



**Okaloosa County District School Board**

**FINANCIAL STATEMENTS**

**June 30, 2022**

**Okaloosa County District School Board**  
**Table of Contents**  
**June 30, 2022**

**REPORT**

Independent Auditors' Report.....	1
-----------------------------------	---

**FINANCIAL STATEMENTS**

Management’s Discussion and Analysis (required supplemental information) .....	4
--	---

Basic Financial Statements

Government-Wide Financial Statements

Statement of Net Position .....	14
---------------------------------	----

Statement of Activities .....	15
-------------------------------	----

Fund Financial Statements – Governmental Funds

Balance Sheet.....	17
--------------------	----

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	18
---	----

Statement of Revenue, Expenditures and Changes in Fund Balances.....	19
--	----

Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	21
--	----

Fund Financial Statements – Fiduciary Funds

Statement of Fiduciary Net Position – Fiduciary Funds .....	22
---	----

Statement of Changes in Fiduciary Net Position – Fiduciary Funds.....	23
---	----

Notes to Financial Statements .....	24
-------------------------------------	----

**Required Supplemental Information (other than MD&A)**

Budgetary Comparison Schedule: General Fund .....	64
---	----

Budgetary Comparison Schedule: Special Revenue Fund – Other Federal Programs Fund .....	66
--	----

Schedule of Changes in the District’s Total OPEB Liability and Related Ratios .....	67
---	----

Schedule of Proportionate Share of Net Pension Liability – Florida Retirement System Pension Plan .....	68
--	----

**Okaloosa County District School Board**  
**Table of Contents**  
**June 30, 2022**

Schedule of Contributions – Florida Retirement System Pension Plan .....	69
Schedule of Proportionate Share of Net Pension Liability – Health Insurance Subsidy Pension Plan .....	70
Schedule of Contributions – Health Insurance Subsidy Pension Plan .....	71
Notes to Required Supplementary Information .....	72
<b>Other Information</b>	
Schedule of Expenditures of Federal Awards .....	73
Notes to Schedule of Expenditures of Federal Awards .....	75
<b>COMPLIANCE SECTION</b>	
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> .....	76
Independent Auditor's Report on Compliance for Each Major Federal Program and Internal Control Over Compliance Required by Uniform Guidance .....	78
Schedule of Findings and Questioned Costs .....	81
Summary Schedule of Prior Audit Findings .....	83
Management Letter .....	84
Attestation Report on Compliance with Section 218.415 Florida Statutes .....	86



**Carr, Riggs & Ingram, LLC**  
Certified Public Accountants  
500 Grand Boulevard  
Suite 210  
Miramar Beach, Florida 32550

## **INDEPENDENT AUDITORS' REPORT**

(850) 837-3141  
(850) 654-4619 (fax)  
CRlcpa.com

To the Okaloosa County District School Board  
and Marcus Chambers, Superintendent of Schools  
Fort Walton Beach, Florida

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Okaloosa County District School Board, Florida (hereinafter referred to as "District"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Okaloosa County District School Board, Florida as of June 30, 2022, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Liza Jackson Preparatory School, Inc., Okaloosa Academy, Inc., and Destin High School, Inc., which represent 99 percent, 94 percent, and 98 percent, respectively, of the assets, net position, and revenue of the aggregate discretely presented component units as of June 30, 2022, and the respective changes in financial position thereof for the year then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for Liza Jackson Preparatory School, Inc., Okaloosa Academy, Inc., and Destin High School, Inc. are based solely on the reports of the other auditors.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management 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, and for the

design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and required supplementary information (other than MD&A), as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental

Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors 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* (CFR) 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 a report dated March 27, 2023, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida

March 27, 2023

## **Management's Discussion And Analysis**

## Okaloosa County District School Board Management's Discussion and Analysis

The Management of the Okaloosa County District School Board has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 2022. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the District's financial statements and notes to the financial statements found immediately following the MD&A.

### FINANCIAL HIGHLIGHTS

Key financial highlights for the 2021-22 fiscal year are as follows:

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at June 30, 2022, by \$106,467,571 (net position). Of this amount, \$141,140,365 represents a deficit unrestricted net position which has increased by 0.36 percent from last year's deficit unrestricted net position.
- The District's total net position increased by \$44,371,730, or 71.46 percent, from last fiscal year's unadjusted net position. Of this increase, \$5,162,982 was due to restating the beginning net position due to reclassifying the school internal funds activity as special revenue funds in the current year.
- General revenues total \$394,719,916, or 94.06 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$24,907,565, or 5.94 percent of all revenues.
- Expenses total \$380,418,733. Only \$24,907,565 of these expenses were offset by program specific revenues, with the remainder paid from general revenues.
- The General Fund unassigned fund balance represents the net current financial resources available for general appropriation by the Board and totals \$14,225,984 at June 30, 2022, or 5.26 percent of the total General Fund expenditures at June 30, 2022, as compared to the 2020-21 fiscal year unassigned fund balance of \$14,000,644.
- General Fund expenditures exceeded revenues by \$6,024,357.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements consist of three components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to financial statements. This report also includes supplementary information intended to furnish additional details to support the basic financial statements.

#### 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



## Okaloosa County District School Board Management's Discussion and Analysis

designed to provide consolidated financial information about the governmental activities of the District presented on the accrual basis of accounting. The statement of net position provides information about the District's financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and deferred outflows of resources and liabilities and deferred inflows of resources, the net position, is a measure of the District's financial health. The statement of activities presents information about the change in the District's net position, the results of operations, during the fiscal year. An increase or decrease in net position is an indication of whether the District's financial health is improving or deteriorating. This information should be evaluated in conjunction with other non-financial factors, such as changes in the District's property 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: 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.
- **Component units** – The District presents four separate legal entities in this report including the Okaloosa Academy, Inc., the Liza Jackson Preparatory School, Inc., Destin High School, Inc., and the Okaloosa Public School Foundation, Inc. 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. Financial information for these component units is reported separately from the financial information presented for the primary government.

The Okaloosa School Board Leasing Corporation (Leasing 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 School Board and the Leasing Corporation, the Leasing Corporation has been included as an integral part of the primary government.

### Fund Financial Statements

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

**Governmental Funds:** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the

## Okaloosa County District School Board Management's Discussion and Analysis

governmental funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. The financial resources measurement focus allows the governmental fund statements to provide information on near-term inflows and outflows of spendable resources as well as balances of spendable resources available at the end of the fiscal year.

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

The governmental funds balance sheet and the statement of revenues, expenditures, and changes in fund balances provide detailed information about the District's most significant funds, not the District as a whole. The District's major funds this year are the General Fund, the Special Revenue – Federal Education Stabilization Fund, and the Capital Projects – Other Capital Projects 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. Budgetary comparison schedules have been provided for the General Fund and major Special Revenue Funds to demonstrate compliance with the budget at the functional level.

***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 custodial funds to account for resources held employees in an IRS Section 125 Cafeteria Plan.

### 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 concerning the District's net pension liability and changes in its other postemployment benefits (OPEB) liability.

## Okaloosa County District School Board Management's Discussion and Analysis

### 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, 2022, compared to net position as of June 30, 2021 (as restated):

#### Net Position, End of Year

	Governmental Activities		
	6/30/2022	6/30/2021	Increase (Decrease)
Current and Other Assets	\$ 261,750,071	\$ 112,398,677	\$ 149,351,394
Capital Assets	191,172,073	172,216,131	18,955,942
Total Assets	452,922,144	284,614,808	168,307,336
Deferred Outflows of Resources	56,624,190	68,165,234	(11,541,044)
Long-term Liabilities	269,324,775	263,832,600	5,492,175
Other Liabilities	11,966,759	10,334,881	1,631,878
Total Liabilities	281,291,534	274,167,481	7,124,053
Deferred Inflows of Resources	121,787,229	11,353,738	110,433,491
Net Investment in Capital Assets	183,138,940	164,365,383	18,773,557
Restricted	64,468,996	44,541,217	19,927,779
Unrestricted	(141,140,365)	(141,647,777)	507,412
Total Net Position	\$ 106,467,571	\$ 67,258,823	\$ 39,208,748

The largest portion of the District's net position reflects its \$183,138,940 net investment in capital assets (land; construction in progress; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; lease assets, computer software; and audio-visual materials), less any related debt still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, the resources used to repay the debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

The restricted portion of the District's net position, \$64,468,996, represents resources that are subject to external restrictions on how they may be used. The unrestricted net position, a deficit of \$141,140,365, is the result of having long-term obligations that are greater than currently available resources. The major change in the financial position of the District that resulted in this deficit net position was due to the implementation of GASB Statement No. 68 and GASB Statement No. 75. Additional information on the implementation of these standards can be found in Note II. of the 2014-

## Okaloosa County District School Board Management's Discussion and Analysis

2015 financial statements for GASB Statement No 68 and Note II of the 2017-2018 financial statements for the GASB Statement No 75.

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

### Operating Results for the Year

	Governmental Activities		
	6/30/2022	6/30/2021	Increase (Decrease)
<b>Program Revenue:</b>			
Charges for Services	\$ 3,868,896	\$ 2,938,806	\$ 930,090
Operating Grants and Contributions	18,412,955	14,513,651	3,899,304
Capital Grants and Contributions	2,625,714	2,027,082	598,632
<b>General Revenues:</b>			
Property Taxes Levied for Operational Purposes	96,758,002	92,911,983	3,846,019
Property Taxes Levied for Capital Projects	32,666,412	30,738,580	1,927,832
Local Sales Tax	30,865,800	12,322,738	18,543,062
Grants and Contributions Not Restricted to Specific Purposes	217,543,241	195,743,440	21,799,801
Unrestricted Investment Earnings	267,347	172,289	95,058
Miscellaneous	16,619,114	3,490,902	13,128,212
<b>Total Revenue</b>	<b>419,627,481</b>	<b>354,859,471</b>	<b>64,768,010</b>
<b>Functions/Program Expenses:</b>			
Instruction	213,464,366	210,467,935	2,996,431
Pupil Personnel Services	13,036,696	12,524,763	511,933
Instructional Media Services	1,614,478	1,847,374	(232,896)
Instruction and Curriculum Development Services	5,521,544	5,290,691	230,853
Instructional Staff Training	3,375,566	3,473,007	(97,441)
Instruction Related Technology	414,526	461,757	(47,231)
Board of Education	1,295,166	1,669,332	(374,166)
General Administration	2,304,308	1,326,841	977,467
School Administration	18,562,459	23,708,430	(5,145,971)
Facilities Acquisition and Construction	29,267,163	16,105,749	13,161,414
Fiscal Services	2,195,249	2,593,745	(398,496)
Food Services	15,597,553	13,177,371	2,420,182
Central Services	2,718,168	3,689,964	(971,796)
Pupil Transportation Services	12,951,126	13,532,138	(581,012)
Operation of Plant	23,880,994	23,723,760	157,234
Maintenance of Plant	6,715,357	6,946,757	(231,400)
Administrative Technology Services	3,172,469	3,613,963	(441,494)
Community Services	6,820,513	2,324,499	4,496,014
Interest on Long-Term Debt	1,986,230	311,902	1,674,328
Unallocated Depreciation Expense	15,524,802	7,738,162	7,786,640
<b>Total Functions/Program Expenses</b>	<b>380,418,733</b>	<b>354,528,140</b>	<b>25,890,593</b>
<b>Increase (Decrease) in Net Position</b>	<b>\$ 39,208,748</b>	<b>\$ 331,331</b>	<b>\$ 38,877,417</b>

## Okaloosa County District School Board Management's Discussion and Analysis

The largest revenue source is the State of Florida (37.37 percent of total governmental revenues). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula, which is classified as grants and contributions not restricted to specific programs in the operating results shown above. The FEFP funding formula utilizes student enrollment data and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District's funding ability based on the local property tax base.

Grants and contributions not restricted to specific programs represent 51.84 percent of total governmental revenues in the 2021-22 fiscal year. Grants and contributions not restricted to specific programs increased by \$21,799,801, or 11.14 percent, due primarily to an increase in the allocations for the education stabilization funds, higher education emergency relief fund, and Title I funds and the receipt of the new Triumph Artificial Intelligence Grant.

Property tax revenues increased by \$5,773,851, or 4.67 percent, as a result of an increase in property values although the local effort millage rate decreased by 2.43 percent. The required local effort millage rate is determined by the Florida Legislature. The Legislature provided property tax relief to home owners through a millage rollback.

A school sales tax was levied effective January 1, 2021. The new local sales tax revenues totaled \$30,865,800 in 2021-22 fiscal year, which was an increase of \$18,543,062 due primarily being effective for the entire fiscal year.

Instructional expenses represent 56.11 percent of total governmental expenditures in the 2021-22 fiscal year. Instructional expenses increased by \$2,996,431, or 1.42 percent, from the previous fiscal year primarily due to employee base salary increases and increases in retirement contributions. School districts are required to increase the minimum base salary each year.

Facilities acquisition and construction expenses increase by \$13,161,414 or 81.72 percent due to additional costs related to District-wide roofing projects, security upgrades, and other facility improvements. The additional costs were funded by the half-cent sales tax which began in January 2021.

Community service expenses increase by \$4,496,014 or 193.42 percent due to District utilizing ESSER funding to pay a disaster relief payment to its employees who did not receive this payment directly from the State. The State directly paid teachers and principals.

