

STATE OF FLORIDA AUDITOR GENERAL

Financial and Federal Single Audit

Report No. 2021-173
March 2021

BAY COUNTY DISTRICT SCHOOL BOARD

For the Fiscal Year Ended
June 30, 2020



Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2019-20 fiscal year, William V. Husfelt III served as Superintendent of the Bay County Schools and the following individuals served as School Board Members:

	<u>District No.</u>
Jerry Register	1
Ginger Littleton ^a	2
Pamm Chapman, Vice Chair	3
Ryan Scott Neves	4
Steven T. Moss, Chair	5

^a Board Member resigned 12-25-19, and position remained vacant through 6-30-20.

The Auditor General conducts audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

The team leader was Grace Arrington, CPA, and the audit was supervised by Kenneth C. Danley, CPA.

Please address inquiries regarding this report to Edward A. Waller, CPA, Audit Manager, by e-mail at tedwaller@aud.state.fl.us or by telephone at (850) 412-2887.

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BAY COUNTY DISTRICT SCHOOL BOARD

TABLE OF CONTENTS

	Page No.
SUMMARY	i
INDEPENDENT AUDITOR'S REPORT	
Report on the Financial Statements	1
Other Reporting Required by <i>Government Auditing Standards</i>	3
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	13
Statement of Activities.....	14
Balance Sheet – Governmental Funds	16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	17
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	18
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	19
Statement of Net Position – Proprietary Funds.....	20
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds.....	21
Statement of Cash Flows – Proprietary Funds	22
Statement of Fiduciary Assets and Liabilities – Fiduciary Funds.....	23
Notes to Financial Statements	24
OTHER REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – General Fund	56
Schedule of Changes in the District's Total OPEB Liability and Related Ratios.....	57
Schedule of the District's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan	57
Schedule of District Contributions – Florida Retirement System Pension Plan	57
Schedule of the District's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan	58
Schedule of District Contributions – Health Insurance Subsidy Pension Plan.....	58
Notes to Required Supplementary Information	58
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	60

BAY COUNTY DISTRICT SCHOOL BOARD
TABLE OF CONTENTS (CONTINUED)

	Page No.
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 <i>GOVERNMENT AUDITING STANDARDS</i>	62
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	64
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	67
PRIOR AUDIT FOLLOW-UP	72
SUMMARY SCHEDULE OF PRIOR AUDIT FINDING	73
CORRECTIVE ACTION PLAN	74

SUMMARY

SUMMARY OF REPORT ON FINANCIAL STATEMENTS

Our audit disclosed that the basic financial statements of the Bay County District School Board (District) were presented fairly, in all material respects, in accordance with prescribed financial reporting standards, with the exception of the aggregate discretely presented component units.

SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

We noted certain matters involving the District's internal control over financial reporting and its operation that we consider to be material weaknesses, as summarized below.

Material Weaknesses

Finding No. 2020-001: District financial reporting procedures continue to need improvement to ensure that account balances and transactions are properly reported and required information is properly disclosed in the annual financial report submitted to the Florida Department of Education.

Finding No. 2020-002: As of March 24, 2021, the 2019-20 fiscal year financial audit report for the Bay Education Foundation, Inc. (Foundation), a District discretely presented component unit, had not been issued. Without the audit report, financial information provided by the Foundation to the District is of limited use in completing the District financial statements and audit, and financial statement users have limited assurance regarding the accuracy of the amounts reported for the Foundation on the District financial statements.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* issued by the Comptroller General of the United States.

SUMMARY OF REPORT ON FEDERAL AWARDS

We audited the District's compliance with applicable Federal awards requirements. The Child Nutrition Cluster and Hurricane Education Recovery programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on each of its major Federal programs.

AUDIT OBJECTIVES AND SCOPE

Our audit objectives were to determine whether the School Board and its officers with administrative and stewardship responsibilities for District operations had:

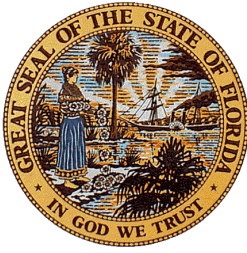
- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on the District's major Federal programs;

- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and
- Taken corrective actions for the findings included in prior audit reports.

The scope of this audit included an examination of the District's basic financial statements and the accompanying Schedule of Expenditures of Federal Awards, as of and for the fiscal year ended June 30, 2020. We obtained an understanding of the District's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

AUDIT METHODOLOGY

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.



Sherrill F. Norman, CPA
Auditor General

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The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Bay County District School Board, as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements. We were not engaged to audit the financial statements of the aggregate discretely presented component units. These financial statements 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 statement of the Tom P. Haney Technical Center school internal funds, which represents 1 percent of the assets and 3 percent of the liabilities of the aggregate remaining fund information. That statement was audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Tom P. Haney Technical Center school internal funds, 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. Because of the

matter described in the “Basis for Disclaimer of Opinion” paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the aggregate discretely presented component units.

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.

Except for the matter described in the Basis for Disclaimer of Opinion paragraph, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified audit opinions.

Basis for Disclaimer of Opinion on the Aggregate Discretely Presented Component Units

The financial statements of the Bay Education Foundation, Inc. have not been audited, and we were not engaged to audit these financial statements as part of our audit of the Bay County District School Board’s basic financial statements. The financial activities of the Bay Education Foundation, Inc. are included in the District’s basic financial statements and represent 1 percent, 4 percent, 8 percent, and 4 percent, respectively, of the assets and deferred outflows, revenues, expenditures, and net position of the District’s aggregate discretely presented component units.

Disclaimer of Opinion on the Aggregate Discretely Presented Component Units

Because of the significance of the matter described in the “Basis for Disclaimer of Opinion on the Aggregate Discretely Presented Component Units” paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the aggregate discretely presented component units of the Bay County District School Board. Accordingly, we do not express an opinion on these financial statements.

Unmodified Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Bay County District School Board, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS**, the **Budgetary Comparison Schedule – General Fund**, **Schedule of Changes in the District's Total OPEB Liability and Related Ratios**, **Schedule of the District's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan**, **Schedule of District Contributions – Florida Retirement System Pension Plan**, **Schedule of the District's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan**, **Schedule of District Contributions – Health Insurance Subsidy Pension Plan**, and **Notes to Required Supplementary Information**, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 accompanying **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL**

CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 24, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2019-20 fiscal year are as follows:

- The District's governmental activities net position increased by \$27,625,881.39, or 15.13 percent, during the current fiscal year.
- During the current fiscal year, General Fund expenditures exceeded revenues and other financing sources by \$16,219,814.82. This may be compared to last fiscal year's results in which General Fund revenues and other financial sources exceeded expenditures by \$58,226,153.
- At the end of the current fiscal year, the fund balance of the General Fund totaled \$68,463,000.18 compared to the previous fiscal year's fund balance of \$84,682,815. The General Fund assigned fund balances totaled \$64,661,373.87, or 26.51 percent of General Fund revenues.
- The total debt increased by \$60,972,172.09, or 83.12 percent, mainly because the District issued certificates of participation (COPs), Series 2020A and 2020B, during the current fiscal year. Unspent proceeds from these COPs totaled \$69,489,079.59 at fiscal year end.

NON-FINANCIAL EVENTS

In mid-March, Governor DeSantis called for all Florida schools to shut down in order to avoid the spread of COVID-19. To effect that change, and continue learning, the following strategies were employed:

- Ordered and distributed 2,000 Chromebooks and laptops.
- Ordered and distributed 600 hotspots.
- Provided and distributed more than 900,000 meals to needy students.

The District continues to recover from Hurricane Michael through several construction projects.

The District also began construction on a new elementary school, A. Gary Walsingham Academy, to aid in the increase of students in Panama City Beach.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

In addition, this report presents certain required supplementary information, which includes this management's discussion and analysis.

Government-Wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the District's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net position and a statement of activities that are designed to provide consolidated financial information about the governmental and business-type activities of the District presented on the accrual basis of accounting. The statement of net position provides information about the District's financial position, its assets, liabilities, and deferred inflows/outflows of resources, using an economic resources measurement focus. Assets plus deferred outflows of resources, less liabilities and deferred inflows of resources, equals net position, which is a measure of the District's financial health. The statement of activities presents information about the change in the District's net position, the results of operations, during the fiscal year. An increase or decrease in net position is an indication of whether the District's financial health is improving or deteriorating. This information should be evaluated in conjunction with other non-financial factors, such as changes in the District's property tax base, student enrollment, and the condition of the District's capital assets including its school buildings and administrative facilities.

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

- Governmental activities – This represents most of the District's services, including its educational programs such as basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.
- Business-type activities – These activities account for the financial resources of the Beacon Learning Center which provides services predominately for other school districts.
- Component units – The District presents 11 charter schools and the Bay Education Foundation, Inc., (Foundation) in this report. The District's charter schools and the Foundation are reported as discretely presented component units. Although legally separate organizations, the component units are included in this report because they meet the criteria for inclusion provided by generally accepted accounting principles.

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

Fund Financial Statements

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

contained in the government-wide statements. All of the District's funds may be classified within one of the broad categories discussed below.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. This financial resource measurement focus allows the governmental fund 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. This short-term view is useful when compared to the long-term view presented as governmental activities in the government-wide financial statements. To facilitate this comparison, both the governmental balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation of governmental funds to governmental activities.

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the District's most significant funds. The District's major funds are the General Fund 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. The District uses the enterprise fund to account for financial activities of the Beacon Learning Center which provides educational services for a fee to individuals, public and private entities, and district school boards.
- Internal service funds are used to report activities that provide goods and services to support the District's other programs and functions through user charges. The District uses the internal service funds to account for its self-insurance programs. Since these services predominantly benefit governmental rather than business-type functions, the internal service funds have been included within governmental activities in the government-wide financial statements.

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 the 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 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, including information concerning the District's other postemployment benefits and net pension liability.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position over time may serve as a useful indicator of a government's financial health. The following is a summary of the District's net position as of June 30, 2020, compared to net position as of June 30, 2019:

Net Position, End of Year

	Governmental Activities		Business-Type Activities		Total	
	6-30-20	6-30-19	6-30-20	6-30-19	6-30-20	6-30-19
Current and Other Assets	\$ 242,857,094.40	\$ 178,955,160.00	\$ 3,828,738.97	\$ 3,143,753.00	\$ 246,685,833.37	\$ 182,098,913.00
Capital Assets	270,989,785.13	229,479,314.00	22,248.31	30,179.00	271,012,033.44	229,509,493.00
Total Assets	513,846,879.53	408,434,474.00	3,850,987.28	3,173,932.00	517,697,866.81	411,608,406.00
Deferred Outflows of Resources	46,934,999.76	52,463,231.00	320,488.00	318,872.00	47,255,487.76	52,782,103.00
Long-Term Liabilities	303,657,684.72	229,333,924.00	1,236,958.10	1,033,305.00	304,894,642.82	230,367,229.00
Other Liabilities	28,696,634.84	32,787,661.00	333,362.86	269,696.00	29,029,997.70	33,057,357.00
Total Liabilities	332,354,319.56	262,121,585.00	1,570,320.96	1,303,001.00	333,924,640.52	263,424,586.00
Deferred Inflows of Resources	18,201,486.34	16,175,928.00	132,057.00	104,391.00	18,333,543.34	16,280,319.00
Net Position:						
Net Investment in Capital Assets	198,526,894.98	150,578,514.00	22,248.31	30,179.00	198,549,143.29	150,608,693.00
Restricted	40,078,489.40	28,369,349.00	-	-	40,078,489.40	28,369,349.00
Unrestricted (Deficit)	(28,379,310.99)	3,652,329.00	2,446,849.01	2,055,233.00	(25,932,461.98)	5,707,562.00
Total Net Position	\$ 210,226,073.39	\$ 182,600,192.00	\$ 2,469,097.32	\$ 2,085,412.00	\$ 212,695,170.71	\$ 184,685,604.00

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

The restricted portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The deficit unrestricted net position was primarily the result of accruing long-term liabilities.

