,517	\$ 106,460,773							
Contributions as a percentage of covered-employee payroll	6.48%	7.03%	6.54%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* Disclosures for 2007 through 2013 are N/A because comparable information is not available at this time.

See Independent Auditor's Report.

Bay County District School Board
Schedule of the District's Proportionate Share of the Net Pension
Liability – Health Insurance Subsidy Program
June 30, 2016

June 30,	2015	2014	2013 *	2012 *	2011 *	2010 *	2009 *	2008 *	2007 *	2006 *
District's proportion of the net pension liability/(asset)	0.4040263%	0.4024690%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability/(asset)	\$ 41,204,324	\$ 37,631,832	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	108,811,517	106,460,773	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability/(asset) as a percentage of its covered-employee payroll	37.87%	35.35%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	0.50%	0.99%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* Disclosures for 2006 through 2013 are N/A because comparable information is not available at this time.

See Independent Auditor's Report.

**Bay County District School Board
Schedule of the District's Contributions – Health
Insurance Subsidy Program
Year ended June 30, 2016**

June 30,	2016	2015	2014	2013 *	2012 *	2011 *	2010 *	2009 *	2008 *	2007 *
Contractually required contribution	\$ 2,043,679	\$ 1,544,440	\$ 1,378,723	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(2,043,679)	(1,544,440)	(1,378,723)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency/(excess)	\$ -	\$ -	\$ -	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	\$ 108,386,130	\$ 108,811,517	\$ 106,460,773							
Contributions as a percentage of covered-employee payroll	1.89%	1.42%	1.30%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* Disclosures for 2007 through 2013 are N/A because comparable information is not available at this time.

See Independent Auditor's Report.

Combining Statements

**Bay County District School Board
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2016**

	SBE/COBI Bonds Fund	Public Education Capital Outlay Fund	Capital Outlay and Debt Service Fund	Food Service Fund
Assets				
Cash and cash equivalents	\$ 36,983	\$ -	\$ 36,171	\$ 3,868,059
Due from other agencies	-	-	6,528	198,863
Due from other funds	-	-	-	-
Inventories	-	-	-	41,274
Total assets	\$ 36,983	\$ -	\$ 42,699	\$ 4,108,196
Liabilities and fund balance				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ 16,724
Accrued expenses	-	-	-	-
Due to other agencies	-	-	-	-
Due to other funds	-	-	-	3,227
Unearned revenue	-	-	6,528	33,396
Total liabilities	-	-	6,528	53,347
Fund balance				
Nonspendable				
Inventories	-	-	-	41,274
Restricted				
Food service	-	-	-	4,013,575
Debt service	36,983	-	-	-
Capital projects	-	-	36,171	-
Total fund balances	36,983	-	36,171	4,054,849
Total liabilities and fund balances	\$ 36,983	\$ -	\$ 42,699	\$ 4,108,196

(Continued)

**Bay County District School Board
Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
June 30, 2016**

	Special Revenue - Federal Economic Stimulus Fund	Other Federal Programs Fund	Total Other Governmental Funds
Assets			
Cash and cash equivalents	\$ -	\$ 125,740	\$ 4,066,953
Due from other agencies	-	130,433	335,824
Due from other funds	-	277	277
Inventories	-	-	41,274
Total assets	\$ -	\$ 256,450	\$ 4,444,328
Liabilities and fund balance			
Liabilities			
Accounts payable	\$ -	\$ 61,399	\$ 78,123
Accrued expenses	-	20,362	20,362
Due to other agencies	-	8,230	8,230
Due to other funds	-	166,459	169,686
Unearned revenue	-	-	39,924
Total liabilities	-	256,450	316,325
Fund balance			
Nonspendable			
Inventories	-	-	41,274
Restricted			
Food service	-	-	4,013,575
Debt service	-	-	36,983
Capital projects	-	-	36,171
Total fund balances	-	-	4,128,003
Total liabilities and fund balances	\$ -	\$ 256,450	\$ 4,444,328

See Independent Auditor's Report.