Unallocated depreciation expense increased by \$7,738,162 or 100.63 percent due to the recognition of leased equipment included in District asset reporting as a result of a new governmental reporting standard requirement as explained in Note II.

### **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

#### **Major Governmental Funds**

The General Fund is the District's chief operating fund. At the end of the 2021-22 fiscal year, the total fund balance is \$74,088,711, an increase of \$7,022,753 over the 2020-21 fiscal year. Of the total fund

## Okaloosa County District School Board Management's Discussion and Analysis

balance, \$133,999 is nonspendable, \$11,908,063 is restricted for encumbrances and State required carryover programs, \$47,820,665 is assigned, and \$14,225,984 is unassigned.

Key factors impacting the change in the General Fund fund balance are as follows:

- State revenues decreased by \$6,981,451 in the 2021-22 fiscal year. In fiscal year 2020-21, the State paid all school districts based on their projected FTE due to the instability of enrollment caused by Covid-19. In fiscal year 2021-22, school districts were paid based on actual attendance. The state also moved all Family Empowerment Scholarships into the FEFP in fiscal year 2021-22 which inflated the District's FTE. Despite the addition of the Family Empowerment Scholarships, the District still decreased approximately 150 weighted FTE when compared to the previous year. The State then reduced the District's revenue for Family Empowerment Scholarships by \$10.4 million in fiscal year 2021-22 compared to \$3.6 million in fiscal year 2020-21. This additional reduction of \$6.8 million was offset partially by an increase in FEFP. The District's class size reduction funding decreased by \$3,673,019 due to a change in calculation methodology.
- Total expenditures increased by \$337,431 or .12 percent. The District is committed to complying with the State constitutional class size reduction mandate. Instructional expenditures continue to rise as the State has mandated increases to the minimum base salary each year. Retirement contribution rates also continue to rise. In addition, instructional expenditures increased due to the addition of a new charter school (Destin High School) and expansion of an existing charter school (Liza Jackson Preparatory School). The District funded some of its instructional positions through ESSER which created a decrease of \$3,346,053 in instructional expenses in the general fund. Instructional support services increased by \$894,545 primarily due to increases in base salaries, retirement contribution rates, and contracts such as health services. Instruction and curriculum development services increased by \$662,322 primarily due to increases in base salaries, retirement contribution rates, and contracts for the Triumph AI grant. Student transportation services increased by \$515,136 primarily due to increases in base salaries, retirement contribution rates, transportation costs paid to charter schools, and diesel fuel. Operation of plant expenditures increased by \$1,201,072 primarily due to increases in base salaries, retirement contribution rates, and utilities such as electricity.

The Special Revenue – Federal Education Stabilization Fund accounts for emergency relief to address the impact of COVID-19 and has total revenues and expenditures of \$39,252,981 each. Because grant revenues are not recognized until expenditures are incurred, this fund generally does not accumulate a fund balance.

The Capital Projects – Other Capital Projects Fund had a total fund balance of \$140,736,708, all of which must be used for the acquisition, construction, and maintenance of capital assets. The fund balance increased \$134,816,070 due to expenditures increasing by 188.35 percent as a result of the District entering into a financial agreement to allow the District to fund projects in advance of the new half-cent sales tax revenue to be received over the 10-year referendum. Transfers were made to the debt service funds to cover a portion of principal and interest payments on long-term debt as well as transfers to the general fund to fund charter school capital outlays and a charter school safety and securing grant.

# Okaloosa County District School Board Management's Discussion and Analysis

## GENERAL FUND BUDGETARY HIGHLIGHTS

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

During the 2021-22 fiscal year, the District amended its General Fund budget several times, which resulted in a decrease in total budgeted revenues of \$1,525,276, or 0.58 percent. At the same time, final budgeted expenditures were less than the original budgeted amounts by \$4,069,250 or 1.31 percent. Final budgeted ending fund balance increased by \$3,578,730, or 11.62 percent more than the original budgeted fund balance.

Actual revenues are 1.35 percent greater than the final budgeted amounts while actual expenditures are 11.79 percent less than final budgeted amounts. The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by \$39,723,919, whereas the actual fund balance increased by \$7,022,752 or 10.47 percent, over the prior fiscal year actual fund balance.

## CAPITAL ASSETS AND LONG-TERM DEBT

### Capital Assets

The District's investment in capital assets (net of accumulated depreciation) for its governmental activities as of June 30, 2022, is \$191,172,073. This investment in capital assets includes land; construction in progress; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; lease assets; computer software; and audio-visual materials.

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

### Long-term Debt

At June 30, 2022, the District had total long-term debt outstanding of \$117,066,537, composed of \$2,598,000 of bonds payable, \$113,295,000 of certificates of participation payable, and \$1,173,537 of installment purchases payable. During the current fiscal year, the District issued debt totaling \$113,295,000 and retirement of debt was \$4,079,211.

Additional information on the District's long-term debt can be found in Notes IV.H through IV.J to the financial statements.

## OTHER MATTERS OF SIGNIFICANCE

The School Board of Okaloosa County remains in stable financial condition, however it continues to face uncertain economic times. The District's current operation depend on State revenue sources,

## Okaloosa County District School Board Management's Discussion and Analysis

primarily FEFP moneys administered by the FDOE under the provisions of Section 1011.62, Florida Statutes. In accordance with this law, the District receives FEFP moneys based on the number of full-time equivalent (FTE) students. The fiscal year 2021-22 projected increase when compared to actual results for fiscal year 2020-21 was approximately 621 unweighted FTE (UFTE): 25 UFTE for traditional District schools, 56 UFTE for online schools, 446 UFTE for charter schools, and 94 UFTE to be paid out in McKay scholarships and Family Empowerment Scholarships (FES). The large increase in charter schools was primarily due to the opening of Destin High School and expansion of Liza Jackson Preparatory School. The actual increase in FTE was approximately 1,300: a decrease of 233 UFTE for traditional District schools, an increase of 414 UFTE for online schools, an increase of 410 UFTE for charter schools, and an increase of 709 UFTE for McKay and FES. The decrease in District traditional schools was most likely due to the Coronavirus (COVID-19) pandemic as a corresponding increase was seen in online schools. The increase in FES was due to the State moving all FES to the FEFP rather than funding the majority of the FES through a separate revenue allocation as had been done in previous years. In a normal year, this large increase in FTE State-wide would have caused a pro-ratio to appropriation; however, the State had set aside a reserve to fund Districts at the same amounts per UFTE received in the 2<sup>nd</sup> FEFP calculation.

School districts continued to face challenges during fiscal year 2021-22 as a result of the spread of COVID-19 and corresponding quarantine requirements. Some of these challenges included learning loss, technology, student and faculty safety, personal protective equipment, and many others. The Coronavirus Aid, Relief, and Economic Security Act (CARES) Elementary and Secondary School Emergency Relief (ESSER), Coronavirus Response and Relief Supplementary Appropriations (CRRSA) ESSER II, and American Rescue Plan Act (ARP) ESSER III funding provided financial resources beyond the normal federal and state assistance received and helped the District implement satisfactory solutions.

The economic position of school districts for general reporting purposes is closely tied to that of the State of Florida. The primary source of State revenue is sales tax, which has demonstrated to be an unstable and/or unreliable revenue stream. Economic conditions which affect consumer spending, both nationally and specifically in the State of Florida, will impact the amount of revenue received by the District. Additionally, the level of tourism in the State heavily influences the amount of taxes collected. Significant changes in State revenue collections could directly impact future District revenue allocations.

School facility hardening continues to be a critical financial need to ensure student safety. As a result, it has become the number one priority for most school districts, placing a tremendous demand for capital outlay dollars. In addition, the District's capital maintenance requirements are significant since approximately 40 percent of its facilities are more than 50 years old and another 40 percent are more than 40 years old. The voters of Okaloosa County approved the collection of a half-cent sales tax beginning January 2021 for a period of ten years. This has proven invaluable to the District, enabling school facility hardening to be expedited. Utilizing this funding, the District sold Certificates of Participation 2022A in fiscal year 2021-22 in the amount of \$128 million to finance large projects such as cafeteriums, multipurpose rooms, and room additions.

As noted in the first paragraph, the opening of Destin High School Charter School and expansion of Liza Jackson Preparatory Charter School accounted for an increase of approximately 410 UFTW.



## **Okaloosa County District School Board Management's Discussion and Analysis**

This reduced the District's enrollment and the result of the financial impact is approximately \$2.7 million less for District schools. Destin High School plans to add additional grade levels in subsequent years. In addition, Northwest Florida State Collegiate High School is planning to add 9<sup>th</sup> grade in fiscal year 2022-23 and is exploring adding an additional campus.

### **REQUESTS FOR INFORMATION**

This report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate compliance and accountability for its resources. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Okaloosa County School District, 120 Lowery Place S.E., Fort Walton Beach, Florida, 32548 or telephone 850-833-5840.

## **Basic Financial Statements**

## Okaloosa County District School Board Statement of Net Position

June 30,

2022

	Primary Government	
	Governmental Activities	Component Units
<b>Assets</b>		
Cash and cash equivalents	\$ 109,881,606	\$ 7,162,637
Investments	549,593	-
Accounts receivable	351,692	102,350
Due from other agencies	26,780,983	614,304
Deposits	546,648	500
Cash with fiscal agent	123,132,681	-
Inventory	506,868	-
Capital assets, net	191,172,073	30,743,264
Prepaid items	-	73,504
Total assets	452,922,144	38,696,559
<b>Deferred outflows of resources</b>		
Pension	56,354,687	1,467,664
Other postemployment benefits	269,503	-
Total deferred outflows of resources	56,624,190	1,467,664
<b>Liabilities</b>		
Salaries and wages payable	4,767,975	135,750
Accounts payable and accrued expenses	3,118,197	312,985
Accrued interest payable	24,858	356,354
Due to other agencies	7,007	-
Construction contracts payable	2,791,694	-
Construction contracts retainage payable	1,226,934	-
Unearned revenues	30,094	20,000
Long-term liabilities:		
Portion due within one year	26,632,874	462,708
Portion due after one year	242,691,901	32,717,393
Total liabilities	281,291,534	34,005,190
<b>Deferred inflows of resources</b>		
Pension	102,529,159	2,228,075
Other postemployment benefits	3,545,587	-
Deficit net carrying amount of debt refunding	15,712,483	-
Total deferred inflows of resources	121,787,229	2,228,075
<b>Net position</b>		
Net investment in capital assets	183,138,940	829,906
Restricted for:		
State categorical programs	11,908,063	-
Food service	11,306,613	13,216
Capital projects	35,412,261	583,466
Debt service	86,012	1,297,619
Other projects	5,756,047	286,564
Unrestricted	(141,140,365)	920,187
Total net position	\$ 106,467,571	\$ 3,930,958

*The accompanying notes are an integral part of the financial statements.*

**Okaloosa County District School Board  
Statement of Activities**

For the year ended June 30,

2022

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Component Units
<b>Primary government</b>						
Governmental Activities						
Instruction	\$ 213,464,366	\$ 2,546,564	\$ -	\$ -	\$ (210,917,802)	\$ -
Pupil personnel services	13,036,696	-	-	-	(13,036,696)	-
Instructional media services	1,614,478	-	-	-	(1,614,478)	-
Instruction and curriculum development	5,521,544	-	-	-	(5,521,544)	-
Instructional staff training	3,375,566	-	-	-	(3,375,566)	-
Instruction related technology	414,526	-	-	-	(414,526)	-
School board	1,295,166	-	-	-	(1,295,166)	-
General administration	2,304,308	-	-	-	(2,304,308)	-
School administration	18,562,459	-	-	-	(18,562,459)	-
Facilities acquisition and construction	29,267,163	-	-	2,356,175	(26,910,988)	-
Fiscal services	2,195,249	-	-	-	(2,195,249)	-
Food services	15,597,553	1,066,921	18,412,955	-	3,882,323	-
Central services	2,718,168	-	-	-	(2,718,168)	-
Pupil transportation services	12,951,126	255,411	-	-	(12,695,715)	-
Operation of plant	23,880,994	-	-	-	(23,880,994)	-
Maintenance of plant	6,715,357	-	-	-	(6,715,357)	-
Administrative technology services	3,172,469	-	-	-	(3,172,469)	-
Community services	6,820,513	-	-	-	(6,820,513)	-
Interest on long-term debt	1,986,230	-	-	269,539	(1,716,691)	-
Unallocated depreciation/amortization expense	15,524,802	-	-	-	(15,524,802)	-
Total governmental activities	\$ 380,418,733	\$ 3,868,896	\$ 18,412,955	\$ 2,625,714	(355,511,168)	-

(continued)

*The accompanying notes are an integral part of the financial statements.*

**Okaloosa County District School Board  
Statement of Activities (Continued)**

For the year ended June 30,

2022

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Component Units
<b>Component Units</b>						
Charter schools/Foundation	\$ 16,033,296	\$ 472,984	\$ 2,547,705	\$ 2,128,004	-	(10,884,603)
Total component units	\$ 16,033,296	\$ 472,984	\$ 2,547,705	\$ 2,128,004	-	(10,884,603)

**General revenues:**

Taxes:			
Property taxes, levied for general purposes	96,758,002		-
Property taxes, levied for capital projects	32,666,412		-
Local sales taxes	30,865,800		
Grants and contributions not restricted to specific programs	217,543,241	12,102,867	
Investment earnings	267,347		212
Miscellaneous	16,619,114		314,616
Total general revenues	394,719,916	12,417,695	
Change in net position	39,208,748		1,533,092
Net position - beginning	62,095,841		2,397,866
Adjustments to net position	5,162,982		-
Net position - ending	\$ 106,467,571	\$ 3,930,958	