The key elements of the changes in the District's net position for the fiscal years ended June 30, 2020, and June 30, 2019, are as follows:

Operating Results for the Fiscal Year Ended

	Governmental Activities		Business-Type Activities		Total	
	6-30-20	6-30-19	6-30-20	6-30-19	6-30-20	6-30-19
Program Revenues:						
Charges for Services	\$ 3,515,424.49	\$ 10,376,804.00	\$2,385,304.50	\$1,906,649.00	\$ 5,900,728.99	\$ 12,283,453.00
Operating Grants and Contributions	9,776,277.43	30,940,325.00	-	-	9,776,277.43	30,940,325.00
Capital Grants and Contributions	964,053.69	4,917,746.00	-	-	964,053.69	4,917,746.00
General Revenues:						
Property Taxes, Levied for Operational Purposes	76,761,061.09	82,239,097.00	-	-	76,761,061.09	82,239,097.00
Property Taxes, Levied for Capital Projects	22,581,461.04	21,952,747.00	-	-	22,581,461.04	21,952,747.00
Local Sales Taxes	23,071,078.95	23,248,989.00	-	-	23,071,078.95	23,248,989.00
Grants and Contributions Not Restricted to Specific Programs	190,703,473.30	140,242,832.00	-	-	190,703,473.30	140,242,832.00
Unrestricted Investment Earnings	1,906,691.13	2,652,100.00	90,461.07	63,157.00	1,997,152.20	2,715,257.00
Miscellaneous	6,493,228.81	6,338,173.00	-	-	6,493,228.81	6,338,173.00
Total Revenues	335,772,749.93	322,908,813.00	2,475,765.57	1,969,806.00	338,248,515.50	324,878,619.00
Functions/Program Expenses:						
Instruction	159,787,849.11	158,460,718.00	-	-	159,787,849.11	158,460,718.00
Student Support Services	13,145,146.15	10,361,403.00	-	-	13,145,146.15	10,361,403.00
Instructional Media Services	2,477,010.90	2,417,195.00	-	-	2,477,010.90	2,417,195.00
Instruction and Curriculum Development Services	5,544,204.95	5,283,555.00	-	-	5,544,204.95	5,283,555.00
Instructional Staff Training Services	3,828,991.12	2,839,123.00	-	-	3,828,991.12	2,839,123.00
Instruction-Related Technology	124,079.12	107,688.00	-	-	124,079.12	107,688.00
Board	735,172.71	911,003.00	-	-	735,172.71	911,003.00
General Administration	8,454,823.81	746,251.00	-	-	8,454,823.81	746,251.00
School Administration	14,194,544.10	14,756,561.00	-	-	14,194,544.10	14,756,561.00
Facilities Acquisition and Construction	17,976,089.27	68,991,585.00	-	-	17,976,089.27	68,991,585.00
Fiscal Services	1,895,819.44	1,594,995.00	-	-	1,895,819.44	1,594,995.00
Food Services	9,782,321.00	7,565,488.00	-	-	9,782,321.00	7,565,488.00
Central Services	10,436,339.98	9,038,951.00	-	-	10,436,339.98	9,038,951.00
Student Transportation Services	9,081,502.60	9,562,083.00	-	-	9,081,502.60	9,562,083.00
Operation of Plant	16,018,433.54	15,601,036.00	-	-	16,018,433.54	15,601,036.00
Maintenance of Plant	5,229,411.22	4,617,061.00	-	-	5,229,411.22	4,617,061.00
Administrative Technology Services	3,339,548.84	3,253,794.00	-	-	3,339,548.84	3,253,794.00
Community Services	3,141,333.17	3,397,153.00	-	-	3,141,333.17	3,397,153.00
Unallocated Interest on Long-Term Debt	3,220,745.31	2,605,746.00	-	-	3,220,745.31	2,605,746.00
Unallocated Depreciation Expense	19,733,502.20	20,886,386.00	-	-	19,733,502.20	20,886,386.00
Beacon Learning Center	-	-	2,092,079.99	1,788,627.26	2,092,079.99	1,788,627.26
Total Functions/Program Expenses	308,146,868.54	342,997,775.00	2,092,079.99	1,788,627.26	310,238,948.53	344,786,402.26
Change in Net Position Before Extraordinary Item	27,625,881.39	(20,088,962.00)	383,685.58	181,178.74	28,009,566.97	(19,907,783.26)
Extraordinary Item	-	28,246,355.00	-	-	-	28,246,355.00
Change in Net Position	27,625,881.39	8,157,393.00	383,685.58	181,178.74	28,009,566.97	8,338,571.74
Net Position - Beginning	182,600,192.00	174,442,799.00	2,085,411.74	1,904,233.00	184,685,603.74	176,347,032.00
Net Position - Ending	\$210,226,073.39	\$182,600,192.00	\$2,469,097.32	\$2,085,411.74	\$212,695,170.71	\$184,685,603.74

For governmental activities, total revenues increased primarily due to increases in Federal and State assistance related to Hurricane Michael during the current fiscal year. Expenditures decreased primarily due to decreased repairs related to Hurricane Michael during the current fiscal year. The extraordinary item from the prior fiscal year relates to impairment losses from Hurricane Michael. No such impairment losses were incurred during the current fiscal year.

The increase in net position for the business-type activities resulted primarily from an increase in charges for services.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing

requirements. Specifically, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as it represents the portion of fund balance that has not been limited to a particular purpose by an external party, the District, or a group or individual delegated authority by the Board to assign resources for particular purposes.

The total fund balances of governmental funds increased by \$55,835,680.94 during the fiscal year to \$167,796,049.81 at June 30, 2020. The fund balance is nonspendable, restricted, or assigned to indicate that it is (1) not in spendable form (\$1,241,629.61), (2) restricted for particular purposes (\$101,893,046.33), or (3) assigned for particular purposes (\$64,661,373.87).

Major Governmental Funds

The General Fund is the District's chief operating fund. At the end of the current fiscal year, the total assigned fund balance is \$64,661,373.87 and the total fund balance is \$68,463,000.18. As a measure of the General Fund's liquidity, it may be useful to compare these fund balances to General Fund revenues. The total assigned fund balance is 26.51 percent of General Fund revenues, while total fund balance is 28.06 percent of General Fund revenues. Total fund balance decreased by \$16,219,814.82 during the current fiscal year. Key factors impacting the change in fund balance include an increase in revenues primarily due to increases in Federal and State assistance related to Hurricane Michael during the current fiscal year offset by a decrease in expenditures primarily due to decreased repairs related to Hurricane Michael during the current fiscal year.

The Capital Projects – Other Fund has a total fund balance of \$82,517,628.46. These funds are restricted for the acquisition, construction, and maintenance of capital assets. The \$64,819,187.05 increase in fund balance primarily relates to proceeds from Certificates of Participation received during the current fiscal year. Of the total fund balance, \$70,729,844.18 has been encumbered for various projects.

Proprietary Funds

The District's proprietary funds provide the same type of information reported in the government-wide financial statements, but in more detail. Unrestricted net position of the Beacon Learning Center Enterprise Fund increased by \$391,616.01 during the current fiscal year to \$2,446,849.01 at June 30, 2020. This increase occurred primarily because of increases in charges for services. Unrestricted net position of the internal service funds decreased by \$2,927,539.73 during the current fiscal year to \$14,074,647.08 at June 30, 2020. This decrease occurred primarily because of decreases in premiums and increases in insurance claims.

GENERAL FUND BUDGETARY HIGHLIGHTS
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The District's budgets are prepared and amended according to Florida law. The most significant budgeted fund is the General Fund.

During the 2019-20 fiscal year, the District amended its General Fund budget several times, which resulted in an increase in total budgeted revenues of \$57,978,010.08, or 27.26 percent. At the same time, final appropriations are more than the original budgeted amounts by \$61,179,143.63. Budget revisions occurred primarily due to additional Federal revenues related to Hurricane Michael.

Actual revenues and other financing sources were \$26,945,895.30 less than the final budgeted amounts, while actual expenditures were \$86,995,251.03 less than the final budgeted amounts. Positive budget variances occurred in several functions, including instruction, student support services, facilities acquisition and construction, and operation of plant. The ending fund balance exceeded the estimated fund balance contained in the final amended budget by \$56,204,575.73 due to revenue associated with Hurricane Michael that has not been appropriated yet, loss of employees, and cost saving measures 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 activities and business-type activities as of June 30, 2020, is \$270,989,785.13 and \$22,248.31, respectively (net of accumulated depreciation). This investment in capital assets includes land; construction in progress; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; and audio visual materials and computer software. The total increase in capital assets for the current fiscal year was \$41,502,541.68, or 18.08 percent.

Major capital asset events included the following:

- During the current fiscal year, the District received a land donation totaling \$2,281,400 for future school construction.
- At June 30, 2020, construction in progress includes several construction projects as further discussed in the notes to financial statements.

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

Long-Term Debt

At June 30, 2020, the District had total long-term debt outstanding of \$134,323,572.09. This amount was comprised of \$4,360,000 in revenue anticipation notes and \$129,963,572.09 in certificates of participation.

Additional information on the District's long-term debt can be found in Note II.H. to the financial statements.

REQUESTS FOR INFORMATION

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

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BASIC FINANCIAL STATEMENTS

Bay County District School Board Statement of Net Position June 30, 2020

	Primary Government			Component
	Governmental	Business-Type	Total	Units
	Activities	Activities		(Unaudited)
ASSETS				
Cash and Cash Equivalents	\$ 140,015,411.85	\$ 3,784,708.32	\$ 143,800,120.17	\$ 24,473,180.00
Cash Equivalents with Fiscal Agent	72,456,191.61	-	72,456,191.61	-
Investments	-	-	-	1,668,401.00
Restricted Investments	-	-	-	3,403,751.00
Accounts Receivable	194.86	58,236.50	58,431.36	1,599,890.00
Internal Balances	44,605.85	(44,605.85)	-	-
Due from Other Agencies	24,449,333.64	30,400.00	24,479,733.64	1,129,077.00
Due from Insurer	1,977,974.38	-	1,977,974.38	-
Prepaid Items	2,671,752.60	-	2,671,752.60	318,902.00
Inventories	1,241,629.61	-	1,241,629.61	17,517.00
Other	-	-	-	11,426.00
Capital Assets:				
Nondepreciable Capital Assets	75,068,018.78	-	75,068,018.78	7,097,577.00
Depreciable Capital Assets, Net	195,921,766.35	22,248.31	195,944,014.66	67,614,879.00
TOTAL ASSETS	513,846,879.53	3,850,987.28	517,697,866.81	107,334,600.00
DEFERRED OUTFLOWS OF RESOURCES				
OPEB	917,611.00	6,686.00	924,297.00	-
Pensions	43,269,805.76	313,802.00	43,583,607.76	8,835,564.00
Deferred Loss on Debt Refunding	2,747,583.00	-	2,747,583.00	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	46,934,999.76	320,488.00	47,255,487.76	8,835,564.00
LIABILITIES				
Accrued Salaries and Benefits	-	-	-	644,902.00
Payroll Deductions and Withholdings	880,317.53	2,169.71	882,487.24	-
Accounts Payable	17,284,386.32	13,336.65	17,297,722.97	1,333,479.00
Construction Contracts Payable	2,362,914.79	-	2,362,914.79	82,575.00
Construction Contracts Payable - Retained Percentage	2,917,628.46	-	2,917,628.46	467,274.00
Due to Other Agencies	1,722,840.42	-	1,722,840.42	314,200.00
Matured Certificates of Participation Payable	2,158,800.00	-	2,158,800.00	-
Matured Interest Payable	798,206.12	-	798,206.12	594,911.00
Unearned Revenue	571,541.20	317,856.50	889,397.70	50,624.00
Loans Payable	-	-	-	1,137,177.00
Notes Payable	-	-	-	728,715.00
Long-Term Liabilities:				
Portion Due Within 1 Year	28,332,468.25	26,857.83	28,359,326.08	4,729,528.00
Portion Due After 1 Year	275,325,216.47	1,210,100.27	276,535,316.74	63,947,647.00
TOTAL LIABILITIES	332,354,319.56	1,570,320.96	333,924,640.52	74,031,032.00
DEFERRED INFLOWS OF RESOURCES				
OPEB	1,598,173.00	11,646.00	1,609,819.00	-
Pensions	16,603,313.34	120,411.00	16,723,724.34	1,566,997.00
TOTAL DEFERRED INFLOWS OF RESOURCES	18,201,486.34	132,057.00	18,333,543.34	1,566,997.00
NET POSITION				
Net Investment in Capital Assets	198,526,894.98	22,248.31	198,549,143.29	26,860,031.00
Restricted for:				
State Required Carryover Programs	2,696,927.56	-	2,696,927.56	-
Food Service	3,739,680.41	-	3,739,680.41	1,041,354.00
Debt Service	2,171,791.78	-	2,171,791.78	434,654.00
Capital Projects	31,470,089.65	-	31,470,089.65	-
Other Purposes	-	-	-	1,825,387.00
Unrestricted	(28,379,310.99)	2,446,849.01	(25,932,461.98)	10,410,709.00
TOTAL NET POSITION	\$ 210,226,073.39	\$ 2,469,097.32	\$ 212,695,170.71	\$ 40,572,135.00

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

**Bay County District School Board
Statement of Activities
For the Fiscal Year Ended June 30, 2020**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 159,787,849.11	\$ 1,346,550.76	\$ -	\$ -
Student Support Services	13,145,146.15	-	-	-
Instructional Media Services	2,477,010.90	-	-	-
Instruction and Curriculum Development Services	5,544,204.95	-	-	-
Instructional Staff Training Services	3,828,991.12	-	-	-
Instruction-Related Technology	124,079.12	-	-	-
Board	735,172.71	-	-	-
General Administration	8,454,823.81	-	-	-
School Administration	14,194,544.10	-	-	-
Facilities Acquisition and Construction	17,976,089.27	32,634.75	-	882,287.85
Fiscal Services	1,895,819.44	-	-	-
Food Services	9,782,321.00	475,765.45	9,776,277.43	-
Central Services	10,436,339.98	-	-	-
Student Transportation Services	9,081,502.60	152,908.87	-	-
Operation of Plant	16,018,433.54	-	-	-
Maintenance of Plant	5,229,411.22	-	-	-
Administrative Technology Services	3,339,548.84	-	-	-
Community Services	3,141,333.17	1,507,564.66	-	-
Unallocated Interest on Long-Term Debt	3,220,745.31	-	-	81,765.84
Unallocated Depreciation Expense*	19,733,502.20	-	-	-
Total Governmental Activities	308,146,868.54	3,515,424.49	9,776,277.43	964,053.69
Business-Type Activities:				
Beacon Learning Center	2,092,079.99	2,385,304.50	-	-
Total Primary Government	\$ 310,238,948.53	\$ 5,900,728.99	\$ 9,776,277.43	\$ 964,053.69
Component Units (Unaudited)				
Charter Schools/Education Foundation	\$ 49,918,790.00	\$ 1,587,115.00	\$ 1,606,279.00	\$ 956,741.00

General Revenues:

Taxes:

Property Taxes, Levied for Operational Purposes

Property Taxes, Levied for Capital Projects

Local Sales Taxes

Grants and Contributions Not Restricted to Specific Programs

Restricted Funding

Unrestricted Investment Earnings

Miscellaneous

Special Items

Total General Revenues and Special Items

Change in Net Position

Net Position - Beginning

Adjustment to Beginning Net Position

Net Position - Beginning, as Restated

Net Position - Ending

* This amount excludes the depreciation that is included in the direct expenses of the various functions.