Bay County District School Board
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year ended June 30, 2016

	SBE/COBI Bonds Fund	Public Education Capital Outlay Fund	Capital Outlay and Debt Service Fund	Food Service Fund
Revenues				
Intergovernmental				
Federal direct	\$ -	\$ -	\$ -	-
Federal through State and Local	-	-	-	8,553,273
State	703,482	1,301,293	248,928	125,669
Local				
Charges for services	-	-	-	1,671,549
Interest income	-	-	-	11,307
Miscellaneous	-	-	-	124,269
Total revenues	703,482	1,301,293	248,928	10,486,067
Expenditures				
Current - education				
Instructional services	-	-	-	-
Pupil services	-	-	-	-
Instructional media services	-	-	-	-
Instructional and curriculum development services	-	-	-	-
Instructional staff training services	-	-	-	-
Instruction related technology	-	-	-	-
General administrative services	-	-	-	-
School administrative services	-	-	-	-
Food services	-	-	-	9,413,167
Central services	-	-	-	-
Pupil transportation services	-	-	-	-
Community services	-	-	-	-
Capital outlay	-	-	332,379	21,866
Debt service				
Principal	615,000	-	-	-
Interest and fiscal charges	112,308	-	708	-
Total expenditures	727,308	-	333,087	9,435,033
Excess (deficit) of revenues over (under) expenditures	(23,826)	1,301,293	(84,159)	1,051,034
Other financing uses				
Transfers out	-	(1,301,293)	-	-
Total other financing uses	-	(1,301,293)	-	-
Net changes in fund balances	(23,826)	-	(84,159)	1,051,034
Fund balances - beginning	60,809	-	120,330	3,003,815
Fund balances - ending	\$ 36,983	\$ -	\$ 36,171	\$ 4,054,849

(Continued)

See Independent Auditor's Report.

Bay County District School Board
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds (Continued)
Year ended June 30, 2016

	Special Revenue - Federal Economic Stimulus Fund	Other Federal Programs Fund	Total Other Governmental Funds
Revenues			
Intergovernmental			
Federal direct	\$ -	\$ 1,278,699	\$ 1,278,699
Federal through State and Local	17,969	15,427,519	23,998,761
State	-	-	2,379,372
Local			
Charges for services	-	-	1,671,549
Interest income	-	-	11,307
Miscellaneous	-	-	124,269
Total revenues	17,969	16,706,218	29,463,957
Expenditures			
Current - education			
Instructional services	-	8,133,233	8,133,233
Pupil services	-	1,764,813	1,764,813
Instructional media services	-	31,312	31,312
Instructional and curriculum development services	-	2,253,248	2,253,248
Instructional staff training services	12,150	2,315,071	2,327,221
Instruction related technology	5,819	87,820	93,639
General administrative services	-	568,455	568,455
School administrative services	-	89,062	89,062
Food services	-	-	9,413,167
Central services	-	8,185	8,185
Pupil transportation services	-	16,180	16,180
Community services	-	1,278,699	1,278,699
Capital outlay	-	160,140	514,385
Debt service			
Principal	-	-	615,000
Interest and fiscal charges	-	-	113,016
Total expenditures	17,969	16,706,218	27,219,615
Excess (deficit) of revenues over (under) expenditures	-	-	2,244,342
Other financing uses			
Transfers out	-	-	(1,301,293)
Total other financing uses	-	-	(1,301,293)
Net changes in fund balances	-	-	943,049
Fund balances - beginning	-	-	3,184,954
Fund balances - ending	\$ -	\$ -	\$ 4,128,003

See Independent Auditor's Report.

Compliance Section

INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the Bay County District School Board's (District) compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended June 30, 2016. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2016.

This report is intended solely for the information and use of 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 17, 2017



INDEPENDENT AUDITOR'S MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of the Bay County District School Board (District), as of and for the year ended June 30, 2016, and have issued our report thereon dated March 17, 2017.

Auditor's 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 Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance, Schedule of Findings and Questioned Costs, and our Independent Accountant's Report in accordance with Chapter 10.800, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated March 17, 2017, 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. There were no findings or recommendations made in the prior year.

Financial Condition

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

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

Transparency

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

Other Matters

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

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

Purpose of this Letter

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

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

Certified Public Accountants
Panama City Beach, Florida
March 17, 2017

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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, 2016, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 17, 2017.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

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

Certified Public Accountants

Panama City Beach, Florida

March 17, 2017

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the Bay County District School Board's (District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