*The accompanying notes are an integral part of the financial statements.*

## Okaloosa County District School Board Balance Sheet – Governmental Funds

June 30,	2022				
	General Fund	Federal Education Stabilization	Other Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 57,389,435	\$ 10,094	\$ 18,792,706	\$ 33,689,371	\$ 109,881,606
Investments	-	-	-	549,593	549,593
Accounts receivable	351,532	-	-	160	351,692
Due from other agencies	2,561,404	18,498,398	2,652,657	3,068,524	26,780,983
Due from other funds	20,094,093	-	-	-	20,094,093
Deposits	546,648	-	-	-	546,648
Cash with fiscal agent	-	-	123,120,709	11,972	123,132,681
Inventory	133,999	-	-	372,869	506,868
<b>Total assets</b>	<b>\$ 81,077,111</b>	<b>\$ 18,508,492</b>	<b>\$ 144,566,072</b>	<b>\$ 37,692,489</b>	<b>\$ 281,844,164</b>
<b>Liabilities and fund balances</b>					
Liabilities:					
Salaries, benefits and payroll taxes payable	\$ 4,767,975	\$ -	\$ -	\$ -	\$ 4,767,975
Accounts payable	2,200,425	120,849	97,336	699,587	3,118,197
Accrued interest payable	-	-	-	24,858	24,858
Due to other agencies	-	-	7,007	-	7,007
Due to other funds	-	18,377,549	23,626	1,692,918	20,094,093
Construction contracts payable	-	-	2,529,369	262,325	2,791,694
Construction contracts - retainage	-	-	1,172,026	54,908	1,226,934
Unearned revenues	20,000	10,094	-	-	30,094
<b>Total liabilities</b>	<b>6,988,400</b>	<b>18,508,492</b>	<b>3,829,364</b>	<b>2,734,596</b>	<b>32,060,852</b>
Deferred inflows of resources:					
Deferred revenue	-	-	-	987	987
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>987</b>	<b>987</b>
Fund balances:					
Nonspendable:					
Inventory	133,999	-	-	372,869	506,868
Restricted for:					
State carryover programs	10,783,590	-	-	-	10,783,590
Debt service funds	-	-	-	86,012	86,012
Capital projects	-	-	140,736,708	17,808,234	158,544,942
Encumbrances	1,124,473	-	-	-	1,124,473
School food service and internal funds	-	-	-	16,689,791	16,689,791
Assigned for:					
School/department carryover, FTE, and non-state carryover	43,209,199	-	-	-	43,209,199
Retirement, Self Insurance, and Encumbrances	4,611,466	-	-	-	4,611,466
Unassigned	14,225,984	-	-	-	14,225,984
<b>Total fund balances</b>	<b>74,088,711</b>	<b>-</b>	<b>140,736,708</b>	<b>34,956,906</b>	<b>249,782,325</b>
<b>Total liabilities and fund balances</b>	<b>\$ 81,077,111</b>	<b>\$ 18,508,492</b>	<b>\$ 144,566,072</b>	<b>\$ 37,692,489</b>	<b>\$ 281,844,164</b>

*The accompanying notes are an integral part of the financial statements.*

**Okaloosa County District School Board  
Reconciliation of the Governmental Funds Balance Sheet to the  
Statement of Net Position**

<i>June 30,</i>	<b>2022</b>
Total fund balances, governmental funds	\$ 249,782,325
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	191,172,073
Revenues not available as a current financial resource are considered deferred revenue on the fund level financial statements but are recognized as revenues in the Statement of Activities	987
Long term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds	(269,324,775)
Deferred outflows of resources and deferred inflows of resources related to pensions and other post employment benefits are applicable to future periods and, therefore, are not reported in the governmental funds	
Deferred outflows of resources related to pensions	56,354,687
Deferred inflows of resources related to pensions	(102,529,159)
Deferred outflows of resources related to other postemployment benefits	269,503
Deferred inflows of resources related to other postemployment benefits	(3,545,587)
Unamortized deferred gain of bond refundings are not recognized as revenues in the government-wide statements and are amortized over the life of the debt	(15,712,483)
<b>Total net position - governmental activities</b>	<b>\$ 106,467,571</b>

*The accompanying notes are an integral part of the financial statements.*

**Okaloosa County District School Board**  
**Statement of Revenue, Expenditures and Changes in Fund Balances – Governmental Funds**

*For the year ended June 30,*

**2022**

	<b>General Fund - 100</b>	<b>Education Stabilization - 440</b>	<b>Nonvoted Capital Improvement Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenue</b>					
Intergovernmental:					
Federal direct	\$ 5,770,115	\$ 1,277,376	\$ -	\$ 1,429,468	\$ 8,476,959
Federal through state	806,592	37,975,605	-	34,521,535	73,303,732
State sources	154,090,991	-	1,197,011	1,512,229	156,800,231
Local sources	104,001,281	-	31,037,750	45,981,997	181,021,028
<b>Total revenue</b>	<b>264,668,979</b>	<b>39,252,981</b>	<b>32,234,761</b>	<b>83,445,229</b>	<b>419,601,950</b>
<b>Expenditures</b>					
Current:					
Instruction	173,315,703	29,619,960	-	20,240,600	223,176,263
Pupil personnel services	11,182,486	1,556,862	-	916,800	13,656,148
Instructional media services	1,604,010	81,200	-	4,973	1,690,183
Instructional and curriculum development	3,501,757	569,645	-	1,907,974	5,979,376
Instructional staff training	1,677,742	382,628	-	1,557,108	3,617,478
Instruction related technology	419,942	10,874	-	-	430,816
School board	1,337,184	4,306	-	39,915	1,381,405
General administration	435,850	1,337,079	-	618,068	2,390,997
School administration	21,975,347	740,989	-	72,168	22,788,504
Facilities acquisition and construction	1,218,537	8,209	14,811,449	11,750,513	27,788,708
Fiscal services	2,299,594	59,959	-	-	2,359,553
Food services	-	438,229	-	15,301,086	15,739,315
Central services	3,711,857	96,434	-	2,396	3,810,687
Pupil transportation services	12,698,803	604,388	-	-	13,303,191
Operation of plant	23,680,549	496,000	-	-	24,176,549
Maintenance of plant	6,619,035	257,070	-	-	6,876,105
Administrative technology services	3,233,287	103,343	-	-	3,336,630
Community services	1,080,026	2,563,109	-	3,205,569	6,848,704

(continued)

*The accompanying notes are an integral part of the financial statements.*



**Okaloosa County District School Board**  
**Statement of Revenue, Expenditures and Changes in Fund Balances – Governmental Funds (Continued)**

<i>For the year ended June 30,</i>	<b>2022</b>				
	<b>General Fund - 100</b>	<b>Education Stabilization - 440</b>	<b>Nonvoted Capital Improvement Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
Fixed capital outlay:					
Facilities acquisition and construction	10,145	-	7,956,058	955,889	8,922,092
Charter school capital outlay sales tax	-	-	1,515,562	-	1,515,562
Other capital outlay	561,000	322,697	33,209	4,570,731	5,487,637
Debt Service:					
Retirement of principal	127,480	-	-	3,951,731	4,079,211
Interest and fiscal charges	3,002	-	-	892,267	895,269
Dues, fees, and issuance costs	-	-	-	785,851	785,851
Other debt service	-	-	-	0	-
<b>Total expenditures</b>	<b>270,693,336</b>	<b>39,252,981</b>	<b>24,316,278</b>	<b>66,773,639</b>	<b>401,036,234</b>
<b>Excess (deficiency) of revenue over expenditures</b>	<b>(6,024,357)</b>	<b>-</b>	<b>7,918,483</b>	<b>16,671,590</b>	<b>18,565,716</b>
<b>Other financing sources (uses)</b>					
Proceeds of lease purchase agreement	-	-	113,295,000	-	113,295,000
Discount on certificates of participation issued	-	-	14,905,244	795,860	15,701,104
Proceeds from sale of capital assets	-	-	49,303	-	49,303
Loss recoveries	69,990	-	37,415	-	107,405
Transfers in	13,048,212	-	71,092	4,150,007	17,269,311
Transfers out	(71,092)	-	(1,460,467)	(15,737,752)	(17,269,311)
<b>Total other financing sources and (uses)</b>	<b>13,047,110</b>	<b>-</b>	<b>126,897,587</b>	<b>(10,791,885)</b>	<b>129,152,812</b>
<b>Net change in fund balances</b>	<b>7,022,753</b>	<b>-</b>	<b>134,816,070</b>	<b>5,879,705</b>	<b>147,718,528</b>
<b>Fund balances, July 1, 2021</b>	<b>67,065,958</b>	<b>-</b>	<b>5,920,638</b>	<b>29,077,201</b>	<b>102,063,797</b>
<b>Fund balances, June 30, 2022</b>	<b>\$ 74,088,711</b>	<b>\$ -</b>	<b>\$ 140,736,708</b>	<b>\$ 34,956,906</b>	<b>\$ 249,782,325</b>

*The accompanying notes are an integral part of the financial statements.*

**Okaloosa County District School Board**  
**Reconciliation of the Statement of Revenue, Expenditures and Changes**  
**in Fund Balances of Governmental Funds to the Statement of Activities**

<i>For the year ended June 30,</i>	<b>2022</b>
Net change in fund balances - total governmental funds:	\$ 147,718,528
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Capital outlays are reported in governmental funds as an expenditure. 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 by which depreciation expense exceeds capital outlay in the current period	(1,966,052)
The net effect of miscellaneous transactions involving capital assets (i.e., donations and disposals) is to increase capital assets	(132,164)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of principal on notes, bonds, lease liabilities, and certificates of participation are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount by which the debt repayments exceeded the proceeds in the current period	(102,260,911)
Debt premiums on bond issues are amortized over the life of the debt in the Statement of Activities but are reported as revenues in the fund statements when debt is issued. This is the amount of the current amortization	(15,698,491)
In the Statement of Activities, the cost of compensated absences is measured by the amounts earned during the 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 used in excess of the amount earned in the current period	493,828
In the Statement of Activities, the cost of other post employment benefit (OPEB) obligation is measured by actuarial estimations, while in the governmental funds expenditures are recognized based on amounts actually paid for OPEB. This is the net increase of the OPEB obligation for the current period	(3,221,256)
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	14,049,266
In the Statement of Activities, insurance claims include additional amounts for increases in long-term insurance claims liabilities. However, expenditures for these items are measured by the amount of financial resources used (essentially, the amount paid). This is the amount which estimated insurance claims liability decreased in the current period	226,000
Change in net position of governmental activities	\$ 39,208,748

*The accompanying notes are an integral part of the financial statements.*

**Okaloosa County District School Board  
Statement of Fiduciary Net Position – Fiduciary Funds**

<i>June 30,</i>		<b>2022</b>
		<b>Custodial Funds</b>
<hr/>		
<b>Assets</b>		
Other receivables	\$	349,911
<hr/>		
Total assets	\$	349,911
<hr/>		
<b>Liabilities</b>		
Accounts payable	\$	221,098
Due to budgetary funds		128,813
<hr/>		
Total liabilities	\$	349,911
<hr/>		

*The accompanying notes are an integral part of the financial statements.*

**Okaloosa County District School Board  
Statement of Changes in Fiduciary Net Position – Fiduciary Funds**

*For the Year Ended June 30,*

**2022**

	<b>Custodial Funds</b>
<b>Additions</b>	
Benefit plan member contributions	\$ 693,953
Total additions	693,953
<b>Deductions</b>	
Benefit plan member payments	693,953
Total deductions	693,953
Change in net position	-
Net position - beginning	5,162,982
Adjustment to beginning net position	(5,162,982)
Net position - ending	\$ -

I.

*The accompanying notes are an integral part of the financial statements.*

# Okaloosa County District School Board Notes to Financial Statements

## II. 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 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 Okaloosa County School District's ("District") governmental 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 that is clearly identifiable to a function is allocated to the function, and the remaining depreciation expense is reported as unallocated.

### B. Reporting Entity

The Okaloosa 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 Okaloosa 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.** A blended component unit, is in substance, part of the primary government's operations, even though it is a legally separate entity. Thus, a blended component unit is appropriately presented as funds of the District. The Okaloosa County School Board Leasing Corporation (Leasing Corporation) was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in Note IV.I.1. Due to the substantive economic relationship between the District and the Leasing Corporation, the financial activities of the Leasing Corporation are included in the accompanying basic financial statements. Separate financial statements for the Leasing Corporation are not published.

## Okaloosa County District School Board Notes to Financial Statements

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Discretely Presented Component Units.** The component units' columns in the government-wide financial statements include the financial data of the District's other component units. A separate column is used to emphasize that they are legally separate from the District.

The Okaloosa Public Schools Foundation, Inc. (Foundation), is a separate not-for-profit corporation organized and operated as a direct-support organization to receive, hold, invest, and administer property and to make expenditures to and for the benefit of the District. Because of the nature and significance of its relationship with the District, the Foundation is considered to be a component unit.