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component
Governmental Activities	Business-Type Activities	Total	Units (Unaudited)
\$ (158,441,298.35)	\$ -	\$ (158,441,298.35)	\$ -
(13,145,146.15)	-	(13,145,146.15)	-
(2,477,010.90)	-	(2,477,010.90)	-
(5,544,204.95)	-	(5,544,204.95)	-
(3,828,991.12)	-	(3,828,991.12)	-
(124,079.12)	-	(124,079.12)	-
(735,172.71)	-	(735,172.71)	-
(8,454,823.81)	-	(8,454,823.81)	-
(14,194,544.10)	-	(14,194,544.10)	-
(17,061,166.67)	-	(17,061,166.67)	-
(1,895,819.44)	-	(1,895,819.44)	-
469,721.88	-	469,721.88	-
(10,436,339.98)	-	(10,436,339.98)	-
(8,928,593.73)	-	(8,928,593.73)	-
(16,018,433.54)	-	(16,018,433.54)	-
(5,229,411.22)	-	(5,229,411.22)	-
(3,339,548.84)	-	(3,339,548.84)	-
(1,633,768.51)	-	(1,633,768.51)	-
(3,138,979.47)	-	(3,138,979.47)	-
(19,733,502.20)	-	(19,733,502.20)	-
(293,891,112.93)	-	(293,891,112.93)	-
-	293,224.51	293,224.51	-
(293,891,112.93)	293,224.51	(293,597,888.42)	-
-	-	-	(45,768,655.00)
76,761,061.09	-	76,761,061.09	-
22,581,461.04	-	22,581,461.04	-
23,071,078.95	-	23,071,078.95	-
190,703,473.30	-	190,703,473.30	41,813,601.00
-	-	-	1,551,296.00
1,906,691.13	90,461.07	1,997,152.20	96,747.00
6,493,228.81	-	6,493,228.81	7,190,903.00
-	-	-	1,843,464.00
321,516,994.32	90,461.07	321,607,455.39	52,496,011.00
27,625,881.39	383,685.58	28,009,566.97	6,727,356.00
182,600,192.00	2,085,411.74	184,685,603.74	33,821,142.00
-	-	-	23,637.00
182,600,192.00	2,085,411.74	184,685,603.74	33,844,779.00
\$ 210,226,073.39	\$ 2,469,097.32	\$ 212,695,170.71	\$ 40,572,135.00

**Bay County District School Board
Balance Sheet – Governmental Funds
June 30, 2020**

	General Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 75,006,734.85	\$ 17,238,195.32	\$ 14,213,384.21	\$ 106,458,314.38
Cash Equivalents with Fiscal Agent	-	69,492,137.64	2,964,053.97	72,456,191.61
Accounts Receivable	194.86	-	-	194.86
Due from Other Funds	3,543,619.96	1,172,475.29	3,390,779.40	8,106,874.65
Due from Other Agencies	20,016,097.64	-	4,360,153.85	24,376,251.49
Inventories	1,104,698.75	-	136,930.86	1,241,629.61
TOTAL ASSETS	\$ 99,671,346.06	\$ 87,902,808.25	\$ 25,065,302.29	\$ 212,639,456.60
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Payroll Deductions and Withholdings	\$ 827,040.25	\$ -	\$ 52,684.86	\$ 879,725.11
Accounts Payable	14,259,175.28	1,690,379.64	1,217,491.31	17,167,046.23
Construction Contracts Payable	-	2,362,914.79	-	2,362,914.79
Construction Contracts Payable - Retained Percentage	1,569,089.39	1,331,885.36	16,653.71	2,917,628.46
Due to Other Funds	4,563,654.69	-	3,494,604.11	8,058,258.80
Due to Other Agencies	1,706,805.87	-	16,034.55	1,722,840.42
Matured Certificates of Participation Payable	-	-	2,158,800.00	2,158,800.00
Matured Interest Payable	-	-	798,206.12	798,206.12
Unearned Revenue	76,134.74	-	495,406.46	571,541.20
Total Liabilities	23,001,900.22	5,385,179.79	8,249,881.12	36,636,961.13
Deferred Inflows of Resources:				
Unavailable Revenue - Grant Revenues	8,206,445.66	-	-	8,206,445.66
Fund Balances:				
Nonspendable:				
Inventories	1,104,698.75	-	136,930.86	1,241,629.61
Restricted for:				
State Required Carryover Programs	2,696,927.56	-	-	2,696,927.56
Food Service	-	-	3,602,749.55	3,602,749.55
Debt Service	-	-	12,991.78	12,991.78
Capital Projects	-	82,517,628.46	13,062,748.98	95,580,377.44
Total Restricted Fund Balance	2,696,927.56	82,517,628.46	16,678,490.31	101,893,046.33
Assigned for:				
Encumbrances	8,678,724.91	-	-	8,678,724.91
Hurricane Repairs and Carryover Projects	55,982,648.96	-	-	55,982,648.96
Total Assigned Fund Balance	64,661,373.87	-	-	64,661,373.87
Total Fund Balances	68,463,000.18	82,517,628.46	16,815,421.17	167,796,049.81
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 99,671,346.06	\$ 87,902,808.25	\$ 25,065,302.29	\$ 212,639,456.60

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

**Bay County District School Board
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2020**

Total Fund Balances - Governmental Funds \$ 167,796,049.81

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

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 270,989,785.13

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. 14,074,647.08

Certain grant receivables are recognized as revenues in the government-wide statements but are deferred inflows of resources in the governmental funds. 8,206,445.66

The deferred loss on debt refunding is not expensed in the government-wide statements but is reported as deferred outflows of resources and amortized over the life of the debt. 2,747,583.00

Long-term liabilities are not due and payable in the fiscal year and, therefore, are not reported as liabilities in the governmental funds.

Certificates of Participation Payable	\$ (129,963,572.09)	
Notes Payable	(4,360,000.00)	
Compensated Absences Payable	(11,708,220.62)	
Net Pension Liability	(128,919,177.00)	
Total OPEB Liability	(4,623,398.00)	(279,574,367.71)

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

Deferred Outflows Related to Pensions	\$ 43,269,805.76	
Deferred Outflows Related to OPEB	917,611.00	
Deferred Inflows Related to Pensions	(16,603,313.34)	
Deferred Inflows Related to OPEB	(1,598,173.00)	25,985,930.42

Net Position - Governmental Activities **\$ 210,226,073.39**

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

Bay County District School Board
Statement of Revenues, Expenditures, and Changes in
Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2020

	General Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Intergovernmental:				
Federal Direct	\$ 481,068.49	\$ -	\$ 2,137,439.00	\$ 2,618,507.49
Federal Through State and Local	26,865,506.52	-	27,324,254.18	54,189,760.70
State	132,812,648.88	-	3,616,441.69	136,429,090.57
Local:				
Property Taxes	76,656,066.93	-	22,240,544.32	98,896,611.25
Local Sales Taxes	-	23,071,078.95	-	23,071,078.95
Charges for Services - Food Service	-	-	475,765.45	475,765.45
Miscellaneous	7,131,030.34	410,296.18	193,592.34	7,734,918.86
Total Local Revenues	<u>83,787,097.27</u>	<u>23,481,375.13</u>	<u>22,909,902.11</u>	<u>130,178,374.51</u>
Total Revenues	<u>243,946,321.16</u>	<u>23,481,375.13</u>	<u>55,988,036.98</u>	<u>323,415,733.27</u>
Expenditures				
Current - Education:				
Instruction	142,415,984.95	-	9,667,440.42	152,083,425.37
Student Support Services	8,380,162.16	-	4,100,809.53	12,480,971.69
Instructional Media Services	2,276,491.22	-	67,684.78	2,344,176.00
Instruction and Curriculum Development Services	3,450,551.44	-	1,827,983.73	5,278,535.17
Instructional Staff Training Services	2,087,476.53	-	1,608,679.69	3,696,156.22
Instruction-Related Technology	10,111.95	-	113,967.17	124,079.12
Board	735,172.71	-	-	735,172.71
General Administration	7,676,036.20	-	380,282.93	8,056,319.13
School Administration	13,522,990.58	-	7,379.06	13,530,369.64
Facilities Acquisition and Construction	10,797,393.12	5,401,621.03	1,777,075.12	17,976,089.27
Fiscal Services	1,762,984.54	-	-	1,762,984.54
Food Services	13,159.47	-	9,237,821.97	9,250,981.44
Central Services	4,766,464.03	-	14,149.71	4,780,613.74
Student Transportation Services	7,573,156.59	-	40,562.43	7,613,719.02
Operation of Plant	14,614,914.00	-	443,596.29	15,058,510.29
Maintenance of Plant	4,943,049.54	-	20,691.90	4,963,741.44
Administrative Technology Services	3,206,713.95	-	-	3,206,713.95
Community Services	1,684,223.03	-	1,324,275.25	3,008,498.28
Fixed Capital Outlay:				
Facilities Acquisition and Construction	32,866,256.68	19,771,658.33	3,987,494.33	56,625,409.34
Other Capital Outlay	1,455,330.91	478,225.46	1,126,743.38	3,060,299.75
Debt Service:				
Principal	-	-	11,865,800.00	11,865,800.00
Interest and Fiscal Charges	-	644,616.60	2,324,591.52	2,969,208.12
Total Expenditures	<u>264,238,623.60</u>	<u>26,296,121.42</u>	<u>49,937,029.21</u>	<u>340,471,774.23</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(20,292,302.44)</u>	<u>(2,814,746.29)</u>	<u>6,051,007.77</u>	<u>(17,056,040.96)</u>
Other Financing Sources (Uses)				
Transfers In	4,072,487.62	-	13,994,386.33	18,066,873.95
Proceeds of Certificates of Participation	-	66,050,000.00	-	66,050,000.00
Premium on Certificates of Participation	-	6,731,741.80	-	6,731,741.80
Proceeds of Refunding Certificates of Participation	-	-	10,775,000.00	10,775,000.00
Premium on Refunding Certificates of Participation	-	-	925,232.05	925,232.05
Payments to Refunding Escrow Agent	-	-	(11,590,251.95)	(11,590,251.95)
Transfers Out	-	(5,147,808.46)	(12,919,065.49)	(18,066,873.95)
Total Other Financing Sources	<u>4,072,487.62</u>	<u>67,633,933.34</u>	<u>1,185,300.94</u>	<u>72,891,721.90</u>
Net Change in Fund Balances	<u>(16,219,814.82)</u>	<u>64,819,187.05</u>	<u>7,236,308.71</u>	<u>55,835,680.94</u>
Fund Balances, Beginning	84,682,815.00	17,698,441.41	9,579,112.46	111,960,368.87
Fund Balances, Ending	<u>\$ 68,463,000.18</u>	<u>\$ 82,517,628.46</u>	<u>\$ 16,815,421.17</u>	<u>\$ 167,796,049.81</u>

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

Bay County District School Board
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Statement of Activities
For the Fiscal Year Ended June 30, 2020

Net Change in Fund Balances - Governmental Funds **\$ 55,835,680.94**

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

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlays in excess of depreciation expense in the fiscal year. 38,635,198.76

Certain miscellaneous transactions involving capital assets (e.g., donations) are not reported in the governmental funds. 2,875,274.04

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

Long-term debt proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment or refunding of long-term debt uses current financial resources in the governmental funds, but the repayment or refunding reduces long-term liabilities in the statement of net position. This is the amount by which proceeds exceed repayments or refundings in the fiscal year. (53,354,200.00)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. (367,624.21)

Premiums on debt provide current financial resources to governmental funds in the fiscal year the debt is issued but must be deferred and amortized over the life of the debt in the government-wide statements. This is the amount of premiums on debt issued in excess of premium amortizations during the fiscal year. (7,617,972.09)

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the fiscal year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences earned in excess of the amount paid in the fiscal year. (82,328.62)

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

FRS Pension Contribution	\$ 7,967,795.05	
HIS Pension Contribution	1,914,091.59	
FRS Pension Expense	(20,521,980.91)	
HIS Pension Expense	<u>(2,598,085.09)</u>	(13,238,179.36)

Governmental funds report other postemployment benefits (OPEB) contributions as expenditures. However, in the statement of activities, the cost of OPEB earned, net of employee contributions, as determined by an actuarial valuation, is reported as OPEB expense.