Certified Public Accountants
Panama City Beach, Florida
March 17, 2017

**Bay County District School Board
Schedule of Expenditures of Federal Awards
Year ended June 30, 2016**

Federal Awards Programs	CFDA No.	Contract/ Grant Number	Expenditures
U. S. Department of Agriculture			
Indirect			
Child Nutrition Cluster			
Passed through the Florida Department of Agriculture and Consumer Services			
School Breakfast Program	10.553	321	\$ 1,538,643
National School Lunch Program	10.555	300, 350	5,748,424
National School Lunch Program	10.555 (2)(A)	N/A	739,745
Summer Food Service Program for Children	10.559	323, 325	161,444
Total Child Nutrition Cluster			8,188,256
Passed through the Florida Department of Agriculture and Consumer Services			
Child Care Food Program	10.558	N/A	347,117
USDA - Fresh Fruits and Vegetables Program	10.582	N/A	17,900
Total U.S. Department of Agriculture			8,553,273
U.S. Department of Education			
Direct			
Student Financial Assistance Cluster			
Federal Pell Grant Program	84.063	N/A	1,278,699
Total Student Financial Assistance Cluster			1,278,699
Impact Aid	84.041	N/A	391,318
Total Direct			1,670,017
Indirect			
Passed through the Florida Department of Education			
Special Education Cluster			
Special Education - Grants to States	84.027	263	6,107,289
Special Education - Preschool Grants	84.173	267	225,146
Total Special Education Cluster			6,332,435
Adult Education - Basic Grants to States	84.002	191	289,581
Title I Grants to Local Educational Agencies	84.010	212, 222, 223, 226, 228	6,944,070
Career and Technical Education - Basic Grants to States	84.048	161	432,779
Education for Homeless Children and Youth	84.196	127	79,886
English Language Acquisition Grants	84.365	102	104,222
Improving Teacher Quality State Grants	84.367	224	1,244,544
ARRA - Race to the Top	84.395	111	17,969
Total Indirect			15,445,486
Total U.S. Department of Education			17,115,503

(Continued)

See Independent Auditor's Report.

Bay County District School Board
Schedule of Expenditures of Federal Awards (Continued)
Year ended June 30, 2016

Federal Awards Programs	CFDA No.	Contract/ Grant Number	Expenditures
U.S. Department of Health and Human Services Indirect Passed through the Florida Department of Children and Families Block Grants for Prevention and Treatment of Substance Abuse	93.959	BDZ02	\$ 150,000
Total U.S. Department of Health and Human Services			150,000
U.S. Department of Homeland Security Indirect Passed through Florida Department of Education Homeland Security Grant Program	97.067	532	194,678
Total U.S. Department of Homeland Security			194,678
U.S. Department of Defense Direct Marine Corps Junior Reserve Officers Training Corps	None	N/A	52,573
Navy Junior Reserve Officers Training Corps	None	N/A	62,989
Air Force Junior Reserve Officers Training Corps	None	N/A	130,743
Total U.S. Department of Defense			246,305
Total expenditures of federal awards			\$ 26,259,759

Notes to Schedule of Expenditures of Federal Awards:

(1) Basis of Presentation: The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the Federal award activity of the Bay County District School Board under programs of the Federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

(2) Summary of Significant Accounting Policies: Expenditures are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(3) Indirect Cost Rate: The District has not elected to use the 10 percent de minimis cost rate allowed under the Uniform Guidance.

(4) Noncash Assistance: National School Lunch Program - Includes \$739,745 of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation. Cash received in lieu of donated foods of \$26,422 is included in this amount.

(5) Impact Aid: Includes expenditures related to grant number/program 19-FL-2013-0003 of 20,670; 19-FL-2014-0003 of \$34,747; and 19-FL-2016-0003 of \$335,901.

See Independent Auditor's Report.

**Bay County District School Board
Schedule of Findings and Questioned Costs
Year ended June 30, 2016**

Section I – Summary of Auditor's Results

Financial Statements

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

Federal Awards

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

Type of auditor's report issued on compliance
 for major programs Unmodified

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

Identification of major federal programs

CFDA Number

Name of Federal Award

U.S. Department of Education

84.027	Special Education - Grants to States (Special Education Cluster)
84.173	Special Education - Preschool Grants (Special Education Cluster)
84.041	Impact Aid
84.010	Title I Grants to Local Educational Agencies

Dollar threshold used to distinguish between Type A and Type B programs: \$787,793

Auditee qualified as low-risk auditee? ___ yes X no

(Continued)



**Bay County District School Board
Schedule of Findings and Questioned Costs (Continued)
Year ended June 30, 2016**

Section II – Financial Statement Findings

There were no findings.

Section III – Federal Awards Findings and Questioned Costs

There were no findings.

Section IV – Summary Schedule of Prior Audit Findings

There were no prior year findings.