Charter schools are separate 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 District is the sponsor for each of the following charter schools and is responsible for monitoring and reviewing their progress toward meeting the goals established in the charters. 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 District entered into a charter with the following schools pursuant to Section 1002.33, Florida Statutes:

- The Okaloosa Academy, Inc., (Academy) was established to provide an alternative educational system for "at risk" students. The Academy is a separate not-for-profit entity with a separate board of directors.
- The Liza Jackson Preparatory School, Inc., (School) was established to provide a preparatory program of education for students. The School is a separate not-for-profit entity with a separate board of directors.
- The Destin High School, Inc. (Destin School) was established to provide a new high school option for students in Destin. The Destin School is a separate not-for-profit entity with a separate board of directors.

The financial data reported on the accompanying statements was derived from the Foundation's and charter schools' audited financial statements for the fiscal year ended June 30, 2022. The audit reports are filed in the District's administrative offices at 120 Lowery Place S.E., Fort Walton Beach, Florida, 32548.

## Okaloosa County District School Board Notes to Financial Statements

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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. Separate financial statements are provided for governmental 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.

#### 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 and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental fund:

- 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.
- Special Revenue – Federal Education Stabilization Fund – to account for certain Federal economic stimulus programs.
- Capital Projects – Other Capital Projects Fund – to account for the financial resources generated by the issuance of certificates of participation, half-cent sales tax revenue, and other moneys set aside by the Board for educational capital outlay needs, including new construction and renovation and remodeling projects.

Additionally, the District reports the following fiduciary fund type:

- Custodial Funds – to account for resources of the District's pre-tax flexible benefits plan.

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 reported in fund financial statements, these balances are eliminated in the preparation of the government-wide financial statements. 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.

## Okaloosa County District School Board Notes to Financial Statements

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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 in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current fiscal year. The District considers revenues to be available if they are collected within 30 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 30 days of fiscal year-end). Expenditures are generally recognized when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, claims and judgments, pension benefits, other postemployment benefits, and compensated absences are only recorded when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt are reported as other financing sources. Allocations of cost, such as depreciation, are not recognized in governmental funds.

The fiduciary funds are reported using the economic resources measurement focus and the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

The Okaloosa Public Schools Foundation, Inc., 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.



# Okaloosa County District School Board

## Notes to Financial Statements

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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 are considered to be cash on hand, demand deposits, and short-term, highly liquid investments with original maturities of 3 months or less. Investments classified as cash equivalents include amounts placed with the State Board of Administration (SBA) in Florida PRIME, formerly known as the Local Government Surplus Funds Trust Fund Investment Pool, and amounts in the Florida Public Assets for Liquidity Management (FL PALM).

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 in the SBA debt service accounts for investments of debt service moneys and amounts placed with SBA for participation in the Florida PRIME investment pool created by Sections 218.405, Florida Statutes, amounts placed in FL PALM, and those made locally. The investment pools operate under investment guidelines established by Section 215.47, Florida Statutes.

The District's investments in Florida PRIME are similar to money market funds in which shares are owned in the fund rather than the underlying investments. These investments are reported at amortized cost and meet the requirements of Governmental Accounting Standards Board (GASB) Statement No. 31, as amended by GASB Statement No. 79, which establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from Florida PRIME, although, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, the fund's executive director may limit contributions to or withdrawals from the trust fund for a period of 48 hours.

The District's investments in FL PALM are similar to money market funds in which shares are owned in the fund rather than the underlying investments. These investments are reported at amortized cost and also meet the requirements of GASB Statement No. 31, as amended by GASB Statement No. 79, which establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from FL PALM.

Investments made locally consist of certificates of deposit.

# Okaloosa County District School Board

## Notes to Financial Statements

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

#### 3. Inventories

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at cost on the first-in, first-out basis, 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. Although the costs of inventories are recorded as expenditures when used rather than purchased, a nonspendable fund balance is established at fiscal year-end to indicate that inventories do not constitute available expendable resources even though inventories are a component of current assets.

#### 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 the construction of capital assets are not considered material and are not capitalized as part of the costs of construction.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Description	Estimated Useful Life
Improvements other than buildings	8 - 40 years
Buildings and fixed equipment	10 - 50 years
Furniture, fixtures, and equipment	3 - 15 years
Motor vehicles	5 - 10 years
Property under capital lease	3 - 7 years
Computer software and audio visual materials	3 - 5 years

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

## Okaloosa County District School Board Notes to Financial Statements

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 5. Pensions

In the government-wide statement of net position, liabilities are recognized for the District's proportionate share of each pension plan's net pension liability. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) defined benefit 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 fund types are reported as liabilities in the government-wide statement of net position.

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

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

#### 7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, 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 two items that qualify for reporting in this category. The deferred outflows of resources related to pensions and other postemployment benefits (OPEB) are discussed in subsequent notes.

In addition to liabilities, the statement of financial position will sometimes 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 type of items that qualify for reporting in this category. The deferred inflows of resources related to pensions and OPEB are discussed in subsequent notes. The deficit net carrying amount of debt refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of refunded or refunding debt.

## Okaloosa County District School Board Notes to Financial Statements

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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 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 Assumption

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, 2022.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board has, by vote, authorized the Chief Financial Officer to assign 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.

# Okaloosa County District School Board

## Notes to Financial Statements

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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 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 students and related data and calculates the allocation of funds to the District. The District is permitted to amend its original reporting during specified periods following the date of the original reporting. Such amendments may impact funding allocations for subsequent years. The FDOE may also adjust subsequent fiscal year allocations based upon an audit of the District's compliance in determining and reporting FTE students 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.

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

## Okaloosa County District School Board Notes to Financial Statements

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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 Okaloosa County Property Appraiser, and property taxes are collected by the Okaloosa County Tax Collector.

The Board adopted the 2021 tax levy on September 13, 2021. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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

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 Okaloosa 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 2020, the voters of Okaloosa County approved a one-half cent school capital outlay surtax on sales in the County for 10 years, effective January 1, 2021. The surtax proceeds will be used to pay for construction costs and safety and security improvements at certain school facilities and campuses, school buses and upgrades to technology, and service-related bond indebtedness 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.

# Okaloosa County District School Board

## Notes to Financial Statements

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 6. Compensated Absences

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

#### H. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures/expenses during the fiscal year. Actual results could differ from those estimates.

#### I. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, March 27, 2023, and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

### II. ACCOUNTING CHANGES

#### **Governmental Accounting Standards Board Statement No. 84**

The District implemented GASB Statement No. 84, *Fiduciary Activities*, in the previous fiscal year. This statement establishes criteria for identifying fiduciary activities of all state and local government. During the 2021-22 fiscal year, the District classified the school internal funds activity as a special revenue fund as opposed to a fiduciary activity as it had reported in the previous year. The change was a result of clarified guidance issued by the Florida Department of education.

#### **Governmental Accounting Standards Board Statement No. 87**

The District implemented GASB Statement No. 87, *Leases*, which will increase the usefulness of government financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

## Okaloosa County District School Board Notes to Financial Statements

### II. ACCOUNTING CHANGES

Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments leasing activities. This implementation resulted in changing the previously reported capital lease to a financing since the district will retain ownership of the assets upon completion of all payments due.

### III. PRIOR PERIOD ADJUSTMENT

The beginning net position of the District was increased by \$5,162,982 due to the District reclassifying the school internal funds activity as a special revenue fund in the current year. This resulted in an increase in the District's beginning Net Position as reported in the Statement of Activities.

Description	Amount
Net position prior to restatement	\$ 62,095,841
School internal funds net position - July 1, 2021	5,162,982
Total investments, primary government	\$ 67,258,823

### IV. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

#### A. Cash Deposits with Financial Institutions

**Custodial Credit Risk – Deposits.** 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 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.

Cash balances from all funds are combined and invested to extent available. Earnings are allocated monthly to each fund balance based on average daily balances.



## Okaloosa County District School Board Notes to Financial Statements

### IV. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

#### B. Investments

As of June 30, 2022, the District had the following investments:

Investment	Maturities	Amount
State Board of Administration (SBA):		
Florida PRIME (1)	28 Day Average	\$ 18,304,205
Debt Service Accounts	6 Months	10,700
Certificates of deposit - Internal funds	Various through February 2024	538,893
FL Public Assets for Liquidity Management (1)	25 Day Average	4,489,311
Goldman Sachs Financial Square Gov't (2)	13 Day Average	123,132,681
Total investments, primary government		<u>\$ 146,475,790</u>

Notes: (1) Investments reported as cash equivalents for financial statement reporting purposes. See Note I.F.1.

(2) Includes value of Certificates of Participation trust accounts. Pursuant to the trust agreements, the trustee for the District's Certificates of Participation, Series 2022, holds all or part of these investments in trust accounts as follows: Goldman Sachs Financial Square Government Fund with 61.1% held in U.S. Treasury Repurchase Agreements, 25.7% in Treasury Debt, 10.3% in Government Agency Repurchase Agreements, and 2.9% in Government Agency Debt instruments.

#### Fair Value Measurement

The district categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The District's investment in SBA debt service accounts are valued using level 1 inputs.

#### Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Section 218.415(17), Florida Statutes, limits investment maturities to provide sufficient liquidity to pay obligations as they come due. The District's investment policy states that the highest priorities shall be given to the safety and liquidity of funds. The policy limits the types of authorized investments as a means of managing the exposure to fair value losses from increasing interest rates.

## Okaloosa County District School Board Notes to Financial Statements

### IV. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

Florida PRIME and the FL PALM 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.

#### **Credit Risk**

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

The District's investment in the SBA debt service accounts are to provide for debt service payments on bond debt issued by the SBE for the benefit of the District. The District relies on policies developed by the SBA for managing interest rate risk and credit risk for this account. Disclosures for the Debt Service Accounts are included in the notes to the financial statements of the State's Annual Comprehensive Financial Report.

The District's investments in Florida PRIME, Goldman Sachs Government Fund and the FL PALM are rated AAAM by Standard & Poor's.

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

**IV. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**

**C. Changes in Capital Assets**

Changes in capital assets are presented in the table below:

	Balance 7/1/21	Additions	Transfers/ Deletions	Balance 6/30/22
<b>Governmental Activities</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 11,714,621	\$ -	\$ (10,600)	\$ 11,704,021
Construction in progress	1,106,020	6,265,036	(1,106,020)	6,265,036
<b>Total capital assets not being depreciated</b>	<b>12,820,641</b>	<b>6,265,036</b>	<b>(1,116,620)</b>	<b>17,969,057</b>
<i>Capital assets being depreciated:</i>				
Improvements other than buildings	19,476,959	3,578,745	-	23,055,704
Buildings and fixed equipment	291,842,599	78,544	(39,000)	291,882,143
Furniture, fixtures and equipment	29,011,710	2,101,978	(2,671,083)	28,442,605
Motor vehicles	22,149,123	3,036,592	(1,865,078)	23,320,637
Right-to-use lease assets	-	21,054,159	-	21,054,159
Computer software	951,909	333,289	(79,470)	1,205,728
Audio-visual material	8,066	-	-	8,066
<b>Total capital assets being depreciated</b>	<b>363,440,366</b>	<b>30,183,307</b>	<b>(4,654,631)</b>	<b>388,969,042</b>
<i>Less accumulated depreciation for:</i>				
Improvements other than buildings	14,968,871	526,542	-	15,495,413
Buildings and fixed equipment	150,467,371	5,946,686	(39,000)	156,375,057
Furniture, fixtures and equipment	21,842,911	1,689,405	(2,671,083)	20,861,233
Motor vehicles	15,901,465	1,047,021	(1,865,078)	15,083,408
Right-to-use lease assets	-	7,074,314	-	7,074,314
Computer software	856,243	91,762	(79,470)	868,535
Audio-visual material	8,015	51	-	8,066
<b>Total accumulated depreciation</b>	<b>204,044,876</b>	<b>16,375,781</b>	<b>(4,654,631)</b>	<b>215,766,026</b>
<b>Total capital assets being depreciated, net</b>	<b>159,395,490</b>	<b>13,807,526</b>	<b>-</b>	<b>173,203,016</b>
<b>Governmental activities - capital assets, net</b>	<b>\$ 172,216,131</b>	<b>\$ 20,072,562</b>	<b>\$ (1,116,620)</b>	<b>\$ 191,172,073</b>

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

**IV. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**

Depreciation expense was charged to functions as follows:

Function	Amount
Instruction	\$ 645,988
Student transportation services	180,672
Maintenance of plant	24,319
Unallocated	15,524,802
<b>Total deprecation expense - governmental activities</b>	<b>\$ 16,375,781</b>

**D. Retirement Plans**

**1. Florida Retirement System (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 HIS Program, a cost-sharing multiple employer defined benefit pension plan, to assist retired members of any State-administered retirement system in paying the costs of health insurance.

Essentially all regular employees of the District are eligible to enroll as members of the State-administered FRS. Provisions relating to FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein Plan 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](http://www.dms.myflorida.com)).

The District's FRS and HIS pension expense totaled \$4,433,023 for the fiscal year ended June 30, 2022.

## Okaloosa County District School Board Notes to Financial Statements

### IV. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

#### III.

##### 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 as follows:

- *Regular Class* – Members of the FRS who do not qualify for membership in the other classes.
- *Elected County Officers Class* – Members who hold specified elective offices in local government.

Employees 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. 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. 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.

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.