Decrease in OPEB	\$ 646,975.00	
Increase in Deferred Outflows of Resources - OPEB	917,611.00	
Increase in Deferred Inflows of Resources - OPEB	<u>(1,598,173.00)</u>	(33,587.00)

Certain funds due from other agencies are not available and, therefore, not recognized as revenue in the governmental fund statements. However, these funds are recognized as revenue under the full accrual basis of accounting in the statement of activities. 8,206,445.66

Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The net expense of internal service funds is reported with governmental activities. (2,927,539.73)

Change in Net Position - Governmental Activities **\$ 27,625,881.39**

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

Bay County District School Board
Statement of Net Position – Proprietary Funds
June 30, 2020

	<u>Enterprise Fund</u> <u>Beacon Learning</u> <u>Center</u>	<u>Internal Service</u> <u>Funds</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 3,784,708.32	\$ 33,557,097.47
Accounts Receivable	58,236.50	-
Due from Other Funds	-	400.00
Due from Other Agencies	30,400.00	73,082.15
Due from Insurer	-	1,977,974.38
Prepaid Items	-	2,671,752.60
Total Current Assets	<u>3,873,344.82</u>	<u>38,280,306.60</u>
Noncurrent Assets:		
Depreciable Capital Assets, Net	22,248.31	-
TOTAL ASSETS	<u>3,895,593.13</u>	<u>38,280,306.60</u>
DEFERRED OUTFLOWS OF RESOURCES		
OPEB	6,686.00	-
Pensions	313,802.00	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>320,488.00</u>	<u>-</u>
LIABILITIES		
Current Liabilities:		
Payroll Deductions and Withholdings	2,169.71	592.42
Accounts Payable	13,336.65	117,340.09
Due to Other Funds	44,605.85	4,410.00
Unearned Revenue	317,856.50	-
Estimated Insurance Claims Payable	-	13,119,096.01
Compensated Absences Payable	13,498.83	-
Net Pension Liability	10,566.00	-
Other Postemployment Benefits Payable	2,793.00	-
Total Current Liabilities	<u>404,826.54</u>	<u>13,241,438.52</u>
Noncurrent Liabilities:		
Estimated Insurance Claims Payable	-	10,964,221.00
Compensated Absences Payable	254,819.27	-
Net Pension Liability	924,384.00	-
Other Postemployment Benefits Payable	30,897.00	-
Total Noncurrent Liabilities	<u>1,210,100.27</u>	<u>10,964,221.00</u>
TOTAL LIABILITIES	<u>1,614,926.81</u>	<u>24,205,659.52</u>
DEFERRED INFLOWS OF RESOURCES		
OPEB	11,646.00	-
Pensions	120,411.00	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>132,057.00</u>	<u>-</u>
NET POSITION		
Investment in Capital Assets	22,248.31	-
Unrestricted	2,446,849.01	14,074,647.08
TOTAL NET POSITION	<u>\$ 2,469,097.32</u>	<u>\$ 14,074,647.08</u>

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

Bay County District School Board
Statement of Revenues, Expenses, and Changes in Fund
Net Position – Proprietary Funds
For the Fiscal Year Ended June 30, 2020

	<u>Enterprise Fund</u> <u>Beacon Learning</u> <u>Center</u>	<u>Internal Service</u> <u>Funds</u>
OPERATING REVENUES		
Charges for Services	\$ 2,385,304.50	\$ -
Premiums	-	23,330,846.06
Other	-	61,117.11
Total Operating Revenues	<u>2,385,304.50</u>	<u>23,391,963.17</u>
OPERATING EXPENSES		
Salaries	977,101.61	298,686.88
Employee Benefits	398,607.57	111,054.65
Purchased Services	609,275.19	2,584,203.22
Materials and Supplies	12,645.28	3,460.02
Capital Outlay	1,018.50	3,382.72
Insurance Claims	-	23,443,796.75
Insurance Premiums	-	2,217,001.19
Other	82,583.42	35,618.88
Depreciation	10,848.42	-
Total Operating Expenses	<u>2,092,079.99</u>	<u>28,697,204.31</u>
Operating Income (Loss)	<u>293,224.51</u>	<u>(5,305,241.14)</u>
NONOPERATING REVENUES		
Investment Income	90,461.07	399,552.53
Other	-	1,978,148.88
Total Nonoperating Revenues	<u>90,461.07</u>	<u>2,377,701.41</u>
Change in Net Position	383,685.58	(2,927,539.73)
Total Net Position - Beginning	<u>2,085,411.74</u>	<u>17,002,186.81</u>
Total Net Position - Ending	<u><u>\$ 2,469,097.32</u></u>	<u><u>\$ 14,074,647.08</u></u>

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

**Bay County District School Board
Statement of Cash Flows – Proprietary Funds
For the Fiscal Year Ended June 30, 2020**

	<u>Enterprise Fund</u> <u>Beacon Learning</u> <u>Center</u>	<u>Internal Service</u> <u>Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Board Funds and Participants	\$ -	\$ 23,330,446.06
Cash Received from Services	2,390,053.50	-
Cash Payments to Suppliers for Goods and Services	(727,666.58)	(5,026,062.54)
Cash Payments to Employees for Services	(1,143,836.37)	(847,377.11)
Cash Payments for Insurance Claims	-	(16,127,194.74)
Cash Used for Other Operating Expenses	-	(238,311.61)
Net Cash Provided by Operating Activities	<u>518,550.55</u>	<u>1,091,500.06</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Other	-	1,978,148.88
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of Capital Assets	<u>(2,917.30)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income	<u>90,461.07</u>	<u>399,552.53</u>
Net Increase in Cash and Cash Equivalents	606,094.32	3,469,201.47
Cash and Cash Equivalents, Beginning	<u>3,178,614.00</u>	<u>30,087,896.00</u>
Cash and Cash Equivalents, Ending	<u>\$ 3,784,708.32</u>	<u>\$ 33,557,097.47</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ 293,224.51	\$ (5,305,241.14)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	10,848.42	-
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:		
Accounts Receivable	(23,404.50)	-
Due from Other Funds	-	(400.00)
Due from Other Agencies	(30,400.00)	-
Due from Insurer	-	(299,428.72)
Prepaid Items	-	(197,170.60)
Deferred Outflows of Resources Related to OPEB	(6,686.00)	-
Deferred Outflows of Resources Related to Pensions	5,070.00	214,967.00
Payroll Deductions and Withholdings Payable	2,169.71	592.42
Accounts Payable	2,942.96	10,364.09
Due to Other Funds	(25,087.15)	4,410.00
Unearned Revenue	58,553.50	-
Compensated Absences Payable	50,891.10	(29,463.00)
Estimated Insurance Claims Payable	-	7,316,602.01
Net Pension Liability	145,556.00	(532,169.00)
Other Postemployment Benefits Payable	7,206.00	(21,187.00)
Deferred Inflows of Resources Related to OPEB	11,646.00	-
Deferred Inflows of Resources Related to Pensions	<u>16,020.00</u>	<u>(70,376.00)</u>
Total Adjustments	<u>225,326.04</u>	<u>6,396,741.20</u>
Net Cash Provided by Operating Activities	<u>\$ 518,550.55</u>	<u>\$ 1,091,500.06</u>

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

Bay County District School Board
Statement of Fiduciary Assets and Liabilities – Fiduciary Funds
June 30, 2020

	Agency Funds
ASSETS	
Cash and Cash Equivalents	\$ 3,745,336.12
Accounts Receivable	30,933.02
Inventories	75,342.32
Prepaid Items	584.00
TOTAL ASSETS	\$ 3,852,195.46
LIABILITIES	
Accounts Payable	\$ 88,613.14
Undistributed Scholarship and Grant Liability	241,910.00
Unearned Revenue	16,170.00
Internal Accounts Payable	3,505,502.32
TOTAL LIABILITIES	\$ 3,852,195.46

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

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-Wide Financial Statements

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

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

B. Reporting Entity

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

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

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

Blended Component Unit. Blended component units are, in substance, part of the District's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the District. The Bay County Educational Facilities Finance

Corporation (Corporation) was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in Note II.H.2. Due to the substantive economic relationship between the District and the Corporation, the financial activities of the Corporation are included in the accompanying basic financial statements. Separate financial statements for the Corporation are not published.

Discretely Presented Component Units. The component units columns in the government-wide financial statements include the financial data from a District foundation and 11 charter schools. A separate column is used to emphasize that they are legally separate from the District.

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

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

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

The financial data reported on the accompanying statements was derived from the Foundation's unaudited and charter schools' audited financial statements for the fiscal year ended June 30, 2020. The audit reports are filed in the District's administrative offices at 1311 Balboa Avenue, Panama City, Florida 32401.

C. Basis of Presentation: Government-Wide Financial Statements

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

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

D. Basis of Presentation: Fund Financial Statements

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

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Capital Projects – Other Fund – to account for various financial resources (e.g., certificates of participation and discretionary sales surtax) to be used for educational capital outlay needs, including new construction and renovation and remodeling projects.

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

- Enterprise Fund – Beacon Learning Center – to account for the financial activities and account balances of the Beacon Learning Center which provides educational services for a fee to individuals, public and private entities, and district school boards.
- Internal Service Funds – to account for the District's self-insurance programs.
- Agency Funds – to account for resources of the school internal funds, which are used to administer moneys collected at 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 the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise fund) are eliminated so that only the net amount is included as internal balances in the business-type activities column. Further, certain activity occurs during the fiscal 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, transfers between the funds are eliminated in the preparation of the government-wide financial statements.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such

as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

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

The proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency funds have no measurement focus but utilize the accrual basis of accounting for reporting assets and liabilities.

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

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

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

1. Cash and Cash Equivalents

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

Cash deposits are held by banks qualified as public depositories under Florida law 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.

2. Investments

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

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

Investments held by the trustee are reported at fair value.

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

3. Inventories and Prepaid Items

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

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

4. Capital Assets

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

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

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

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

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

5. Pensions

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

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

6. 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, long-term obligations are not recognized as liabilities until due. Governmental fund types recognize debt premiums during the current fiscal year. The face amount of debt issued and debt premiums are reported as other financing sources.

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

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. The District has three items that qualify for reporting in this category. The deferred loss on debt refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The deferred outflows of resources related to pensions and other postemployment benefits (OPEB) are discussed in subsequent notes.

In addition to liabilities, the statements of net position and the governmental funds balance sheet report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. The first two items, deferred inflows of resources related to pensions and OPEB, are reported in the statement of net position and discussed in subsequent notes. The remaining item is reported in the governmental funds balance sheet as unavailable revenue related to Federal disaster grants and will be recognized as an inflow of resources in the period that the amounts become available.

8. Net Position Flow Assumption

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

9. 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.

10. Fund Balance Policies

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

limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. The District reported no committed fund balances at June 30, 2020.

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

G. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. State Revenue Sources

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

The State provides financial assistance to administer certain educational programs. SBE rules require that revenue earmarked for certain programs be expended only for the program for which the money is provided, and require that the money not expended as of the close of the fiscal year be carried forward into the following fiscal year to be expended for the same educational programs. The FDOE generally requires that these educational program revenues be accounted for in the General Fund. A portion of the fund balance of the General Fund is restricted in the governmental fund financial statements for the balance of categorical and earmarked educational program resources.

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

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

3. District Property Taxes

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

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

The Board adopted the 2019 tax levy on September 10, 2019. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

Taxes become a lien on the property on January 1 and are delinquent on April 1 of the year following the year of assessment. State law provides for enforcement of collection of personal property taxes by seizure of the property to satisfy unpaid taxes and for enforcement of collection of real property taxes by the sale of interest-bearing tax certificates to satisfy unpaid taxes. The procedures result in the collection of essentially all taxes prior to June 30 of the year following the year of assessment.

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

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

4. Capital Outlay Surtax

In 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.

5. Federal Revenue Sources

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

6. Compensated Absences

In the government-wide and proprietary fund 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 for sick leave, and accrued as a liability as the benefits are earned by the employees for annual leave. 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.

7. Proprietary Fund Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The primary operating revenues of the District's enterprise fund are charges for online educational resources and professional development courses. Operating expenses include salaries, benefits, purchased services, materials and supplies, capital outlay, other, and depreciation related to the development of these online educational resources and professional development courses. The principal operating revenues of the District's internal service funds are charges for property casualty and workers' compensation insurance, and employee health insurance premiums. Operating expenses include insurance claims, excess coverage premiums, and related operating costs. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash Deposits with Financial Institutions

Custodial Credit Risk

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

B. Investments

The District's investments at June 30, 2020, are reported as follows:

Investments (1)	Maturities	Fair Value
SBA:		
Florida PRIME	53 Day Average	\$ 13,636,166.63
Money Market Funds:		
Federated Hermes Government Obligations Fund (2)	43 Day Average	30,253,043.51
Goldman Sachs Government Obligations Fund (2)	51 Day Average	42,203,148.10
Certificates of Deposit	Various	226,213.56
Total Investments		\$ 86,318,571.80

(1) These investments are reported as cash equivalents or cash equivalents with fiscal agent for financial statement reporting purposes.

(2) These investments are held in trust in connection with District certificates of participation (see Note II.H.).

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's investment policy limits the length of investments as follows: (1) investments of short-term funds shall have maturities of no longer than 12 months, and (2) investments of bond reserves, construction funds, and other nonoperating funds shall have a term appropriate for the need for funds and in accordance with debt covenants, but in no event shall exceed 5 years. Investments of construction funds that are proceeds of tax-exempt debt issues shall have maturities of no longer than 3 years.

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

For Florida PRIME, with regard to redemption gates, Section 218.409(8)(a), Florida Statutes, states, "The principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the executive director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the board [State Board of Administration] can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the trustees, the Joint Legislative Auditing Committee, and the Investment Advisory Council. The trustees shall convene an emergency meeting as soon as practicable from the time the executive director has instituted such measures and review the necessity of those measures. If the trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the executive director until the trustees are able to meet to review the necessity for the moratorium. If the trustees agree with such measures, the trustees shall vote to continue the measures for up to an additional 15 days. The trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the trustees exceed 15 days." As of June 30, 2020, there were no redemption fees, maximum transaction

amounts, or any other requirements that serve to limit a participant's daily access to 100 percent of their account value.

Credit Risk

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

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

C. Changes in Capital Assets

Changes in capital assets are presented in the following table:

	Beginning Balance	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 17,309,334.59	\$ 2,698,504.61	\$ -	\$ 20,007,839.20
Construction in Progress	25,946,389.94	43,769,609.33	14,655,819.69	55,060,179.58
Total Capital Assets Not Being Depreciated	43,255,724.53	46,468,113.94	14,655,819.69	75,068,018.78
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	15,924,280.70	1,690,913.11	-	17,615,193.81
Buildings and Fixed Equipment	592,720,522.72	25,952,549.46	146,605.16	618,526,467.02
Furniture, Fixtures, and Equipment	38,094,176.50	2,185,028.38	2,881,172.39	37,398,032.49
Motor Vehicles	16,749,817.34	920,197.93	1,067,539.50	16,602,475.77
Audio Visual Materials and Computer Software	9,006,384.67	-	-	9,006,384.67
Total Capital Assets Being Depreciated	672,495,181.93	30,748,688.88	4,095,317.05	699,148,553.76
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	7,849,202.96	728,153.25	-	8,577,356.21
Buildings and Fixed Equipment	428,484,431.30	16,420,596.04	146,605.16	444,758,422.18
Furniture, Fixtures, and Equipment	28,542,841.85	2,575,940.89	2,881,172.39	28,237,610.35
Motor Vehicles	12,399,934.80	1,317,008.13	1,067,539.50	12,649,403.43
Audio Visual Materials and Computer Software	8,995,183.22	8,812.02	-	9,003,995.24
Total Accumulated Depreciation	486,271,594.13	21,050,510.33	4,095,317.05	503,226,787.41
Total Capital Assets Being Depreciated, Net	186,223,587.80	9,698,178.55	-	195,921,766.35
Governmental Activities Capital Assets, Net	\$ 229,479,312.33	\$ 56,166,292.49	\$ 14,655,819.69	\$ 270,989,785.13
BUSINESS-TYPE ACTIVITIES				
Capital Assets Being Depreciated:				
Furniture, Fixtures, and Equipment	\$ 160,884.16	\$ 2,917.30	\$ -	\$ 163,801.46
Motor Vehicles	16,367.00	-	-	16,367.00
Audio Visual Materials and Computer Software	84,592.40	-	-	84,592.40
Total Capital Assets Being Depreciated	261,843.56	2,917.30	-	264,760.86
Less Accumulated Depreciation for:				
Furniture, Fixtures, and Equipment	142,778.49	4,811.54	-	147,590.03
Motor Vehicles	16,367.00	-	-	16,367.00
Audio Visual Materials and Computer Software	72,518.64	6,036.88	-	78,555.52
Total Accumulated Depreciation	231,664.13	10,848.42	-	242,512.55
Total Capital Assets Being Depreciated, Net	\$ 30,179.43	\$ (7,931.12)	\$ 0.00	\$ 22,248.31

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Central Services	\$ 84,815.32
Student Transportation Services	1,069,278.90
Operation of Plant	162,913.91
Unallocated	19,733,502.20
Total Depreciation Expense – Governmental Activities	<u>\$ 21,050,510.33</u>
BUSINESS-TYPE ACTIVITIES	
Beacon Learning Center	<u>\$ 10,848.42</u>

D. Retirement Plans

1. FRS – Defined Benefit Pension Plans

General Information about the FRS

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

Essentially all regular employees of the District are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost-sharing multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services Web site (www.dms.myflorida.com).

The District's FRS and HIS pension expense totaled \$23,287,738 for the fiscal year ended June 30, 2020.

FRS Pension Plan

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

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

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

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

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

<u>Class, Initial Enrollment, and Retirement Age/Years of Service</u>	<u>Percent Value</u>
Regular Members Initially Enrolled Before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
Regular Members Initially Enrolled On or After July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
Elected County Officers	3.00
Special Risk	3.00

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

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2019-20 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	8.47
FRS, Elected County Officers	3.00	48.82
FRS, Special Risk	3.00	25.48
DROP – Applicable to Members from All of the Above Classes	0.00	14.60
FRS, Reemployed Retiree	(2)	(2)

- (1) Employer rates include 1.66 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.06 percent for administrative costs of the Investment Plan.
- (2) Contribution rates are dependent upon retirement class in which reemployed.

The District's contributions to the Plan \$8,025,549 for the fiscal year ended June 30, 2020.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2020, the District reported a liability of \$89,282,585 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. The District's proportionate share of the net pension liability was based on the District's 2018-19 fiscal year contributions relative to the total 2018-19 fiscal year contributions of all participating members. At

June 30, 2019, the District's proportionate share was 0.259251435 percent, which was a decrease of 0.014622481 from its proportionate share measured as of June 30, 2018.

For the fiscal year ended June 30, 2020, the District recognized the Plan pension expense of \$20,670,811. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 5,295,605	\$ 55,408
Change of Assumptions	22,931,610	-
Net Difference Between Projected and Actual Earnings on FRS Pension Plan Investments	-	4,939,579
Changes in Proportion and Differences Between District FRS Contributions and Proportionate Share of Contributions	62,999	5,304,188
District FRS Contributions Subsequent to the Measurement Date	8,025,549	-
Total	\$ 36,315,763	\$ 10,299,175

The deferred outflows of resources related to pensions resulting from District contributions to the Plan subsequent to the measurement date, totaling \$8,025,549, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2021	\$ 7,002,206
2022	1,126,135
2023	5,095,711
2024	3,963,376
2025	690,712
Thereafter	112,899
Total	\$ 17,991,039

Actuarial Assumptions. The total pension liability in the July 1, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Investment Rate of Return	6.90 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the PUB-2010 base table, projected generationally with Scale MP-2018. This is a change from the prior year mortality assumption which was based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions used in the July 1, 2019, valuation were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018.

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

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1%	3.3%	3.3%	1.2%
Fixed Income	18%	4.1%	4.1%	3.5%
Global Equity	54%	8.0%	6.8%	16.5%
Real Estate (Property)	10%	6.7%	6.1%	11.7%
Private Equity	11%	11.2%	8.4%	25.8%
Strategic Investments	6%	5.9%	5.7%	6.7%
Total	100%			
Assumed inflation - Mean			2.6%	1.7%

(1) As outlined in the Plan's investment policy.

Discount Rate. The discount rate used to measure the total pension liability was 6.9 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The discount rate used in the 2019 valuation was updated from 7 percent to 6.9 percent.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.9 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.9 percent) or 1 percentage point higher (7.9 percent) than the current rate:

	<u>1% Decrease (5.9%)</u>	<u>Current Discount Rate (6.9%)</u>	<u>1% Increase (7.9%)</u>
District's Proportionate Share of the Net Pension Liability	\$ 154,339,858	\$ 89,282,585	\$ 34,948,757

Pension Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

HIS Pension Plan

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

Benefits Provided. For the fiscal year ended June 30, 2020, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Federal Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2020, the contribution rate was 1.66 percent of payroll pursuant to Section 112.363, Florida Statutes. The District contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The District's contributions to the HIS Plan totaled \$1,927,973 for the fiscal year ended June 30, 2020.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2020, the District reported a net pension liability of \$40,571,542 for its proportionate share of the HIS Plan's net pension liability. The current portion of the net pension liability is the District's proportionate share of benefit payments expected to be paid within 1 year, net of the District's proportionate share of the HIS Plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018, and update procedures were used to determine the net pension liability as of June 30, 2019. The District's proportionate share of the net pension liability was based on the District's 2018-19 fiscal year contributions relative to the total 2018-19 fiscal year contributions of all participating members. At June 30, 2019, the District's proportionate share was 0.362602063 percent, which was a decrease of 0.02114949 from its proportionate share measured as of June 30, 2018.

For the fiscal year ended June 30, 2020, the District recognized the HIS Plan pension expense of \$2,616,927. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 492,787	\$ 49,679
Change of Assumptions	4,697,798	3,315,987
Net Difference Between Projected and Actual Earnings on HIS Pension Plan Investments	26,180	-
Changes in Proportion and Differences Between District HIS Contributions and Proportionate Share of Contributions	123,107	3,058,883
District HIS Contributions Subsequent to the Measurement Date	1,927,973	-
Total	\$ 7,267,845	\$ 6,424,549

The deferred outflows of resources related to pensions resulting from District contributions to the HIS Plan subsequent to the measurement date, totaling \$1,927,973, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2021	\$ 294,321
2022	83,328
2023	(231,391)
2024	(776,459)
2025	(363,627)
Thereafter	(90,849)
Total	<u><u>\$ (1,084,677)</u></u>

Actuarial Assumptions. The total pension liability in the July 1, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Municipal Bond Rate	3.50 percent

Mortality rates were based on the Generational RP-2000 with Projection Scale BB.

While an experience study had not been completed for the HIS Plan, the actuarial assumptions that determined the total pension liability for the HIS Plan were based on certain results of the most recent experience study for the FRS Plan.

Discount Rate. The discount rate used to measure the total pension liability was 3.5 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate

equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The discount rate changed from 3.87 percent to 3.5 percent.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 3.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.5 percent) or 1 percentage point higher (4.5 percent) than the current rate:

	<u>1% Decrease (2.5%)</u>	<u>Current Discount Rate (3.5%)</u>	<u>1% Increase (4.5%)</u>
District's Proportionate Share of the Net Pension Liability	\$ 46,314,495	\$ 40,571,542	\$ 35,788,313

Pension Plan Fiduciary Net Position. Detailed information about the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

2. FRS – Defined Contribution Pension Plan

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. District employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Retirement benefits are based upon the value of the member's account upon retirement. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2019-20 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Compensation</u>
FRS, Regular	6.30
FRS, Elected County Officers	11.34
FRS, Special Risk	14.00

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings, regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2020, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the District.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided in which the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan or remain in the Investment Plan and rely upon that account balance for retirement income.

The District's Investment Plan pension expense totaled \$1,694,400 for the fiscal year ended June 30, 2020.

E. Other Postemployment Benefit Obligations

Plan Description. The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the District that provides OPEB for all employees who satisfy the District's retirement eligibility provisions. Pursuant to Section 112.0801, Florida Statutes, employees who retire from the District are eligible to participate in the District's health insurance plan. Retirees and their eligible dependents shall be offered the same health and hospitalization insurance coverage as is offered to active employees at a premium cost of no more than the premium cost applicable to active employees. The District subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because retiree healthcare costs are generally greater than active employee healthcare costs. The OPEB Plan contribution requirements and benefit terms of the District and the OPEB Plan members are established and may be amended through action from the Board. No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided. The OPEB Plan provides healthcare insurance benefits for retirees and their dependents. The OPEB Plan only provides an implicit subsidy as described above.

Employees Covered by Benefit Terms. At June 30, 2020, the following employees were covered by the benefit terms:

Retirees	171
Actives	<u>2,075</u>
Total	<u>2,246</u>

Total OPEB Liability. The District's total OPEB liability of \$4,657,088 was measured as of June 30, 2020, and was determined by an actuarial valuation as of June 30, 2020.

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

Mortality Rates	RP-2014 Total Dataset Mortality Table was projected back to 2006 with scale MP-2014 and then forward using scale MP-2019.
Salary Increases	4 percent
Discount Rate	2.66 percent, based on the S&P Municipal Bond 20 Year High Grade Rate Index as of June 30, 2020.
Healthcare Cost Trend Rates	7.5 percent graded uniformly down to 6.75 percent over 3 years and following the Getzen model thereafter.
Aging Variance	Claims were adjusted based on the aging factors in the Dale Yamamoto study released by the Society of Actuaries in June 2013.
Expenses	Administrative expenses are included in the per capita health costs.
Plan Participation	40 percent of future eligible retirees are assumed to elect medical coverage upon retirement.
Actuarial Valuation Method	Entry Age Normal

Changes in the Total OPEB Liability.