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

**IV. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**

The following chart shows the percentage value for each year of service credit earned:

Class, initial Enrollment, and retirement age / years of service	Percent Value
Regular class members initially enrolled before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement up to age 63 or up to 31 years of service	1.63
Retirement up to age 64 or up to 32 years of service	1.65
Retirement up to age 65 or up to 33 or more years of service	1.68
Regular class members initially enrolled on or after July 1, 2011	
Retirement up to age 65 or up to 33 or more years of service	1.60
Retirement up to age 66 or up to 34 or more years of service	1.63
Retirement up to age 67 or up to 35 or more years of service	1.65
Retirement up to age 68 or up to 36 or more years of service	1.68
Elected county officers	3.00

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 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 2021-22 fiscal year were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (1)
FRS, regular	3.00%	10.82%
FRS, elected county officers	3.00%	51.42%
DRDP - applicable to		
members from all of the above classes	0.00%	18.34%
FRS, reemployed retiree	(2)	(2)

Notes:

(1) Employer rates include 1.66 percent for the post employment health insurance subsidy. Also, employer rates, other than for DRDP participants, include 0.06 percent for administrative cost of the Investment Plan.

(2) Contribution rates are dependent upon the retirement class in which reemployed.

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

**IV. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**

The District's contributions to the Plan totaled \$15,121,148 for the fiscal year ended June 30, 2022.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At June 30, 2022, the District reported a liability of \$27,094,370 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. The District's proportionate share of the net pension liability was based on the District's 2020-21 fiscal year contributions relative to the 2020-21 fiscal year contributions of all participating members. At June 30, 2021, the District's proportionate share was 0.358682284 percent, which was a decrease of 0.031308774 from its proportionate share of 0.327373510 percent measured as of June 30, 2020.

For the year ended June 30, 2022, the District recognized the Plan pension expense of \$98,422. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,644,018	\$ -
Change in assumptions	18,539,311	-
Net difference between projected and actual earnings on FRS pension plan investments	-	94,525,446
Change in proportion and differences between District FRS contributions and proportionate share of contributions	8,069,033	3,481,387
District FRS contributions subsequent to the measurement date	15,121,148	-
<b>Total</b>	<b>\$ 46,373,510</b>	<b>\$ 98,006,833</b>

The deferred outflows of resources related to pensions, totaling \$15,121,148 resulting from District contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2023.

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

**IV. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<i>Fiscal year ending June 30,</i>	Amount
2023	\$ (12,097,095)
2024	(13,952,306)
2025	(18,443,274)
2026	(23,617,640)
2027	1,355,844
Thereafter	-
<b>Total</b>	<b>\$ (66,754,471)</b>

Actuarial Assumptions. The total pension liability in the July 1, 2021, actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	6.80 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the PUB2010 base table varies by member category and sex, projected generationally with Scale MP-2018.

The actuarial assumptions used in the July 1, 2020, 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.



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

**IV. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**

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:

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.00%	2.10%	2.10%	1.10%
Fixed income	20.00%	3.80%	3.70%	3.30%
Global equity	54.20%	8.20%	6.70%	17.80%
Real estate (property)	10.30%	7.10%	6.20%	13.80%
Private equity	10.80%	11.70%	8.50%	26.40%
Strategic investments	3.70%	5.70%	5.40%	8.40%
<b>Total</b>	<b>100.00%</b>			

Assumed inflation - mean 2.40% 1.20%

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

Discount Rate. The discount rate used to measure the total pension liability was 6.8 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 long-term expected rate of return assumption of 6.8 percent consists of two building block components: 1) an inferred real (in excess of inflation) return of 4.3 percent, consistent with the 4.17 percent real return from the capital market outlook model developed by the FRS consulting actuary, Milliman; and 2) a long-term average annual inflation assumption of 2.40 percent as adopted in October 2021 by the FRS Actuarial Assumption Conference.

In the opinion of the FRS consulting actuary both components and the overall 6.8 percent return assumption were determined to be reasonable and appropriate per the Actuarial Standards of Practice. The 6.8 percent reported investment return assumption is the same as the investment return assumption chosen by the 2021 FRS Actuarial Assumption Conference for funding policy purposes. The discount rate used in the 2021 valuation did not change from the prior year 6.8 percent.

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

**IV. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**

Sensitivity of the District's Proportionate Share of the Net Position Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability of the FRS Pension Plan calculated using the discount rate of 6.8 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 (5.8 percent) or 1-percentage-point higher (7.8 percent) than the current rate:

	1% Decrease (5.8%)	Current Discount Rate (6.8%)	1% Increase (7.8%)
District's proportionate share of the net pension liability	\$ 121,167,838	\$ 27,094,370	\$ (51,540,501)

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, 2022, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 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 Pension Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2022, the contribution rate was 1.66 percent of payroll pursuant to section 112.363, Florida Statutes. 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 that legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

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

**IV. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**

The District's contributions to the HIS Pension Plan totaled \$2,800,711 for the fiscal year ended June 30, 2022.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At June 30, 2022, the District reported a net pension liability of \$57,302,379 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 pension plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. The District's proportionate share of the net pension liability was based on the District's 2020-21 fiscal year contributions relative to the total 2020-21 fiscal year contributions of all participating members. At June 30, 2021, the District's proportionate share was 0.467145186 percent, which was an increase of 0.007281095 percent from its proportionate share of 0.459864091 percent measured as of June 30, 2020.

For the fiscal year ended June 30, 2022, the District recognized HIS Plan pension expense of \$3,774,171. In addition, the District reported deferred outflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,917,482	\$ 24,001
Change in assumptions	4,502,682	2,361,005
Net difference between projected and actual earnings on HIS pension plan investments	59,736	-
Change in proportion and differences between District HIS contributions and proportionate share of HIS contributions	700,566	2,137,320
District HIS contributions subsequent to the measurement date	2,800,711	-
<b>Total</b>	<b>\$ 9,981,177</b>	<b>\$ 4,522,326</b>

The deferred outflows of resources related to pensions resulting from District contributions to the HIS Plan subsequent to the measurement date, totaling \$2,800,711, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2023.

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

**IV. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<i>Fiscal year ending June 30,</i>	Amount
2023	\$ 729,182
2024	(41,368)
2025	344,693
2026	821,177
2027	649,286
Thereafter	155,170
<hr/>	
Total	\$ 2,658,140

Actuarial Assumptions. The total pension liability in the July 1, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	3.25 percent, average, including inflation
Municipal bond rate	2.16 percent

Mortality rates were based on the PUB-2010 base table, projected generationally with Scale MP-2018.

While an experienced 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 2.16 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. The single equivalent discount rate is equal to the municipal bond rate selected by the FRS Actuarial Assumption Conference. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The discount rate changed from 2.21 percent to 2.16 percent.

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

**IV. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**

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 2.16 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 (1.16 percent) or 1 percentage point higher (3.16 percent) than the current rate:

	1% Decrease (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
District's proportionate share of the net pension liability	\$ 66,247,102	\$ 57,302,379	\$ 49,974,181

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 of Florida Comprehensive Annual Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. District employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected 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. Cost of administering the plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts during the 2021-22 fiscal year were as follows:

Class	Percent of Gross Salary
FRS, regular	6.30%
FRS, elected county officers	11.34%

## Okaloosa County District School Board Notes to Financial Statements

### IV. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

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. 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 five 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 five-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2022, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the District.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; 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 \$1,100,367 for the fiscal year ended June 30, 2022.

#### E. Other Post Employment Benefit Obligations

The District follows GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, for reporting the employers' OPEB Plan liability.

Plan Description. The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, employees who retire from the District, and eligible dependents, are eligible to participate in the District's health and hospitalization plan for medical, dental, vision, and life insurance coverage. Eligible dependents are not eligible to participate in life insurance coverage. 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, on an actuarial basis, their current and future claims are expected to result in higher costs to the OPEB plan on average than those of active employees. The District does not offer any explicit subsidies for retiree coverage. Retirees are assumed to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The OPEB Plan does not issue a stand-alone report and is not included in the report of a public employee retirement system or other entity. No assets are accumulated in a trust that meets all of the criteria in GASB Statement No. 75, paragraph 4.

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

**IV. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**

Benefits Provided. Health, life, dental and vision benefits are available to retirees and their eligible dependents. Retirees are eligible for up to \$25,000 life insurance benefit until age 70 with a required contribution of \$0.750 per \$1,000. The benefit reduces to a maximum of \$10,000 at age 70 with a required contribution of \$1.021 per \$1,000 of the life benefit. Since retirees pay the full premium for dental and vision benefits, there is no liability associated with either benefit. Medicare eligible retirees must choose one of the health care plans below, if desired, and will pay the full premium.

A summary of the key healthcare plan design features and premiums for each plan is provided in the table below:

Plan Type	Compatible Base Plan In-Network	Compatible Co-Pay Plan In-Network	Compatible Buy-Up Plan In-Network
Deductible - Individual	\$ 1,250	\$ 2,000	\$ 1,500
Coinsurance	80%	80%	100%
Out of Pocket Maximum (2x Family)	\$ 5,000	\$ 5,000	\$ 1,500
Retiree Only Monthly Premium	\$ 1,031	\$ 1,001	\$ 1,195
Retiree + Spouse Monthly Premium	\$ 1,795	\$ 1,743	\$ 1,993

Employees covered by benefit terms. The following table provides a summary of the number of participants in the plan as of the most recent valuation date of June 30, 2022.

Retirees and beneficiaries	1,754
Inactive, nonretired members	-
Active plan members	3,337
Total plan members	5,091

Total OPEB Plan Liability. The District's total OPEB liability of \$24,125,429 was measured as of June 30, 2022, and was determined by an actuarial valuation on June 30, 2022.

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

**IV. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**

Actuarial Assumptions and other inputs. The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	June 30, 2022
Measurement date	June 30, 2022
Actuarial cost method	Entry age
Salary increase	3.50 percent
Discount rate	3.54 percent
Healthcare cost trend rates	Select trends starting at 7.0 percent reduced 0.25 percent each fiscal year until reaching the ultimate rate of 4.0 percent

The discount rate was based on Bond Buyer 20-Bond GO Municipal Bond Index.

Mortality rates were based on the Pub-2010 headcount weighted base mortality table, projected generationally using scale MP-2021, applied on a gender-specific and job class basis (teacher, safety, or general, as applicable).

Changes in the Total OPEB Liability.

Balance June 30, 2021	\$	27,588,087
Changes for the year:		
Service cost		1,769,076
Interest cost		633,502
Differences between expected and actual experience		(1,555,373)
Changes in assumptions		(3,663,191)
Benefit payments		(646,672)
Net change		(3,462,658)
Balance June 30, 2022	\$	24,125,429

Changes of assumptions reflect a change in the discount rate from 2.16 percent in 2021 to 3.54 percent in 2022.

Funded Status and Funding Progress. As of June 30, 2022, the most recent valuation date, the total OPEB Plan liability was \$24,125,429, and assets held in trust were \$0, resulting in a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$158,955,716, and the ratio of the total OPEB Plan liability to the covered payroll was 15 percent.



## Okaloosa County District School Board Notes to Financial Statements

### IV. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

The OPEB Plan contribution requirements of the District and OPEB Plan members are established and may be amended through recommendations of the Insurance Committee and action from the Board. The District has not advance-funded or established a funding methodology for the annual OPEB expense or the net OPEB Plan liability, and the OPEB Plan is financed on a pay-as-you-go basis.

*Actuarial Assumptions and Methods.* OPEB selected economic, demographic and health care claim cost assumptions are prescribed for purposes of compliance with GASB 75. The method used to calculate the service cost and accumulated postretirement benefit obligation for determining OPEB expense is the entry age normal cost method. Under this cost method, the actuarial accrued liability is based on a prorated portion of the present value of all benefits earned to date over expected future working life time as defined by GASB. The proration is determined so that the cost with respect to service accrued from date of hire is recognized as a level percentage of pay each year. The Normal Cost is equal to the prorated cost for the year of the valuations. Benefit obligations and expense/(income) are calculated under U.S. Generally Accepted Accounting Principles as set forth in Government Accounting Standards Board Statement 75. The total OPEB liability represents the actuarial present value of benefits based on the entry age normal cost method as of the measurement date reflecting all normal costs over the period when benefits were earned. The OPEB expense is the annual amount to be recognized in the income statement as the cost of OPEB benefits for this plan for the period ending June 30, 2022.

The previous valuation for the District on June 30, 2021, resulted in a liability of \$27.6 million compared to the \$24.1million for June 30, 2022, resulting in \$3,462,658 decrease in the liability due primarily to an increase in the discount rate from 2.16 percent to 3.54 percent.

*Sensitivity of the Total OPEB Plan Liability to Changes in the Discount Rate.* The following presents the District's total OPEB Plan liability calculated using the discount rate of 3.54 percent, as well as what the OPEB Plan liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.54 percent) or 1-percentage-point higher (4.54 percent) than the current rate:

	1% Decrease (2.54%)	Current Discount Rate (3.54%)	1% Increase (4.54%)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
OPEB Plan Liability	<u>\$ 27,362,000</u>	<u>\$ 24,125,000</u>	<u>\$ 21,466,000</u>

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

**IV. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**

Sensitivity of the Total OPEB Plan Liability to the Healthcare Cost Trend Rate Assumption. The following presents the District's total OPEB Plan liability calculated using the healthcare cost trend rate of 7.0 percent decreasing each year by 0.25 percent until the ultimate rate of 4.0 percent, as well as what the OPEB liability would be if it 1-percentage-point higher (8.0 percent decreasing to 5.0 percent) or 1-percentage point lower (6.0 percent decreasing to 3.0 percent):

	<u>1% Decrease (6.00%)</u>	<u>Healthcare Cost Trend Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
OPEB Plan Liability	<u>\$ 22,608,000</u>	<u>\$ 24,125,000</u>	<u>\$ 27,362,000</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. The District's annual OPEB expense totaled \$3,867,929 for the fiscal year ended June 30, 2022. At June 30, 2022, the District reported deferred outflows and inflows of resources related to the OPEB Plan liability 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	\$ -	\$ 1,067,307
Change in assumptions	269,503	2,478,280
<b>Total</b>	<b>\$ 269,503</b>	<b>\$ 3,545,587</b>

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>
2023	\$ (1,437,325)
2024	(1,684,249)
2025	(154,510)
<b>Total</b>	<b>\$ (3,276,084)</b>

**F. Construction and Other Significant Commitments**

**Encumbrances.** Appropriations in governmental funds are encumbered upon issuance of purchase orders for goods and services. Even though appropriations lapse at the end of the fiscal year, unfilled purchase orders of the current fiscal year are carried forward and the next fiscal year's appropriations are likewise encumbered.