	<u>Amount</u>
Balance at June 30, 2019	<u>\$ 5,296,857</u>
Changes for the year:	
Service Cost	412,095
Interest	141,984
Difference Between Expected and Actual Experience	(1,931,783)
Changes of Assumptions	1,109,156
Benefit Payments	<u>(371,221)</u>
Net Changes	<u>(639,769)</u>
Balance at June 30, 2020	<u><u>\$ 4,657,088</u></u>

The changes of assumptions were based on the following:

- The discount rate decreased from 2.98 percent to 2.66 percent.
- The medical claims aging table was updated to be based on factors in the Dale Yamamoto study released by the Society of Actuaries in June 2013.
- The healthcare cost trend rate decreased from 8 percent grading uniformly down to 5 percent over 10 years to 7.5 percent grading uniformly down to 6.75 percent over 3 years and following the Getzen model thereafter.
- The mortality rates were updated using mortality improvement scale MP-2019.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following table presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.66 percent) or 1 percentage point higher (3.66 percent) than the current rate:

	1% Decrease (1.66%)	Current Discount Rate (2.66%)	1% Increase (3.66%)
Total OPEB Liability	\$ 4,831,959	\$ 4,657,088	\$ 4,473,825

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following table presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (6.5 percent decreasing to 5.75 percent) or 1 percentage point higher (8.5 percent decreasing to 7.75 percent) than the current healthcare cost trend rates:

	1% Decrease (6.5% decreasing to 5.75%)	Healthcare Cost Trend Rates (7.5% decreasing to 6.75%)	1% Increase (8.5% decreasing to 7.75%)
Total OPEB Liability	\$ 4,212,552	\$ 4,657,088	\$ 5,174,068

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the fiscal year ended June 30, 2020, the District recognized OPEB expense of \$416,974. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 1,609,819
Changes of Assumptions	924,297	-
Total	\$ 924,297	\$ 1,609,819

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

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2021	\$ (137,105)
2022	(137,105)
2023	(137,105)
2024	(137,105)
2025	(137,102)
Total	\$ (685,522)

F. Construction and Other Significant Commitments

Construction Contracts. The following is a schedule of major construction contract commitments at June 30, 2020:

<u>Project</u>	<u>Contract Amount</u>	<u>Completed to Date</u>	<u>Balance Committed</u>
Bay High			
Architects	\$ 1,839,853.13	\$ 980,771.68	\$ 859,081.45
Contractors	27,257,872.51	8,823,164.46	18,434,708.05
Bozeman			
Contractor	940,387.37	-	940,387.37
Breakfast Point			
Contractor	377,291.82	-	377,291.82
Callaway			
Architect	58,501.71	57,517.26	984.45
Contractors	1,094,714.55	-	1,094,714.55
Cedar Grove			
Contractor	2,026,522.52	-	2,026,522.52
Cherry Street			
Contractor	1,729,583.54	-	1,729,583.54
Deerpont			
Contractors	466,882.02	-	466,882.02
Emergency Operations Center			
Contractor	570,161.85	323,433.74	246,728.11
Haney			
Architects	573,454.00	69,371.85	504,082.15
Contractors	2,303,016.17	2,018,020.52	284,995.65
Hiland Park			
Architect	192,010.28	190,717.84	1,292.44
Contractor	1,268,988.74	909,261.36	359,727.38
Jinks			
Architect	371,708.00	331,979.86	39,728.14
Contractor	7,854,109.01	3,190,847.97	4,663,261.04
Lynn Haven			
Architects	650,261.30	585,830.70	64,430.60
Contractors	9,382,438.64	7,315,578.01	2,066,860.63
Margaret K Lewis			
Architect	122,647.79	121,822.24	825.55
Contractor	660,038.47	480,625.86	179,412.61
Merritt Brown			
Architect	1,283,439.36	1,245,738.53	37,700.83
Contractors	14,179,458.63	11,276,462.90	2,902,995.73
Mosley			
Contractors	2,509,452.13	1,101,000.93	1,408,451.20

(Continued)

Project	Contract Amount	Completed to Date	Balance Committed
Mowat			
Contractor	\$ 2,924,548.00	\$ 57,600.67	\$ 2,866,947.33
New Horizons			
Contractors	321,217.92	30,908.70	290,309.22
Northside			
Contractors	1,551,667.78	646,019.75	905,648.03
Parker			
Contractors	619,389.61	267,557.23	351,832.38
Rosenwald			
Contractor	680,039.60	657,026.09	23,013.51
Rutherford			
Architect	459,990.00	453,640.15	6,349.85
Contractor	5,219,339.75	3,103,107.24	2,116,232.51
Southport			
Architect	32,546.89	32,327.82	219.07
Contractor	828,258.55	563,435.39	264,823.16
Tommy Smith			
Architect	33,201.10	-	33,201.10
Contractors	1,764,631.52	1,595,032.19	169,599.33
Transportation			
Contractor	3,630,603.99	3,162,505.49	468,098.50
Tyndall			
Architect	582,707.00	186,564.70	396,142.30
Contractors	1,328,436.25	387,366.24	941,070.01
Waller			
Contractor	439,176.00	-	439,176.00
Walsingham			
Architect	2,209,910.00	1,815,116.60	394,793.40
Contractor	37,862,867.00	2,943,369.04	34,919,497.96
Contracts under \$250,000	2,600,707.60	1,108,178.05	1,492,529.55
Total Construction	\$ 140,802,032.10	\$ 56,031,901.06	\$ 84,770,131.04

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 fiscal year are carried forward and the next fiscal year's appropriations are likewise encumbered.

The following is a schedule of encumbrances at June 30, 2020:

Major Funds		Nonmajor Governmental Funds	Total Governmental Funds
General	Capital Projects - Other		
\$ 8,678,724.91	\$ 70,729,844.18	\$ 6,248,558.84	\$ 85,657,127.93

G. Risk Management Programs

General and Workers' Compensation Claims

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Workers' compensation, property damage, automobile liability, and general liability coverages 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 3 fiscal years except for claims related to Hurricane Michael which exceeded the \$100,000,000 maximum.

A liability in the amount of \$14,218,404 was actuarially determined to cover estimated incurred, but not reported, insurance claims payable at June 30, 2020. The loss estimates include legal and certain other expenses associated with claims settlements (allocated loss adjustment expenses). These estimates do not include provisions for unallocated loss adjustment expenses, such as fees for the claim administrators or other miscellaneous costs associated with claims settlements.

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

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year End</u>
2018-19	\$ 13,822,209.00	\$ 262,096.00	\$ (2,284,198.00)	\$ 11,800,107.00
2019-20	11,800,107.00	3,975,972.69	(1,557,675.69)	14,218,404.00

Health Insurance Claims

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

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

The District reports a liability when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. This amount includes claims that have been incurred but not reported. The District reevaluates the claims liability periodically and the claims liability totaled \$9,864,913.01 as of June 30, 2020, which includes \$8,951,255.72 in unpaid claims for 5 months during 2020 and incurred but not reported claims of \$913,657.29.

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

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
2018-19	\$ 2,385,494.00	\$ 19,732,401.00	\$ (17,151,287.00)	\$ 4,966,608.00
2019-20	4,966,608.00	19,467,824.06	(14,569,519.05)	9,864,913.01

H. Long-Term Liabilities

1. Notes Payable

Notes payable from direct borrowings at June 30, 2020, are as follows:

	Balance at June 30
<u>Sales Tax Revenue Anticipation Note, Series 2013</u>	
The District borrowed \$25,115,000 on March 26, 2013, under provisions of Section 1011.14, Florida Statutes. The interest rate is 1.5 percent. Proceeds were used for various construction and renovation projects approved by the Half-Cent Sales Tax Committee. The Note matures in September 2020 and is secured by a pledge of the District's sales tax revenues. In the event of default, the interest rate shall equal the specified default rate of the lessor of 18 percent or the maximum interest rate the District is permitted to pay by law.	\$ 1,282,000
<u>Revenue Anticipation Note, Series 2018</u>	
The District borrowed \$5,000,000 on June 1, 2018, under the provisions of Section 1011.14, Florida Statutes. The interest rate is 2.65 percent. Proceeds were used for the design and implementation of safety and security projects at District facilities. The Note, after available planned extensions, matures in June 2023, and is secured by a pledge of all legally available revenues. In the event of default, the Note holder shall have all legal remedies available to enforce the Note.	3,078,000
Total Notes Payable	\$ 4,360,000

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

Fiscal Year Ending June 30	Total	Principal	Interest
2021	\$ 2,367,375	\$ 2,281,000	\$ 86,375
2022	1,081,093	1,026,000	55,093
2023	1,080,904	1,053,000	27,904
Total	\$ 4,529,372	\$ 4,360,000	\$ 169,372

2. Certificates of Participation

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

As a condition of these financing arrangements, the District has given a ground lease on District property to the Corporation, with a rental fee of \$10 per year. The initial term of the lease commenced on November 1, 1994, and ends on the earlier of (a) payment of the outstanding Certificates, or (b) June 30, 2045. The properties covered by the ground lease are, together with the improvements constructed thereon from the financing proceeds, leased back to the District. If the District fails to renew the lease and to provide for the rent payments through to term, the District may be required to surrender the sites included under the Ground Lease Agreement for the benefit of the securers of the Certificates for a period of time specified by the arrangement which may be through June 30, 2045.

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

Certificates outstanding as of June 30, 2020, include the following direct placements:

The Refunding Certificates of Participation, Series 2013, include outstanding serial certificates maturing from 2020 through 2023. These payments are payable by the District, semiannually, on July 1 and January 1 at an interest rate of 2.21 percent.

The Refunding Certificates of Participation, Series 2015, include outstanding serial certificates maturing from 2020 through 2029. These payments are payable by the District, semiannually, on July 1 and January 1 at an interest rate of 2.56 percent.

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

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

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

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

Fiscal Year Ending June 30	Total	Principal	Interest
2021	\$ 12,297,376.11	\$ 8,105,500.00	\$ 4,191,876.11
2022	12,301,468.72	8,704,500.00	3,596,968.72
2023	12,276,285.76	8,970,600.00	3,305,685.76
2024	11,383,498.50	8,380,000.00	3,003,498.50
2025	12,160,842.50	9,355,000.00	2,805,842.50
2026-2030	56,176,430.00	45,590,000.00	10,586,430.00
2031-2035	20,660,000.00	14,845,000.00	5,815,000.00
2035-2040	20,660,400.00	18,395,000.00	2,265,400.00
Total Minimum Lease Payments	157,916,301.59	122,345,600.00	35,570,701.59
Plus: Unamortized Premium	7,617,972.09	7,617,972.09	-
Total Certificates of Participation	\$ 165,534,273.68	\$ 129,963,572.09	\$ 35,570,701.59

3. Defeased Debt

On May 28, 2020, the Board issued \$10,775,000 in Refunding Certificates of Participation, Series 2020B, with an interest rate of 5 percent, to refund the District's Refunding Certificates of Participation, Series 2010. The net proceeds of \$11,590,251.95 (after payment of \$109,890.10 in fees and other issuance costs) together with other District funds were placed in an irrevocable trust with an escrow agent. As a result, \$15,175,000 of Refunding Certificates of Participation, Series 2010, are considered to be in-substance defeased at June 30, 2020, and the liability for these Certificates has been removed from the government-wide financial statements.

This refunding reduced total debt service payments over the next 4 years by \$673,452.51 and resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$651,929.25.

4. Changes in Long-Term Liabilities

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

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
GOVERNMENTAL ACTIVITIES					
Certificates of Participation Payable from Direct Placements	\$ 62,854,400.00	\$ 76,825,000.00	\$ 17,333,800.00	\$ 122,345,600.00	\$ 8,105,500.00
Unamortized Premium	-	7,656,973.85	39,001.76	7,617,972.09	644,997.77
Total Certificates of Participation Payable from Direct Placements	62,854,400.00	84,481,973.85	17,372,801.76	129,963,572.09	8,750,497.77
Bonds Payable	81,000.00	-	81,000.00	-	-
Notes Payable	10,416,000.00	-	6,056,000.00	4,360,000.00	2,281,000.00
Estimated Insurance Claims Payable	16,766,715.00	23,443,796.75	16,127,194.74	24,083,317.01	13,119,096.01
Compensated Absences Payable	11,625,892.00	933,202.09	850,873.47	11,708,220.62	2,341,644.47
Net Pension Liability	122,319,544.00	72,104,361.00	65,504,728.00	128,919,177.00	1,456,953.00
Total OPEB Liability	5,270,373.00	1,651,203.00	2,298,178.00	4,623,398.00	383,277.00
Total Governmental Activities	\$ 229,333,924.00	\$ 182,614,536.69	\$ 108,290,775.97	\$ 303,657,684.72	\$ 28,332,468.25
BUSINESS-TYPE ACTIVITIES					
Compensated Absences Payable	\$ 217,427.00	\$ 74,213.34	\$ 23,322.24	\$ 268,318.10	\$ 13,498.83
Net Pension Liability	789,394.00	522,916.00	377,360.00	934,950.00	10,566.00
Total OPEB Liability	26,484.00	12,032.00	4,826.00	33,690.00	2,793.00
Total Business-Type Activities	\$ 1,033,305.00	\$ 609,161.34	\$ 405,508.24	\$ 1,236,958.10	\$ 26,857.83

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

I. Fund Balance Reporting

In addition to committed and assigned fund balance categories discussed in Note I.F.10., fund balances may be classified as follows:

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

J. Interfund Receivables and Payables

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

Funds	Interfund	
	Receivables	Payables
Major:		
General	\$ 3,543,619.96	\$ 4,563,654.69
Capital Projects - Other	1,172,475.29	-
Nonmajor Governmental	3,390,779.40	3,494,604.11
Internal Service	400.00	4,410.00
Enterprise	-	44,605.85
Total	\$ 8,107,274.65	\$ 8,107,274.65

Interfund receivables and payables primarily represent the payment of expenditures by one fund for another or temporary loans of cash between funds.

K. Revenues

1. Schedule of State Revenues

The following is a schedule of the District's State revenue sources for the 2019-20 fiscal year:

Source	Amount
Florida Education Finance Program	\$ 82,284,091.00
Class Size Reduction	27,491,741.00
Hurricane Michael Relief	12,435,318.00
Workforce Development Program	2,825,894.00
Charter School Capital Outlay	2,555,780.00
Hurricane Michael State Recovery Grant	2,000,000.00
School Recognition/Merit Schools	1,385,719.00
Preschool Projects	1,301,369.77
Motor Vehicle License Tax (Capital Outlay and Debt Service)	854,411.28
Miscellaneous	3,294,766.52
Total	\$ 136,429,090.57

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

2. Property Taxes

The following is a summary of millages and taxes levied on the 2019 tax roll for the 2019-20 fiscal year:

	Millages	Taxes Levied
General Fund		
Nonvoted School Tax:		
Required Local Effort	3.862	\$ 66,436,541.44
Basic Discretionary Local Effort	0.748	12,867,564.52
Capital Projects - Local Capital Improvement Fund		
Nonvoted Tax:		
Local Capital Improvements	1.3376	23,010,232.16
Total	5.9476	\$102,314,338.12

L. Interfund Transfers

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 4,072,487.62	\$ -
Capital Projects:		
Other	-	5,147,808.46
Nonmajor Governmental	13,994,386.33	12,919,065.49
Total	\$ 18,066,873.95	\$ 18,066,873.95

The interfund transfers are mainly to provide for debt repayments, assist in financing maintenance operations, and facilitate the payment of charter school capital outlay moneys.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule General Fund For the Fiscal Year Ended June 30, 2020

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
Federal Direct	\$ 524,000.00	\$ 13,958,317.62	\$ 481,068.49	\$ (13,477,249.13)
Federal Through State and Local	500,000.00	45,978,119.98	26,865,506.52	(19,112,613.46)
State	132,757,318.00	129,858,826.34	132,812,648.88	2,953,822.54
Local:				
Property Taxes	76,040,319.00	76,040,319.00	76,656,066.93	615,747.93
Miscellaneous	2,849,033.00	4,813,097.14	7,131,030.34	2,317,933.20
Total Local Revenues	78,889,352.00	80,853,416.14	83,787,097.27	2,933,681.13
Total Revenues	212,670,670.00	270,648,680.08	243,946,321.16	(26,702,358.92)
Expenditures				
Current - Education:				
Instruction	157,801,068.00	174,831,955.02	142,415,984.95	32,415,970.07
Student Support Services	7,994,506.00	22,770,957.03	8,380,162.16	14,390,794.87
Instructional Media Services	2,529,650.00	2,950,292.18	2,276,491.22	673,800.96
Instruction and Curriculum Development Services	3,240,339.00	5,010,155.10	3,450,551.44	1,559,603.66
Instructional Staff Training Services	1,222,269.00	2,734,218.86	2,087,476.53	646,742.33
Instruction-Related Technology	1,820.00	89,278.95	10,111.95	79,167.00
Board	961,606.00	958,424.47	735,172.71	223,251.76
General Administration	3,306,517.00	11,520,630.10	7,676,036.20	3,844,593.90
School Administration	12,844,366.00	14,482,942.46	13,522,990.58	959,951.88
Facilities Acquisition and Construction	60,507,823.00	14,237,458.82	10,797,393.12	3,440,065.70
Fiscal Services	1,735,377.00	2,635,996.32	1,762,984.54	873,011.78
Food Services	-	90,225.47	13,159.47	77,066.00
Central Services	1,918,485.00	6,386,023.76	4,766,464.03	1,619,559.73
Student Transportation Services	8,239,690.00	8,603,326.12	7,573,156.59	1,030,169.53
Operation of Plant	17,341,563.00	18,868,353.16	14,614,914.00	4,253,439.16
Maintenance of Plant	4,998,085.00	5,467,287.24	4,943,049.54	524,237.70
Administrative Technology Services	3,292,181.00	3,434,436.03	3,206,713.95	227,722.08
Community Services	2,119,386.00	1,993,047.34	1,684,223.03	308,824.31
Fixed Capital Outlay:				
Facilities Acquisition and Construction	-	32,866,256.68	32,866,256.68	-
Other Capital Outlay	-	21,302,609.52	1,455,330.91	19,847,278.61
Total Expenditures	290,054,731.00	351,233,874.63	264,238,623.60	86,995,251.03
Deficiency of Revenues Over Expenditures	(77,384,061.00)	(80,585,194.55)	(20,292,302.44)	60,292,892.11
Other Financing Sources				
Transfers In	1,760,244.00	4,316,024.00	4,072,487.62	(243,536.38)
Net Change in Fund Balances	(75,623,817.00)	(76,269,170.55)	(16,219,814.82)	60,049,355.73
Fund Balances, Beginning	88,707,595.00	88,707,595.00	84,862,815.00	(3,844,780.00)
Fund Balances, Ending	\$ 13,083,778.00	\$ 12,438,424.45	\$ 68,643,000.18	\$ 56,204,575.73

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

	2020	2019	2018
Total OPEB Liability			
Service Cost	\$ 412,095	\$ 517,021	\$ 492,401
Interest	141,984	153,279	146,872
Differences Between Expected and Actual Experience	(1,931,783)	-	-
Changes of Assumptions	1,109,156	-	-
Benefit Payments	(371,221)	(448,904)	(415,652)
Net Change in Total OPEB Liability	(639,769)	221,396	223,621
Total OPEB Liability - Beginning	5,296,857	5,075,461	4,851,840
Total OPEB Liability - Ending	<u>\$ 4,657,088</u>	<u>\$ 5,296,857</u>	<u>\$ 5,075,461</u>
Covered-Employee Payroll	\$ 87,814,243	\$ 95,658,624	\$ 91,979,446
Total OPEB Liability as a Percentage of Covered-Employee Payroll	5.30%	5.54%	5.52%

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

	2019	2018	2017	2016	2015	2014	2013
District's Proportion of the FRS Net Pension Liability	0.259251435%	0.273873916%	0.277793791%	0.288077399%	0.313827488%	0.317902372%	0.310217062%
District's Proportionate Share of the FRS Net Pension Liability	\$ 89,282,585	\$ 82,492,243	\$ 82,197,743	\$ 72,739,769	\$ 40,535,029	\$ 19,396,720	\$ 53,402,163
District's Covered Payroll	\$121,280,909	\$125,344,151	\$124,140,536	\$123,114,770	\$122,615,413	\$119,580,531	\$115,355,362
District's Proportionate Share of the FRS Net Pension Liability as a Percentage of Its Covered Payroll	73.62%	65.81%	66.21%	59.08%	33.06%	16.22%	46.29%
FRS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.61%	84.26%	83.89%	84.88%	92.00%	96.09%	88.54%

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

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

	2020	2019	2018	2017	2016	2015	2014
Contractually Required FRS Contribution	\$ 8,025,549	\$ 8,127,318	\$ 7,805,187	\$ 7,231,656	\$ 7,025,227	\$ 7,651,381	\$ 6,963,411
FRS Contributions in Relation to the Contractually Required Contribution	(8,025,549)	(8,127,318)	(7,805,187)	(7,231,656)	(7,025,227)	(7,651,381)	(6,963,411)
FRS Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$116,142,935	\$121,280,909	\$125,344,151	\$124,140,536	\$123,114,770	\$122,615,413	\$119,580,531
FRS Contributions as a Percentage of Covered Payroll	6.91%	6.70%	6.23%	5.83%	5.71%	6.24%	5.82%

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

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

	2019	2018	2017	2016	2015	2014	2013
District's Proportion of the HIS Net Pension Liability	0.362602063%	0.383751553%	0.389354110%	0.039871700%	0.404026266%	0.402468985%	0.396940621%
District's Proportionate Share of the HIS Net Pension Liability	\$ 40,571,542	\$ 40,616,695	\$ 41,631,538	\$ 46,468,815	\$ 41,204,324	\$ 37,631,832	\$ 34,558,900
District's Covered Payroll	\$121,280,909	\$125,344,151	\$124,140,536	\$123,114,770	\$122,615,413	\$119,580,531	\$115,355,362
District's Proportionate Share of the HIS Net Pension Liability as a Percentage of its Covered Payroll	33.45%	32.40%	33.54%	37.74%	33.60%	31.47%	29.96%
HIS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	2.63%	2.15%	1.64%	0.97%	0.50%	0.99%	1.78%

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

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

	2020	2019	2018	2017	2016	2015	2014
Contractually Required HIS Contribution	\$ 1,927,973	\$ 2,013,263	\$ 2,081,094	\$ 2,060,574	\$ 2,043,679	\$ 1,544,440	\$ 1,378,723
HIS Contributions in Relation to the Contractually Required Contribution	(1,927,973)	(2,013,263)	(2,081,094)	(2,060,574)	(2,043,679)	(1,544,440)	(1,378,723)
HIS Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$116,142,935	\$121,280,909	\$125,344,151	\$124,140,536	\$123,114,770	\$122,615,413	\$119,580,531
HIS Contributions as a Percentage of Covered Payroll	1.66%	1.66%	1.66%	1.66%	1.66%	1.26%	1.15%

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. Budgetary Basis of Accounting

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

- Budgets are prepared, public hearings are held, and original budgets are adopted annually for all governmental fund types in accordance with procedures and time intervals prescribed by State law and SBE rules.
- Appropriations are controlled at the object level (e.g., salaries, purchased services, and capital outlay) within each activity (e.g., instruction, student transportation services, and school administration) and may be amended by resolution at any Board meeting prior to the due date for the annual financial report.
- Budgets are prepared using the same modified accrual basis as is used to account for governmental funds.
- Budgetary information is integrated into the accounting system and, to facilitate budget control, budget balances are encumbered when purchase orders are issued. Appropriations lapse at fiscal year end and encumbrances outstanding are honored from the subsequent fiscal year's appropriations.

2. Schedule of Changes in the District's Total Other Postemployment Benefits Liability and Related Ratios

No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

Changes of Assumptions. The discount rate decreased from 2.98 percent to 2.66 percent, the healthcare cost trend rate decreased from 8 percent grading uniformly down to 5 percent over 10 years to 7.5 percent grading uniformly down to 6.75 percent over 3 years and following the Getzen model thereafter, and the medical claims aging table and mortality rates were updated.

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

Changes of Assumptions. In 2019, the long-term expected rate of return was decreased from 7 percent to 6.9 percent, and the mortality assumption was changed from the Generational RP-2000 with Projection Scale BB tables to the PUB-2010 base table, projected generationally with Scale MP-2018.

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

Changes of Assumptions. In 2019, the municipal bond rate used to determine total pension liability was decreased from 3.87 percent to 3.5 percent.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Bay County District School Board Schedule of Expenditures of Federal Awards For the Fiscal Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/ Program or Cluster	Federal CFDA Number	Pass - Through Entity Identifying Number	Passed Through to Subrecipients	Total Expenditures
Clustered				
Child Nutrition Cluster				
United States Department of Agriculture:				
Florida Department of Agriculture and Consumer Services:				
School Breakfast Program	10.553	20002	\$ -	\$ 1,216,857.16
National School Lunch Program	10.555	20001, 20003	-	5,370,147.15
Summer Food Service Program for Children	10.559	19006, 19007, 20006, 20007	-	2,073,240.85
Total Child Nutrition Cluster			-	8,660,245.16
Student Financial Assistance Cluster				
United States Department of Education:				
Federal Pell Grant Program	84.063	N/A	-	1,066,361.29
Special Education Cluster				
United States Department of Education:				
Florida Department of Education:				
Special Education - Grants to States	84.027	262, 263	94,277.26	5,360,945.32
Special Education - Preschool Grants	84.173	266, 267	-	195,146.63
Total Special Education Cluster			94,277.26	5,556,091.95
Not Clustered				
United States Department of Agriculture				
Florida Department of Health:				
Child and Adult Care Food Program	10.558	A-4504	-	953,064.00
Florida Department of Agriculture and Consumer Services:				
Fresh Fruit and Vegetable Program	10.582	20004	-	66,360.27
Total United States Department of Agriculture			-	1,019,424.27
United States Department of Defense				
Air Force Junior Reserve Officers Training Corps	12.UNK	N/A	-	101,346.87
Army Junior Reserve Officers Training Corps	12.UNK	N/A	-	63,645.66
Marine Junior Reserve Officers Training Corps	12.UNK	N/A	-	69,262.86
Navy Junior Reserve Officers Training Corps	12.UNK	N/A	-	72,626.13
Total United States Department of Defense			-	306,881.52
United States Department of Education				
Impact Aid	84.041	N/A	-	144,364.57
Safe and Drug-Free Schools and Communities				
- National Programs	84.184	N/A	73,103.07	813,163.75
Education Stabilization Fund under the Coronavirus Aid, Relief, and Economic Security Act:	84.425			
Higher Education Emergency Relief Fund Student Aid Portion	84.425E	N/A	-	274,580.55
Florida Department of Education:				
Governor's Emergency Education Relief Fund	84.425C	123	-	50,350.40
Elementary and Secondary School Emergency Relief Fund	84.425D	124	-	772,363.78
Total Education Stabilization Fund	84.425		-	1,097,294.73

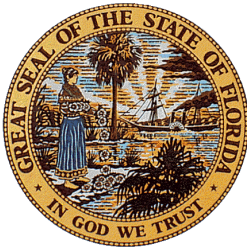
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Bay County District School Board
Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/ Program or Cluster	Federal CFDA Number	Pass - Through Entity Identifying Number	Passed Through to Subrecipients	Total Expenditures
Clustered (continued)				
United States Department of Education (continued)				
Florida Department of Education:				
Adult Education - Basic Grants to States	84.002	191	\$ -	\$ 216,603.14
Title I Grants to Local Educational Agencies	84.010	212, 223, 226	352,548.65	8,393,259.70
Career and Technical Education - Basic Grants to States	84.048	161	-	386,158.11
Education for Homeless Children and Youth	84.196	127	-	172,049.57
English Language Acquisition State Grants	84.365	102	-	197,718.11
Supporting Effective Instruction State Grants	84.367	224	104,741.87	986,602.99
Student Support and Academic Enrichment Program	84.424	241	-	635,796.86
Hurricane Education Recovery:	84.938			
Immediate Aid to Restart School Operations	84.938A	105	-	9,576,990.56
Assistance for Homeless Children and Youth	84.938B	107	-	277,590.14
Temporary Emergency Impact Aid for Displaced Students	84.938C	106	805,188.33	8,525,155.75
Total Hurricane Education Recovery	84.938		805,188.33	18,379,736.45
Total United States Department of Education			1,335,581.92	31,422,747.98
United States Department of Health and Human Services				
Gulf Coast State College:				
Teenage Pregnancy Prevention Program	93.297	None	-	23,683.15
Florida Department of Children and Families:				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	BDZ02	-	150,000.00
Total United States Department of Health and Human Services			-	173,683.15
United States Department of Homeland Security				
Florida Division of Emergency Management:				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	Z0887	-	15,008,047.70
Total Expenditures of Federal Awards			\$ 1,429,859.18	\$ 63,213,483.02

The notes below are an integral part of this Schedule.