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

**IV. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**

The following is a schedule of encumbrances at June 30, 2022:

General Fund	Capital Projects Other	Nonmajor Governmental Funds	Total Governmental Funds
\$ 2,621,939	\$ 364,104	\$ 6,014,791	\$ 9,000,834

**Construction Contracts.** The following is a schedule of encumbrances related to major construction contract commitments at June 30, 2022:

Project	Contract Amount	Completed to Date	Balance Committed
Other Capital Projects Fund:			
Districtwide new construction	\$ 122,349,487	\$ 6,258,075	\$ 116,091,412
Security enhancements districtwide	18,540,800	15,519,721	3,021,079
Districtwide roof replacement	4,151,031	3,370,175	780,856
Gym floor replacements at Crestview, Davidson and Lewis	1,115,893	542,060	573,833
Roof replacement at Bluewater and districtwide roof replacement	750,000	381	749,619
Walker	250,000	7,023	242,977
<b>Total Other Capital Projects Fund</b>	<b>147,157,211</b>	<b>25,697,435</b>	<b>121,459,776</b>
Nonmajor Governmental Funds:			
Pryor kitchen renovation	2,757,739	1,255,672	1,502,067
Roof replacement at Choctawhatchee and Lewis	2,421,974	494,848	1,927,126
Soffit repair at Destin Elementary	250,000	2,372	247,628
<b>Total Nonmajor Governmental Funds</b>	<b>5,429,713</b>	<b>1,752,892</b>	<b>3,676,821</b>
<b>Total</b>	<b>\$ 152,586,924</b>	<b>\$ 27,450,327</b>	<b>\$ 125,136,597</b>

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

**IV. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**

**G. Risk Management Programs**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Coverage of these risks is provided for in a variety of different ways. For most general liability claims, the District relies upon the sovereign immunity limits of Section 768.28, Florida Statutes, which limits the District's liability to \$200,000 for each claimant and \$300,000 in any one occurrence; however, the District did purchase a commercial general liability policy for certain special events. The District is, to some extent, also self-insured for property losses, worker's compensation, automotive liability, crime, and errors and omissions. To limit its exposure to property losses, the District purchased excess property and boiler and machinery insurance with varying deductibles, sublimits, and policy maximums through the Florida School Boards Insurance Trust (FSBIT). FSBIT is a self-insurance fund for Florida school boards established under the authority set forth in Section 1001.42, Florida Statutes. Likewise, the District limited its exposure for worker's compensation, automotive liability, crime, and errors and omissions by purchasing commercial insurance policies which covers losses exceeding specified limits up to certain policy maximums. Health, life, and dental coverage, as well as long-term disability for District employees is also provided through commercially purchased insurance.

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

The District reports all of its risk management activities in the General Fund. At June 30, 2022, an actuarially determined liability of \$2,914,000 (\$56,000 for the property program, undiscounted, and \$2,858,000 for the casualty program, discounted using a 4 percent rate of return) is reported as estimated insurance claims payable on the District's statement of net position.

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

Fiscal Year	Beginning Balance	Current Fiscal Year Claims and Changes in Estimates	Claims Payments	Ending Balance
2020 - 21	\$ 3,469,000	\$ 218,517	\$ (547,517)	\$ 3,140,000
2021 - 22	3,140,000	456,462	(682,462)	2,914,000

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

**IV. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**

**H. Lease Payable**

The District has entered into lease agreements to obtain the right-to-use certain copy machines and computer equipment. The total annual rental for the copy machines for the year ended June 30, 2022 totaled approximately \$325,000. The copy machine leases have various terms that begin expiring in fiscal year 2023 through 2027. The total annual rental for the computer equipment for the year ended June 30, 2022 totaled approximately \$6.93 million. The computer equipment lease calls for similar payments in fiscal year 2023 and 2024.

The class(es) and amounts of lease asset(s) are as follows:

<i>June 30, 2022</i>	Asset Balances
Copier machines	\$ 472,213
Computer equipment	13,507,632
Total	\$ 13,979,845

Future minimum lease payments and the present value of the minimum lease payments as of June 30 are as follows:

<i>Fiscal year ending June 30,</i>	Principal	Interest	Total
2023	\$ 7,012,536	\$ 187,224	\$ 7,199,760
2024	7,007,380	66,590	7,073,970
2025	52,250	872	53,122
2026	23,736	245	23,981
2027	3,379	26	3,405
Total	\$ 14,099,281	\$ 254,957	\$ 14,354,238

**I. Installment-Purchase Payable**

In fiscal year 2020-21, the District acquired and financed iPads for students in the amount of \$1,575,267. These were previously considered a capital lease and are now reported as a financing lease for financial statement presentation purposes as a result of implementing GASB 87.

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

**IV. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**

Future minimum installment-purchase payments and the present value of the minimum installment-purchase payments as of June 30 are as follows:

<i>Fiscal year ending June 30,</i>	Principal	Interest	Total
2023	\$ 382,671	\$ 17,818	\$ 400,489
2024	391,125	9,209	400,334
2025	399,741	363	400,104
<b>Total</b>	<b>\$ 1,173,537</b>	<b>\$ 27,390</b>	<b>\$ 1,200,927</b>

**J. Long-Term Liabilities**

**1. Certificates of Participation**

The District entered into a financing arrangement on November 1, 2003, which was characterized as a master lease-purchase agreement, with the Okaloosa County School Board Leasing Corporation (Leasing Corporation) whereby the District secured financing of various educational facilities.

On November 16, 2016, the District entered into a financing agreement under and pursuant to the master lease-purchase agreement, whereby the District refunded the Certificates of Participation, Series 2006 and advanced refunded Certificates of Participation, Series 2007. The refinancing was accomplished through the issuance of \$29,393,000 in Certificate of Participation, Series 2016, to be repaid from the proceeds of rents paid by the District. The Certificates of Participation, Series 2016, has been paid in full as of November 2021.

On February 16, 2022, the District entered into a financing agreement under and pursuant to the master lease-purchase agreement, whereby the District secured financing of various educational facilities in the total amount of \$113,295,000. The financing was accomplished through the issuance of Certificates of Participation, Series 2022A, to be repaid from the proceeds of rents paid by the District.

As a condition of the financing arrangements, the District has given a ground lease on certain District property to the Leasing Corporation. The ground lease associated with the Certificate of Participation, Series 2022A, is a term certificate that ends as of the earlier of the date on which the Certificate of Participation, Series 2022A, has been paid in full or provision for its payment has been made, or October 1, 2030. The properties covered by the ground leases are, together with the improvements constructed thereon from the financing proceeds, leased back to the District. If the District fails to renew the leases and to provide for the rent payments through to term, the District may be required to surrender the sites included under the ground leases for the benefit of the securers of the Certificates for a period of time specified by the arrangements which may be up through the last day of the ground leases.

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

**IV. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**

The District properties included in the ground lease include properties at Crestview High School, Laurel Hill School, Elliott Point Elementary School, Silver Sands School, Plew Elementary School, Ruckel Middle School, Bob Sikes Elementary School, Edwins Elementary School, Wright Elementary School, Pryor Middle School, Baker School, Niceville High School, and Fort Walton Beach High School.

The lease payments are payable by the District semiannually, on October 1 and April 1 at an interest rate of 5.00 percent for the Certificate of Participation, Series 2022A. 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:

Certificates of Participation - 2022A

<i>Year Ending June 30,</i>	Principal	Interest	Total
2023	\$ 15,905,000	\$ 5,267,125	\$ 21,172,125
2024	16,720,000	4,451,500	21,171,500
2025	17,575,000	3,594,125	21,169,125
2026	9,245,000	2,923,625	12,168,625
2027	9,720,000	2,449,500	12,169,500
2028 - 2031	44,130,000	4,551,000	48,681,000
<b>Total</b>	<b>\$ 113,295,000</b>	<b>\$ 23,236,875</b>	<b>\$ 136,531,875</b>

**2. Bonds Payable**

Bonds payable at June 30, 2022, are as follows:

Bond Type	Interest Rates (Percent)	Annual Maturity To	Amount Outstanding
State School Bonds:			
Series 2017-A, Refunding	3.00 - 5.00	2028	\$ 394,000
Series 2020-A, Refunding	2.00 - 5.00	2030	69,000
District Revenue Bonds:			
Series 2011	4.75 - 5.50	2040	2,135,000
<b>Total bonds payable</b>			<b>\$ 2,598,000</b>

The various bonds were issued to finance capital outlay projects of the District. The following is a description of the bonded debt issues:

## Okaloosa County District School Board Notes to Financial Statements

### IV. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

**State School Bonds** - These bonds are issued by the SBE on behalf of the District. The bonds mature serially and are secured by a pledge of the District's portion of the State-assessed motor vehicle license tax. The State's full faith and credit is also pledged as security for these bonds. Principal and interest payments, investment of debt service fund resources, and compliance with reserve requirements are administered by the SBE and the SBA.

**District Revenue Bonds** - The District authorized the issuance of the Refunding and Revenue Bond, Series 2011, to provide funds to pay the costs of certain capital improvements and to refund the outstanding Refunding Revenue Bonds, Series 1994. These bonds are authorized by Chapters 63-587 and 78-569, Laws of Florida, Special Acts of 1978, and are secured by sales tax revenues distributed to the District pursuant to Section 212.20(6)(d)6.a., Florida Statutes. As required by the bond resolution, the District has established the sinking fund and has accumulated and maintained adequate resources in the sinking fund.

The District has pledged a combined total of \$3,386,475 of sales tax revenues in connection with the 2011 District Revenue Bonds. During the 2021-22 fiscal year, the District recognized sales tax revenues totaling \$190,750 and expended \$186,358 (97.7 percent) of these revenues for debt service directly collateralized by these revenues. The pledged sales tax revenues are committed until final maturity of the debt on July 1, 2040. Approximately 98.6 percent of this revenue stream has been pledged in connection with debt service on the revenue bonds.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2022, are as follows:

<i>For the year Ending June 30,</i>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
State School Bonds:			
2023	\$ 60,000	\$ 21,360	\$ 81,360
2024	66,000	18,570	84,570
2025	71,000	15,270	86,270
2026	76,000	11,720	87,720
2027	82,000	7,920	89,920
2028 - 2030	108,000	5,320	113,320
<b>Total State School Bonds</b>	<b>463,000</b>	<b>80,160</b>	<b>543,160</b>
District Revenue Bonds:			
2023	75,000	112,488	187,488
2024	80,000	108,925	188,925
2025	85,000	105,125	190,125
2026	85,000	101,087	186,087
2027	90,000	97,050	187,050
2028 - 2032	525,000	412,750	937,750
2033 - 2037	685,000	256,850	941,850
2038 - 2040	510,000	57,200	567,200
<b>Total District Revenue Bonds</b>	<b>2,135,000</b>	<b>1,251,475</b>	<b>3,386,475</b>
<b>Total</b>	<b>\$ 2,598,000</b>	<b>\$ 1,331,635</b>	<b>\$ 3,929,635</b>



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

**IV. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**

**3. Changes in Long-Term Liabilities**

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

Description	Balance 7/1/21	Additions	Deductions	Balance 6/30/22	Due in One Year
Bonds payable	\$ 2,724,000	\$ -	\$ (126,000)	\$ 2,598,000	\$ 135,000
Certificates of participation payable	3,424,000	113,295,000	(3,424,000)	113,295,000	15,905,000
Estimated insurance claims payable	3,140,000	456,462	(682,462)	2,914,000	459,000
Compensated absences payable	27,216,606	2,291,427	(2,785,254)	26,722,779	2,450,237
Net pension liability	198,037,159	45,613,564	(159,253,974)	84,396,749	288,430
Leases payable	-	21,054,159	(6,954,878)	14,099,281	7,012,536
Installment-purchase payable	1,702,748	-	(529,211)	1,173,537	382,671
Other post employment benefits payable	27,588,087	2,402,578	(5,865,236)	24,125,429	-
<b>Total</b>	<b>\$ 263,832,600</b>	<b>\$ 185,113,190</b>	<b>\$ (179,621,015)</b>	<b>\$ 269,324,775</b>	<b>\$ 26,632,874</b>

For the governmental activities, estimated insurance claims, compensated absences, pensions, and other postemployment benefits are generally liquidated with resources of the General Fund.

**K. 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.

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

**IV. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**

- **Assigned Fund Balance.** The assigned fund balance is the portion of fund balance that is intended to be used for specific purposes, but is neither restricted nor committed. Assigned amounts include those that have been set aside for specific purposes by an authorized government body or official, but the constraint imposed does not satisfy the criteria to be classified as restricted or committed. This category includes any remaining positive amounts, for governmental funds other than the General Fund, not classified as nonspendable, restricted, or committed. This District also classifies amounts as assigned that are constrained to be used for specific purposes based on actions of the Board and not included in other categories.
- **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. The District has a contingency reserve of \$1,511,792 established informally through the budget process that is included in the unassigned fund balance. The contingency reserve is intended to help sustain the financial stability of the District during times of emergency spending such as disaster recovery and revenue shortfalls that could potentially occur after the current year’s budget adoption.

**L. 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 funds:		
General	\$ 20,094,093	\$ -
Education Stabilization - 440	-	18,377,549
Capital Projects - Other Capital Projects	-	23,626
Nonmajor governmental funds	-	1,692,918
Total	\$ 20,094,093	\$ 20,094,093

General Fund receivables represent temporary loans to other funds to cover disbursements and will be repaid within 1 year without interest.

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

**IV. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**

**M. Revenues**

**1. Schedule of State Revenue Sources**

The following is a schedule of the District's State revenue for the 2021-2022 fiscal year:

Source	Amount
Florida education finance program	\$ 108,559,749
Categorical educational programs:	
Class size reduction	31,835,939
Transportation	6,877,905
Instructional materials	2,668,704
Voluntary prekindergarten	432,324
Digital classrooms	107,964
Workforce development program	2,417,670
Motor vehicles license tax (General Fund, Capital Outlay and Debt Service)	1,236,966
Charter school capital outlay	752,373
Sales tax distribution (s.212.20(6)(d)6a. F.S.) (Debt Service)	190,750
Department of juvenile justice supplemental	153,277
Food service supplement	102,937
Mobile home license tax	49,947
Miscellaneous	1,413,726
<b>Total</b>	<b>\$ 156,800,231</b>

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 2021 tax roll for the 2021-22 fiscal year:

	Millages	Taxes Levied
<u>General Fund</u>		
Nonvoted School Tax:		
Required local effort	3.695	\$ 83,512,686
Basic discretionary local effort	0.748	16,903,913
<u>Capital Projects Funds</u>		
Nonvoted Tax:		
Local capital improvements	1.500	33,904,361
<b>Total</b>	<b>5.943</b>	<b>\$ 134,320,960</b>

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

**IV. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**

**N. Interfund Transfers**

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

Funds	Interfund	
	Transfers In	Transfers Out
Major funds:		
General	\$ 13,048,212	\$ 71,092
Capital Projects -Other Capital Projects	71,092	1,460,467
Nonmajor governmental funds	4,150,007	15,737,752
<b>Total</b>	<b>\$ 17,269,311</b>	<b>\$ 17,269,311</b>

Transfers to the general fund from the capital projects – other capital projects fund were to fund charter school capital outlays, a charter school safety and security plan and a debt service payment. Transfers to the general fund from the non major governmental funds are for maintenance and repair of school facilities and for the lease of computers for instructional purposes. The transfers to the capital project – other capital projects fund from the general fund are for a carpentry shop at Pryor Middle School and an electronic sign at Crestview High School from donations received. The transfers to the non major governmental funds from the capital projects – other capital projects fund were for payment of debt.

**V. CONTINGENCIES**

The District is involved in several pending and threatened legal actions, including litigation through an insurance provider with multiple plaintiffs regarding allegations of not reporting instances of child abuse. In the opinion of District management, after consulting with legal counsel, the range of potential losses from these claims and actions, over any amounts covered by insurance, should not materially affect the financial condition of the District.

**Required Supplemental Information  
(Other Than MD&A)**

## Okaloosa County District School Board Budgetary Comparison Schedule: General Fund

For the year ended June 30,

2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Postive (Negative)
	Original	Final		
<b>Revenue</b>				
Intergovernmental:				
Federal direct	\$ 3,537,077	\$ 3,695,301	\$ 5,770,115	\$ 2,074,814
Federal through state	600,000	806,592	806,592	-
State sources	158,961,210	154,090,991	154,090,991	-
Local sources	99,569,032	102,549,159	104,001,281	1,452,122
<b>Total revenue</b>	<b>262,667,319</b>	<b>261,142,043</b>	<b>264,668,979</b>	<b>3,526,936</b>
<b>Expenditures</b>				
Instruction	204,116,624	188,533,899	173,315,703	15,218,196
Pupil personnel services	12,007,576	11,589,257	11,182,486	406,771
Instructional media services	1,778,009	1,848,544	1,604,010	244,534
Instructional and curriculum development	3,428,428	4,025,492	3,501,757	523,735
Instructional staff training	1,906,152	1,802,165	1,677,742	124,423
Instruction related technology	620,635	516,481	419,942	96,539
Board of education	1,330,069	2,685,200	1,337,184	1,348,016
General administration	417,847	455,434	435,850	19,584
School administration	21,942,083	23,309,365	21,975,347	1,334,018
Facilities acquisition and construction	1,072,754	2,114,750	1,218,537	896,213
Fiscal services	2,864,821	2,533,304	2,299,594	233,710
Food services	-	-	-	-
Central services	7,497,526	8,567,333	3,711,857	4,855,476
Pupil transportation services	14,696,296	13,693,795	12,698,803	994,992
Operation of plant	24,307,669	31,142,298	23,680,549	7,461,749
Maintenance of plant	7,540,631	7,626,552	6,619,035	1,007,517
Administrative technology services	3,429,713	3,291,518	3,233,287	58,231
Community services	1,872,252	2,453,304	1,080,026	1,373,278
Fixed capital outlay:				
Other capital outlay	-	561,000	561,000	-
Debt Service:				
Retirement of principal	127,480	127,480	127,480	-
Interest and fiscal charges	3,002	3,002	3,002	-
<b>Total expenditures</b>	<b>310,959,567</b>	<b>306,890,318</b>	<b>270,693,336</b>	<b>36,196,982</b>
Deficiency of revenue over expenditures	(48,292,248)	(45,748,275)	(6,024,357)	39,723,918

**Okaloosa County District School Board  
Budgetary Comparison Schedule: General Fund (Continued)**

*For the year ended June 30,*

**2022**

	<u>Budgeted Amounts</u>		<b>Actual Amounts</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Other financing sources (uses)</b>				
Loss recoveries	\$ -	\$ 69,990	\$ 69,990	\$ -
Transfers in	12,012,353	13,048,212	13,048,212	-
Transfers out	-	(71,092)	(71,092)	-
<b>Total other financing sources and (uses)</b>	<b>12,012,353</b>	<b>13,047,110</b>	<b>13,047,110</b>	<b>-</b>
Net change in fund balances	(36,279,895)	(32,701,165)	7,022,753	39,723,918
Fund balances - beginning	67,065,958	67,065,958	67,065,958	-
<b>Fund balances - ending</b>	<b>\$ 30,786,063</b>	<b>\$ 34,364,793</b>	<b>\$ 74,088,711</b>	<b>\$ 39,723,918</b>

**Okaloosa County District School Board  
Budgetary Comparison Schedule: Special Revenue Fund –  
Other Federal Programs**

*For the year ended June 30,*

**2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Postive (Negative)
	Original	Final		
<b>Revenue</b>				
Intergovernmental:				
Federal direct	\$ 1,895,417	\$ 1,894,829	\$ 1,277,376	\$ (617,453)
Federal through state and local	6,367,802	73,807,081	37,975,605	(35,831,476)
<b>Total revenue</b>	<b>8,263,219</b>	<b>75,701,910</b>	<b>39,252,981</b>	<b>(36,448,929)</b>
<b>Expenditures</b>				
Instruction	6,872,098	58,499,708	29,619,960	28,879,748
Pupil personnel services	1,911	4,130,138	1,556,862	2,573,276
Instructional media services	-	81,199	81,200	(1)
Instructional and curriculum development	21,533	1,245,513	569,645	675,868
Instructional staff training	397,137	2,145,488	382,628	1,762,860
Instruction related technology	-	10,874	10,874	-
Board		4,306	4,306	-
General administration	217,612	2,206,366	1,337,079	869,287
School administration	10,000	757,579	740,989	16,590
Facilities acquisition and construction		347,118	8,209	338,909
Fiscal services		59,959	59,959	-
Food services		438,229	438,229	-
Central services	-	99,434	96,434	3,000
Student transportation services	-	1,230,558	604,388	626,170
Operation of plant	47,875	823,529	496,000	327,529
Maintenance of plant		467,282	257,070	210,212
Administrative technology services	-	103,343	103,343	-
Community Services	695,053	2,728,590	2,563,109	165,481
Fixed capital outlay:				
Other capital outlay	-	322,697	322,697	-
<b>Total expenditures</b>	<b>8,263,219</b>	<b>75,701,910</b>	<b>39,252,981</b>	<b>36,448,929</b>
Net change in fund balances	-	-	-	-
Fund balances - beginning	-	-	-	-
<b>Fund balances - ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>



**Okaloosa County District School Board**  
**Schedule of Changes in the Total OPEB Liability and Related Ratios**

	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Service cost	\$ 1,769,076	\$ 1,732,520	\$ 395,530	\$ 382,155	\$ 367,917
Interest	633,502	601,980	569,293	592,119	605,174
Difference between expected and actual experience in OPEB liability	(1,555,373)	-	(752,956)	-	-
Changes of assumptions or other inputs	(3,663,191)	188,665	10,217,226	737,380	(571,454)
Benefit payments	(646,672)	(882,942)	(702,430)	(817,077)	(689,680)
<b>Net change in total OPEB liability</b>	<b>(3,462,658)</b>	<b>1,640,223</b>	<b>9,726,663</b>	<b>894,577</b>	<b>(288,043)</b>
<b>Total OPEB liability - beginning</b>	<b>27,588,087</b>	<b>25,947,864</b>	<b>16,221,201</b>	<b>15,326,624</b>	<b>15,614,667</b>
<b>Total OPEB liability - ending</b>	<b>\$ 24,125,429</b>	<b>\$ 27,588,087</b>	<b>\$ 25,947,864</b>	<b>\$ 16,221,201</b>	<b>\$ 15,326,624</b>
<b>Covered payroll</b>	<b>\$ 158,955,716</b>	<b>\$ 155,448,000</b>	<b>\$ 150,191,129</b>	<b>\$ 170,814,000</b>	<b>\$ 165,039,069</b>
<b>Total OPEB liability as a percentage of covered payroll</b>	<b>15.18%</b>	<b>17.75%</b>	<b>17.28%</b>	<b>9.50%</b>	<b>9.29%</b>

**Okaloosa County District School Board  
Schedule of Proportionate Share of Net Pension Liability –  
Florida Retirement System Pension Plan (1)**

(000's omitted)	2021	2020	2019	2018	2017	2016	2015	2014	2013
District's proportion of the FRS net pension liability (asset)	0.358682%	0.327374%	0.338187%	0.346571%	0.357406%	0.357619%	0.383593%	0.386000%	0.372294%
District's proportionate share of the FRS net pension liability	\$ 27,094	\$ 141,889	\$ 116,467	\$ 102,909	\$ 105,718	\$ 90,299	\$ 49,546	\$ 23,552	\$ 64,088
District's covered payroll	\$ 165,398	\$ 159,607	\$ 158,520	\$ 155,299	\$ 158,185	\$ 153,199	\$ 150,972	\$ 145,657	\$ 138,485
District's proportionate share of the FRS net pension liability as a percentage of its covered payroll	16.38%	88.90%	73.47%	66.27%	66.83%	58.94%	32.82%	16.17%	46.28%
FRS Plan fiduciary net position as a percentage of the total pension liability	96.40%	78.85%	82.61%	84.26%	83.89%	84.88%	92.00%	96.09%	88.54%

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

**Okaloosa County District School Board  
Schedule of Contributions –  
Florida Retirement System Pension Plan (1)**

(000's omitted)	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required FRS contribution	\$ 15,499	\$ 13,664	\$ 10,877	\$ 10,614	\$ 9,772	\$ 9,354	\$ 8,721	\$ 9,352	\$ 8,455
FRS contributions in relation to the contractually required contribution	(15,499)	(13,664)	(10,877)	(10,614)	(9,772)	(9,354)	(8,721)	(9,352)	(8,455)
FRS contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 168,709	\$ 165,398	\$ 159,607	\$ 158,520	\$ 155,299	\$ 158,185	\$ 153,199	\$ 150,972	\$ 145,657
FRS contributions as a percentage of covered payroll	9.19%	8.26%	6.81%	6.70%	6.29%	5.91%	5.69%	6.19%	5.80%

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

**Okaloosa County District School Board  
Schedule of Proportionate Share of Net Pension Liability –  
Health Insurance Subsidy Pension Plan (1)**

(000's omitted)	2021	2020	2019	2018	2017	2016	2015	2014	2013
District's proportion of the FRS net pension liability (asset)	0.467145%	0.459864%	0.473929%	0.475469%	0.496239%	0.496237%	0.497785%	0.490540%	0.476803%
District's proportionate share of the FRS net pension liability	\$ 57,302	\$ 56,149	\$ 53,028	\$ 50,324	\$ 53,060	\$ 57,834	\$ 50,766	\$ 45,867	\$ 41,512
District's covered payroll	\$ 165,398	\$ 159,607	\$ 158,520	\$ 155,299	\$ 158,185	\$ 153,199	\$ 150,972	\$ 145,657	\$ 138,485
District's proportionate share of the FRS net pension liability as a percentage of its covered payroll	34.65%	35.18%	33.45%	32.40%	33.54%	37.75%	33.63%	31.49%	29.98%
FRS Plan fiduciary net position as a percentage of the total pension liability	3.56%	3.00%	2.63%	2.15%	1.64%	0.97%	0.50%	0.99%	1.78%