- Notes: (1) Basis of Presentation. The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the Federal award activity of the Bay County District School Board under programs of the Federal Government for the fiscal year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.
- (2) Summary of Significant Accounting Policies. Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (3) Indirect Cost Rate. The District has not elected to use the 10 percent de minimis cost rate allowed under the Uniform Guidance.
- (4) Noncash Assistance – National School Lunch Program. Includes \$608,154.73 of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.
- (5) Impact Aid. Expenditures of \$93,413.19 and \$50,951.38 are related to grant number/program 19-FL-2020-0003 and 19-FL-2019-0003, respectively.
- (6) Hurricane Education Recovery. The District incurred \$8,525,155.75 in expenditures for the Hurricane Education Recovery grant in the 2018-19 fiscal year.



Sherrill F. Norman, CPA
Auditor General

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The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Bay County District School Board as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 24, 2021, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statement of the Tom P. Haney Technical Center school internal funds as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. In addition, we disclaimed an opinion on the aggregate discretely presented component units as described in our report on the District's financial statements.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a

combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** as Financial Statement Finding Nos. 2020-001 and 2020-002 that we consider to be material weaknesses.

Compliance and Other Matters

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

District's Responses to Findings

The District's responses to the findings identified in our audit are described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** Financial Statement Finding Nos. 2020-001 and 2020-002 and in the **CORRECTIVE ACTION PLAN**. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

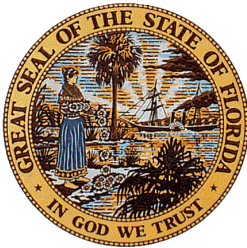
Purpose of this Report

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

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 24, 2021



Sherrill F. Norman, CPA
Auditor General

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The President of the Senate, the Speaker of the
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Report on Compliance for Each Major Federal Program

We have audited the Bay County District School Board's 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 fiscal year ended June 30, 2020. The District's major Federal programs are identified in **SECTION I – SUMMARY OF AUDITOR'S RESULTS** of the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**.

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 fiscal year ended June 30, 2020.

Report on Internal Control Over Compliance

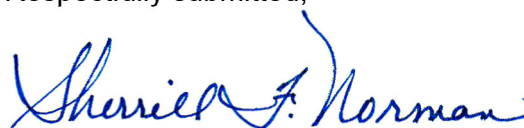
District management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types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

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

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

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

Respectfully submitted,

A handwritten signature in blue ink that reads "Sherrill F. Norman". The signature is fluid and cursive, with the first name "Sherrill" and last name "Norman" clearly legible, and "F." as a small initial in the middle.

Sherrill F. Norman, CPA
Tallahassee, Florida
March 24, 2021

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified, except for the disclaimer of opinion on the aggregate discretely presented component units.

Internal control over financial reporting:

Material weakness(es) identified?

Yes

Significant deficiency(ies) identified?

None reported

Noncompliance material to financial statements noted?

No

Federal Awards

Internal control over major Federal programs:

Material weakness(es) identified?

No

Significant deficiency(ies) identified?

None reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

No

Identification of major Federal programs:

CFDA Numbers:

10.553, 10.555, and 10.559

84.938

Name of Federal Program or Cluster:

Child Nutrition Cluster

Hurricane Education Recovery

Dollar threshold used to distinguish between type A and type B programs:

\$1,896,404

Auditee qualified as low risk auditee?

No

SECTION II – FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESSES

FINANCIAL REPORTING

Finding Number	2020-001
Opinion Units	Business-Type Activities and Major Fund: General Fund
Financial Statements Account Titles	Various
Fund Names	General Fund
Adjustment Amounts	For example, for Business-Type Activities: • Additions of \$1,016,542 (credit) to Long-Term Liabilities: Portion Due After One Year and \$313,802 (debit) to Deferred Outflows of Resources – Pensions. • Reduction of \$702,740 (debit) to Beginning Net Position. For the General Fund: • Additions of \$8,206,446 (credit) to Deferred Inflows of Resources – Grant Revenues. • Reductions of \$36,286,517 (debit) to Federal Through State Revenues and \$28,080,071 (credit) to Due from Other Agencies.
Statistically Valid Sample	N/A
Prior Year Findings	2018-19 Fiscal Year Audit Report Finding No. 2019-001 and 2017-18 Fiscal Year Audit Report Finding No. 2018-001
Finding	District financial reporting procedures continue to need improvement to ensure that account balances and transactions are properly reported and required supplementary information (RSI) is properly included in the annual financial report (AFR) submitted to the Florida Department of Education (FDOE).
Criteria	State Board of Education (SBE) Rule 6A-1.0071, Florida Administrative Code, and related instructions from the FDOE prescribe the exhibits and schedules that should be prepared as part of the District AFR. Section 1010.01, Florida Statutes, requires that SBE rules incorporate the requirements of law and accounting principles generally accepted in the United States (GAAP). GAAP require that: • Long-term liabilities directly related to and expected to be paid from proprietary funds be reported in Business-Type Activities. • General Fund revenues be recognized when earned, measurable, and available to finance expenditures of the fiscal period. For voluntary nonexchange transactions, a receivable and revenue or a deferred inflow for the unavailable portion should be recognized when qualifying expenditures are incurred and contingencies are met. • Certain RSI regarding the District's Other Postemployment Benefits (OPEB) and pension plans be disclosed in the AFR. Such disclosures should include the Schedule of Changes in the District's Total OPEB Liability, Schedule of the District's Proportionate Share of the Net Pension Liability, and Schedule of District Contributions for both the Florida Retirement System Pension Plan and the Health Insurance Subsidy Pension Plan.

Condition	The District did not properly report certain account balances and transactions or include all required RSI in the AFR submitted to the FDOE. Specifically: • On the government-wide financial statements for Business-Type Activities, the District did not properly report applicable long-term liabilities and deferred outflows related to and expected to be paid from the Beacon Learning Center Enterprise Fund. • On the governmental funds financial statements for the General Fund, the District reported Federal disaster grant revenues and related receivables that were not earned at fiscal year end, not received within the District's revenue recognition period of 60 days after fiscal year end, and not available to finance 2019-20 fiscal year expenditures. In addition, the District did not report deferred inflows of resources for allowable Federal disaster grant expenditures incurred during the 2019-20 fiscal year that were reimbursed by the grantor after the District's revenue recognition period and were, therefore, unavailable. • RSI related to District OPEB and pension plans was omitted from the AFR.
Cause	District personnel responsible for preparing and reviewing the AFR misunderstood and continued to misunderstand how to report, in accordance with GAAP, these financial account balances and transactions, and omitted the RSI disclosures due to an oversight. In addition, the District had not established effective review procedures to detect the AFR errors and omissions.
Effect	Several accounts were misstated on, and certain RSI was missing from, the AFR. For example, Business-Type Activities for Long-Term Liabilities: Portion Due After One Year and Deferred Outflows of Resources – Pensions were understated and Beginning Net Position was overstated. In addition, General Fund account activities were overstated for Federal Through State Revenues and Due from Other Agencies and understated for Deferred Inflows of Resources – Grant Revenues. Material reporting errors such as these may cause financial statement users to misunderstand the District's financial activities and incorrectly assess the District's financial position. Furthermore, the omission of certain RSI from the AFR decreases the relevance and usefulness of financial reporting for financial statement users. We extended our procedures to determine the adjustments necessary to ensure that the financial statements were materially correct in the AFR and that RSI was appropriately disclosed. Although District personnel accepted these adjustments, our procedures cannot substitute for management's responsibility to implement adequate controls over preparation of the AFR.
Recommendation	The District should improve procedures to ensure that financial statement accounts and transactions are properly reported and that all RSI is included in the District AFR. Such improvements should include appropriate training for District personnel responsible for preparing the AFR and review and approval of the AFR to detect and correct reporting errors and ensure completeness of the AFR prior to submittal.
District Response	The District has corrected the items noted in prior findings, and will correct the noted deficiencies for the 2021 fiscal year. The required tables for OPEB and pension plans have been added to notes for the next fiscal year.

AGGREGATE DISCRETELY PRESENTED COMPONENT UNITS

Finding Number	2020-002
Opinion Unit	Aggregate Discretely Presented Component Units
Financial Statements Account Titles	Various
Fund Name	Not Applicable
Adjustment Amount	Not Applicable
Statistically Valid Sample	Not Applicable
Prior Year Finding	Not Applicable
Finding	As of March 24, 2021, the 2019-20 fiscal year financial audit report for the Bay Education Foundation, Inc. (Foundation), a District direct-support organization (DSO) and discretely presented component unit (DPCU), had not been issued.
Criteria	Section 1001.453(4), Florida Statutes, requires each district school board DSO with more than \$100,000 in expenses to provide for an annual financial audit of its accounts and records, to be conducted by an independent certified public accountant and submitted to the district school board within 9 months after the fiscal year end. Since District records indicated that the Foundation expenses totaled \$4.2 million for the 2019-20 fiscal year, the Foundation was required to provide for a financial audit. In addition, generally accepted accounting principles provide certain requirements for inclusion of DPCUs as part of the District financial statements and, according to those requirements, the Foundation is a DPCU of the District. The Foundation audit report, if timely issued, should be considered in completing the District financial statements and related audit.
Condition	As of March 24, 2021, the Foundation audit report for the 2019-20 fiscal year had not been issued. As of June 30, 2020, District records indicated that Foundation financial activities represent 1 percent of the assets and deferred outflows, 0 percent of the liabilities and deferred inflows, 4 percent of the revenues, 8 percent of the expenditures, and 4 percent of the net position of the DPCU information reported on the District financial statements.
Cause	The District had not established effective procedures to require and ensure timely completion of the DSO financial audit report for consideration in preparation of the District financial statements. District personnel indicated that, due to unforeseen circumstances, the audit firm originally contracted by the Foundation could not perform the audit. In November 2020, the Foundation contracted with another firm to conduct the audit; however, the audit contract did not specify an expected audit report issue date.
Effect	Without the audit report, financial information provided by the Foundation to the District is of limited use in completing the District financial statements and audit, and financial statement users have limited assurance regarding the accuracy of the amounts reported for the Foundation on the District financial statements. Also, professional auditing standards require that when other auditors are required to report on a significant portion of the entity's financial statements and the report is not available for consideration during the course of the audit, appropriate disclosures (disclaimer) should be made in the auditor's report. Therefore, our report on the District financial statements includes a modification to that effect.

Recommendation

The District should establish effective procedures to ensure that the required financial audit report for the Foundation is timely completed and considered in the preparation of the District financial statements. Such procedures should require and ensure that DPCU audit contracts specify an appropriate audit report issue date.

District Response

Bay Education Foundation had a change in the Executive Director position near the end of the 2020 fiscal year. Unfortunately, the auditor that had been conducting their audits for the past several years passed away around the beginning of this year's audit. This unexpected tragedy created delays in finding a new auditor and extended the time it normally takes to perform the audit since a new firm was involved. The District will monitor the Foundation's audit process more closely in the future.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters are reported.

PRIOR AUDIT FOLLOW-UP

The District had not taken actions to fully correct the financial statement finding included in the prior financial audit report.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS



WILLIAM V. HUSFELT III

SUPERINTENDENT

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Board Members:

Jerry Register

District 1

Brenda Ruthven

District 2

Pamm Chapman

District 3

Winston Chester

District 4

Steve Moss

District 5

<u>Audit Report No. (Finding No.)</u>	<u>Program/Area</u>	<u>Brief Description</u>	<u>Status</u>	<u>Comments</u>
2018-191 (2017-001) Carr, Riggs & Ingram, LLC (2018-001) Carr, Riggs & Ingram, LLC (2019-001)	Financial Reporting	District financial reporting needs improvement to ensure financial statement account balances and transactions are properly reported.	Partially Corrected	The deficiencies noted for 2019 have been corrected. The District plans to complete its corrective action for the 2020 findings in the 2020-21 fiscal year.

CORRECTIVE ACTION PLAN



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District 5

CORRECTIVE ACTION PLAN

March 23, 2021

Bay County District School Board Management's Corrective Action Plans For the Fiscal Year Ended June 30, 2020

Finding Number: 2020-001

Planned Corrective Action:

The District has corrected the items noted in prior findings, and will correct the noted deficiencies for the 2021 fiscal year. The required tables for OPEB and pension plans have been added to notes for the next fiscal year.

Anticipated Completion Date: 9/11/2021

Responsible Contact Person: Melissa South

Finding Number: 2020-002

Planned Corrective Action:

Bay Education Foundation had a change in the Executive Director position near the end of the 2020 fiscal year. Unfortunately, the auditor that had been conducting their audits for the past several years passed away around the beginning of this year's audit. This unexpected tragedy created delays in finding a new auditor and extended the time it normally takes to perform the audit since a new firm was involved. The District will monitor the Foundation's audit process more closely in the future.

Anticipated Completion Date: 9/11/2021

Responsible Contact Person: Melissa South

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

William V. Husfelt, III
Superintendent of Schools