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

**Okaloosa County District School Board  
Schedule of Contributions –  
Health Insurance Subsidy Pension Plan (1)**

(000's omitted)	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required FRS contribution	\$ 2,801	\$ 2,746	\$ 2,650	\$ 2,631	\$ 2,578	\$ 2,626	\$ 2,544	\$ 1,903	\$ 1,680
FRS contributions in relation to the contractually required contribution	<u>(2,800)</u>	<u>(2,746)</u>	<u>(2,650)</u>	<u>(2,631)</u>	<u>(2,578)</u>	<u>(2,626)</u>	<u>(2,544)</u>	<u>(1,903)</u>	<u>(1,680)</u>
FRS contribution deficiency (excess)	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 168,709	\$ 165,398	\$ 159,607	\$ 158,520	\$ 155,299	\$ 158,185	\$ 153,199	\$ 150,972	\$ 145,657
FRS contributions as a percentage of covered payroll	1.66%	1.66%	1.66%	1.66%	1.66%	1.66%	1.66%	1.26%	1.15%

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

## Okaloosa County District School Board Notes to Required Supplementary Information

### **NOTE 1: BUDGETARY BASIS OF ACCOUNTING**

The Board follows procedures established by State statutes 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 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, pupil personnel services, and school administration) and may be amended by resolution at any Board meeting prior to the due date for the annual financial report.
- Budgets are prepared using the same modified accrual basis as is used to account for governmental funds.
- Budgetary information is integrated into the accounting system, and, to facilitate budget control, budget balances are encumbered when purchase orders are issued. Appropriations lapse at fiscal year-end, and encumbrances outstanding are honored from the subsequent year's appropriations.

### **NOTE 2: SCHEDULE OF CHANGE IN DISTRICT’S TOTAL OTHER POSTEMPLOYMENT BENEFITS LIABILITY AND RELATED RATIOS**

*Change of Assumptions.* The change in the discount rate from 2.16 percent as of the beginning of the measurement period to 3.54 percent as of the end of the measurement period. This change is reflected in the Schedule of Changes in Total OPEB Liability and related ratios.

No assets are accumulated in a trust to pay related benefits.

### **NOTE 3: SCHEDULE OF NET PENSION LIABILITY AND SCHEDULE OF CONTRIBUTIONS - FLORIDA RETIREMENT SYSTEM PENSION PLAN**

*Changes of Assumptions.* The long-term expected rate of return stayed the same 6.8 percent from last year to this year, and the mortality assumption stayed at the PUB-2010 base table, projected generationally with Scale MP-2018.

### **NOTE 4: SCHEDULE OF NET PENSION LIABILITY AND SCHEDULE OF CONTRIBUTIONS - HEALTH INSURANCE SUBSIDY PENSION PLAN**

*Changes of Assumptions.* The municipal bond rate used to determine total pension liability decreased from 2.21 percent to 2.16 percent.

## **Other Information**

## Okaloosa County District School Board Schedule of Expenditures of Federal Awards

	Assistance Listing Number	Pass - Through Grantor Number	Amount Provided To Subrecipients	Amount of Expenditures (Note 1)
<b>Clustered</b>				
<b>Child Nutrition Cluster:</b>				
United States Department of Agriculture:				
Florida Department of Agriculture and Consumer Services:				
School Breakfast Program	10.553	22002	-	\$ 2,892,693
National School Lunch Program (Note 2)	10.555	22001, 22003	-	15,077,722
Summer Food Service Program for Children	10.559	22006, 22007	-	339,603
<b>Total Child Nutrition Cluster</b>			-	<b>18,310,018</b>
<b>Student Financial Assistance Cluster:</b>				
United States Department of Education:				
Federal Pell Grant Program	84.063	N/A	-	722,062
<b>Total Student Financial Assistance Cluster</b>			-	<b>722,062</b>
<b>Special Education Cluster:</b>				
United States Department of Education:				
Florida Department of Education:				
Special Education - Grants to States	84.027	263	-	6,253,444
Special Education - Grants to States - ARP	84.027X	263	-	44,100
<b>Total Special Education - Grants to States</b>	<b>84.027</b>			<b>6,297,544</b>
Special Education - Preschool Grants	84.173	267	-	196,347
Special Education - Preschool Grants - ARP	84.173X	267	-	64,613
<b>Total Special Education - Preschool Grants</b>	<b>84.173</b>			<b>260,960</b>
<b>Total Special Education Cluster</b>			-	<b>6,558,504</b>
<b>Child Care and Development Fund Cluster</b>				
United States Department of Health and Human Services:				
Early Learning Coalition of Okaloosa and Walton Counties:				
Child Care and Development Block Grant	93.575	none	-	122,140
<b>Total Forest Schools and Roads Cluster</b>			-	<b>122,140</b>
<b>Not Clustered</b>				
<b>United States Department of Agriculture:</b>				
Florida Department of Financial Services:				
Schools and Roads - Grants to States	10.665	None	-	11,783
<b>Total United States Department of Agriculture</b>			-	<b>11,783</b>
<b>United States Department of Defense:</b>				
Public Law 110-417	12.U01	N/A	-	1,334,599
Public Law 106-398	12.U02	N/A	-	70,436
Air Force Junior Reserve Officers Training Corps	12.U03	N/A	-	248,076
Army Junior Reserve Officers Training Corps	12.U04	N/A	-	138,723
Competitive Grants: Promoting K-12 Student Achievement at Military-Connected Schools	12.556	N/A	-	673,112
Basic, Applied, and Advanced Research in Science and Engineering	12.630	N/A	-	35,284
<b>Total United States Department of Defense</b>			-	<b>2,500,230</b>

(continued)

*See accompanying notes to schedule of expenditures of federal awards*



## Okaloosa County District School Board Schedule of Expenditures of Federal Awards

	Assistance Listing Number	Pass - Through Grantor Number	Amount Provided To Subrecipients	Amount of Expenditures (Note 1)
<b>United States Department of Education:</b>				
Impact Aid (Note 3)	84.041	N/A	120,935	3,977,292
COVID-19 Education Stabilization Fund	84.425			
Higher Education Emergency Relief Funds - Student Aid Portion	84.425E	N/A		695,053
Higher Education Emergency Relief Funds - Institutional Portion	84.425F	N/A		568,990
Higher Education Emergency Relief Funds - Fund for the Improvement of Postsecondary Education	84.425N	N/A		13,333
Florida Department of Education:				
Governor's Emergency Education Relief Fund	84.425C	123		157,409
Elementary and Secondary School Emergency Relief Fund	84.425D	124	35,581	16,063,147
ARP ESSER	84.425U	121	39,754	21,524,196
<b>Total COVID-19 Education Stabilization Fund</b>			<b>75,335</b>	<b>39,022,128</b>
Florida Department of Education:				
Adult Education and Family Literacy	84.002	191	-	32,997
Title I Grants to Local Educational Agencies	84.010	212, 223	302,122	6,894,989
Career and Technical Education - Basic Grants to St:	84.048	161	-	468,977
Education for Homeless Children and Youth	84.196	127	-	51,850
Charter Schools	84.282	298	466,285	466,285
English Language Acquisition State Grants	84.365	102	-	349,082
Supporting Effective Instruction State Grants	84.367	224	-	999,267
Student Support and Academic Enrichment Program	84.424	241	500	498,278
<b>Total United States Department of Education</b>			<b>965,177</b>	<b>52,761,145</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 965,177</b>	<b>\$ 80,985,882</b>

*See accompanying notes to schedule of expenditures of federal awards*

## Okaloosa County District School Board Notes to the Schedule of Expenditures of Federal Awards

### Notes:

- (1) Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the Federal award activity of the Okaloosa County District School Board under programs of the Federal Government for the fiscal year ended June 30, 2022. The information in the 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 or changes in net position of the District.

The District does not have any federal loans or loan guarantees relating to federal awards.

The District does not provide, purchase, or sell any federally funded insurance.

- (2) Summary of Significant Accounting Policies – Expenditures reported in 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's cognizant agency is Florida Department of Education (FLDOE). For the year 2021-2022, FLDOE approved a restricted indirect cost rate of 4.57%. As a result of the approved indirect cost rate, the District does not have the option to elect the 10 percent de minimis rate in accordance with Uniform Guidance.
- (4) Noncash Assistance – National School Lunch Program – Includes \$976,492 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 include \$3,977,292 for grant number/program year S041B-2022-1256.

## **Compliance Section**

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

To the Okaloosa County District School Board and  
Marcus Chambers, Superintendent of Schools  
Fort Walton Beach, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Okaloosa County District School Board, Florida (hereinafter referred to as the "District"), as of and for the year ended June 30, 2022, 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 27, 2023. Our report includes a reference to other auditors who have audited the financial statements of certain charter schools included as discretely presented component units 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.

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

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

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

deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

### **Purpose of this Report**

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

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

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida

March 27, 2023

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

To the Okaloosa County District School Board and  
Marcus Chambers, Superintendent of Schools  
Fort Walton Beach, Florida

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

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

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

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

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements

of laws, statutes, regulation, rules, and provisions fo contracts or grant agreements applicable to the District’s federal program.

### ***Auditors’ Responsibilities for the Audit of Compliance***

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

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

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

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

### **Report on Internal Control over Compliance**

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

*deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

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

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida

March 27, 2023



**Okaloosa County District School Board  
Schedule of Findings and Questioned Costs  
June 30, 2022**

**SUMMARY OF AUDITORS' RESULTS**

*Financial Statements*

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_ yes    X no
- Significant deficiency(es) identified? \_\_\_ yes    X none noted

Noncompliance material to financial statements noted? \_\_\_ yes    X no

*Federal Awards*

Internal control over major federal programs:

- Material weakness(es) identified? \_\_\_ yes    X no
- Significant deficiency(es) identified? \_\_\_ yes    X none noted

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Part 200.516(a)? \_\_\_ yes    X none noted

Identification of major federal programs:

<b>Assistance Listing Number</b>	<b>Program Name</b>
12.U01	Public Law 110-417
84.027/84.173	Special Education Cluster
84.425	COVID-19 - Education Stabilization Fund

The dollar threshold used to distinguish between type A and B programs was \$2,429,576 for major federal programs.

Auditee qualified as a low-risk auditee for federal purposes? X yes    \_\_\_ no

**Okaloosa County District School Board  
Schedule of Findings and Questioned Costs  
June 30, 2022**

**FINANCIAL STATEMENT FINDINGS**

None noted

**FEDERAL AWARD FINDINGS**

None noted

## Okaloosa County District School Board Summary Schedule of Prior Audit Findings

Listed below is the District's summary of the status of prior audit findings on Federal Programs:

<b>Audit Report and Schedule Paragraph No.</b>	<b>Program/Area</b>	<b>Brief Description</b>	<b>Status</b>
--	---------------------	--------------------------	---------------

---

Not applicable, none noted



**Carr, Riggs & Ingram, LLC**  
Certified Public Accountants  
500 Grand Boulevard  
Suite 210  
Miramar Beach, Florida 32550

(850) 837-3141  
(850) 654-4619 (fax)  
CRlcpa.com

## **MANAGEMENT LETTER**

To the Okaloosa County District School Board and  
Marcus Chambers, Superintendent of Schools  
Fort Walton Beach, Florida

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

We have audited the financial statements of the Okaloosa County District School Board, Florida (“the District”) as of and for the fiscal year ended June 30, 2022, and have issued our report thereon dated March 27, 2023.

### **Auditors’ Responsibility**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of *Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.800, Rules of the Auditor General.

### **Other Reporting Requirements**

We have issued our Independent Auditors’ Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*, Independent Auditors’ Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance, Schedule of Findings and Questioned Costs, and our Independent Accountant’s Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.800, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated March 27, 2023, should be considered in conjunction with this management letter.

### **Prior Audit Findings**

Section 10.804(1)(f)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. The District did not have any prior year audit findings.

### **Financial Condition and Management**

Section 10.804(1)(f)2., Rules of the Auditor General, requires us to communicate whether or not the Okaloosa County District School Board has met one or more of the conditions described in Section

218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the Okaloosa County District School Board did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

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

### **Transparency**

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

### **Additional Matters**

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

### **Purpose of this Letter**

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

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

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida  
March 27, 2023



**Carr, Riggs & Ingram, LLC**  
Certified Public Accountants  
500 Grand Boulevard  
Suite 210  
Miramar Beach, Florida 32550

(850) 837-3141  
(850) 654-4619 (fax)  
CRlcpa.com

**ATTESTATION REPORT ON COMPLIANCE WITH  
SECTION 218.415 FLORIDA STATUTES**

To the Okaloosa County District School Board and  
Marcus Chambers, Superintendent of Schools  
Fort Walton Beach, Florida

We have examined the Okaloosa County District School Board, Florida's compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended June 30, 2022. Management of the District is responsible for the District's compliance with the specified requirements. Our responsibility is to express an opinion on the District's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the District complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the District complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

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

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2022.

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

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

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida  
March 27, 2023