



**Okaloosa County District School Board**

**FINANCIAL STATEMENTS**

**June 30, 2023**

**Okaloosa County District School Board**  
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Carr, Riggs & Ingram, LLC  
189 Eglin Parkway NE  
2nd Floor  
Fort Walton Beach, FL 32548

850.244.8395  
850.243.5024 (fax)  
CRlcpa.com

## **INDEPENDENT AUDITOR'S REPORT**

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, 2023, 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, 2023, 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, 92 percent, and 98 percent, respectively, of the assets, net position, and revenue of the aggregate discretely presented component units as of June 30, 2023, 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 Auditor's 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.

### ***Emphasis of Matter***

As discussed in Note II to the financial statements, the District implemented Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*, which is a change in accounting principle that addresses accounting and financial reporting for transactions that meet that definition. This affects the comparability of amounts reported for the 2022-23 fiscal year with amounts reported for the 2021-22 fiscal year. Our opinion is not modified with respect to this matter.

### ***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.

### ***Auditor's 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 auditor's 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 25, 2024, 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

Fort Walton Beach, Florida

March 25, 2024

## **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, 2023. 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 2022-23 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, 2023, by \$141,155,218 (net position). Of this amount, \$131,998,100 represents a deficit unrestricted net position which has decreased by 6.48 percent from last year's deficit unrestricted net position.
- The District's total net position increased by \$34,687,647, or 32.58 percent, from last fiscal year's unadjusted net position.
- General revenues total \$429,796,651, or 95.17 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$21,789,743, or 4.83 percent of all revenues.
- Expenses total \$416,898,747. Only \$21,789,743 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 \$14,458,928 at June 30, 2023, or 5.03 percent of the total General Fund expenditures at June 30, 2023, as compared to the 2021-22 fiscal year unassigned fund balance of \$14,225,983.
- General Fund expenditures exceeded revenues by \$3,316,121.

### 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 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

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

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 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

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

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.

**Proprietary Funds:** Proprietary funds may be established to account for activities in which a fee is charged for services. Internal service funds are used to report activities that provide goods and services to support the District's other programs and functions through user charges. The District uses an internal service fund to account for the District's self-insurance program. Since these services predominantly benefit governmental rather than business-type activities, the internal service fund has been included within governmental activities in the government-wide financial statements.

**Fiduciary Funds:** Fiduciary funds are used to report assets held in a trustee or fiduciary capacity for the benefit of external parties. 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 for 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, 2023, compared to net position as of June 30, 2022:

#### Net Position, End of Year

	Governmental Activities		
	6/30/2023	6/30/2022	Increase (Decrease)
Current and Other Assets	\$ 247,867,948	\$ 261,750,071	\$ (13,882,123)
Capital Assets	225,621,124	191,172,073	34,449,051
<b>Total Assets</b>	<b>473,489,072</b>	<b>452,922,144</b>	<b>20,566,928</b>
Deferred Outflows of Resources	61,628,360	56,624,190	5,004,170
Long-term Liabilities	346,562,404	269,324,775	77,237,629
Other Liabilities	18,353,772	11,966,759	6,387,013
<b>Total Liabilities</b>	<b>364,916,176</b>	<b>281,291,534</b>	<b>83,624,642</b>
Deferred Inflows of Resources	29,046,038	121,787,229	(92,741,191)
Net Investment in Capital Assets	205,390,314	183,138,940	22,251,374
Restricted	67,763,004	64,468,996	3,294,008
Unrestricted	(131,998,100)	(141,140,365)	9,142,265
<b>Total Net Position</b>	<b>\$ 141,155,218</b>	<b>\$ 106,467,571</b>	<b>\$ 34,687,647</b>

The largest portion of the District's net position reflects its \$205,390,314 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, \$67,763,004, represents resources that are subject to external restrictions on how they may be used. The unrestricted net position, a deficit of \$131,998,100, 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 2014-2015 financial statements for GASB Statement No 68 and Note II of the 2017-2018 financial statements for the GASB Statement No 75.

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

The key elements of the changes in the District's net position for the fiscal years ended June 30, 2023, and June 30, 2022, are as follows:

	<b>Governmental Activities</b>		
	<u>6/30/2023</u>	<u>6/30/2022</u>	<u>Increase (Decrease)</u>
<b>Program Revenue:</b>			
Charges for Services	\$ 7,299,714	\$ 3,868,896	\$ 3,430,818
Operating Grants and Contributions	11,827,078	18,412,955	(6,585,877)
Capital Grants and Contributions	2,662,951	2,625,714	37,237
<b>General Revenues:</b>			
Property Taxes Levied for Operational Purposes	106,213,865	96,758,002	9,455,863
Property Taxes Levied for Capital Projects	39,063,438	32,666,412	6,397,026
Local Sales Tax	32,929,623	30,865,800	2,063,823
Grants and Contributions Not Restricted to Specific Purposes	224,408,963	217,543,241	6,865,722
Unrestricted Investment Earnings	7,871,400	267,347	7,604,053
Miscellaneous	19,309,362	16,619,113	2,690,249
<b>Total Revenue</b>	<b>451,586,394</b>	<b>419,627,480</b>	<b>31,958,914</b>
<b>Functions/Program Expenses:</b>			
Instruction (1)	224,258,217	204,387,043	19,871,174
Pupil Personnel Services	17,142,855	13,036,696	4,106,159
Instructional Media Services	1,943,507	1,614,478	329,029
Instruction and Curriculum Development Services	6,553,375	5,521,544	1,031,831
Instructional Staff Training	5,740,151	3,375,566	2,364,585
Instruction Related Technology	379,866	414,526	(34,660)
Board of Education	1,172,607	1,295,166	(122,559)
General Administration	2,324,663	2,304,308	20,355
School Administration	23,176,398	18,562,459	4,613,939
Facilities Acquisition and Construction	29,121,732	29,267,163	(145,431)
Fiscal Services	2,510,905	2,195,249	315,656
Food Services	15,745,726	15,597,553	148,173
Central Services	3,946,586	2,718,168	1,228,418
Pupil Transportation Services	15,274,617	12,951,126	2,323,491
Operation of Plant	26,936,268	23,880,994	3,055,274
Maintenance of Plant	7,477,261	6,715,357	761,904
Administrative Technology Services	3,360,183	3,172,469	187,714
Community Services (1)	15,755,384	15,897,836	(142,452)
Interest on Long-Term Debt	3,876,074	1,986,230	1,889,844
Unallocated Depreciation Expense	10,202,372	15,524,802	(5,322,430)
<b>Total Functions/Program Expenses</b>	<b>416,898,747</b>	<b>380,418,733</b>	<b>36,480,014</b>
<b>Increase (Decrease) in Net Position</b>	<b>\$ 34,687,647</b>	<b>\$ 39,208,747</b>	<b>\$ (4,521,100)</b>

(1) In 2022-23, certain prior year amounts were reclassified above for presentation and comparative purposes. The Internal Funds expenditures reported in 2021-22 were split between instructional and community services whereas in 2022-23, the expenditures are reported all as community services. Community services is a better funding as these activities are not directly

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

related to instruction in the classroom. These funds are generated from the community – parents, PTAs, athletic events, club activities, etc. The District will be reporting in this manner from this point forward.

The largest revenue source is the State of Florida (36.06 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 49.69 percent of total governmental revenues in the 2022-23 fiscal year. Grants and contributions not restricted to specific programs increased by \$6,865,722, or 3.16 percent, due primarily to an increase in the allocations for FEFP, Florida school recognition program funds, and Individual with Disabilities Education Act funds.

Property tax revenues increased by \$15,852,889, or 12.25 percent, as a result of an increase in property values although the local effort millage rate decreased by 9.85 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 \$32,929,663 in 2022-23 fiscal year, which was an increase of \$2,063,823 or 6.69 percent due primarily to the new levy being effective the entire 2022-23 fiscal year.

Instructional expenses represent 53.79 percent of total governmental expenditures in the 2022-23 fiscal year. Instructional expenses increased by \$19,871,174, or 9.72 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.

Community service expenses decreased by \$142,452 or 0.9 percent due primarily to the inclusion of the School Internal Funds reporting in the community service functional expense under a special revenue fund as in 2021-22 from adopting GASB 84, as report in prior year Note II Accounting Changes.

Unallocated depreciation expense decreased by \$5,322,430 or 34.28 percent due to the District's change in capitalization threshold during the 2022-23 fiscal year.

### 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 2022-23 fiscal year, the total fund balance is \$85,212,814, an increase of \$11,124,103 over the 2021-22 fiscal year. Of the total fund balance, \$126,236 is nonspendable, \$12,325,426 is restricted for encumbrances and State required carryover programs, \$58,302,224 is assigned, and \$14,458,928 is unassigned.

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

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

- State revenues increased by \$5,998,742 in the 2022-23 fiscal year. The District's traditional school enrollment had a slight increase of 41.92 weighted FTE; however, this was reduced by 93.83 lower weighted FTE in online schools. The charter schools increased 214.52 weighted FTE for a District total increase of 162.61 weighted FTE, or 0.48% of the 2021-2022 fiscal year. The District received an increase in the net Base Student Allocation (Base Student Allocation times District Cost Differential) of \$206.66 per weighted FTE. The increase was larger than normal in order to comply with the mandate that all District employees receive a minimum wage of \$15.00 per hour. This increase in net Base Student Allocation should have equated to approximately \$7.0 million; however, due to the method in which the State "passed through" the funding of the 1,649.66 weighted FTE in Family Empowerment Scholarships, the increase to the FEFP Base Funding was only \$3.8 million. This increase was funded by a combination of a decrease of \$2.3 million from the State and an increase in Required Local Effort of \$6.1 million. The State FEFP increases were Safe Schools (\$0.3 million), ESE Guarantee (\$0.4 million), Reading Instruction (\$0.4 million), Teacher Salary Increase (\$2.7 million), Transportation (\$0.9 million), Mental Health (\$0.2 million), and School Recognition (\$2.1 million). These increases combined with the decrease of \$2.3 million in net Base Student Allocation accounted for \$4.7 million of the \$6.0 million State revenue increase. Other major increases were Voluntary Pre-Kindergarten Program at \$0.2 million and additional grants in the amount of \$0.8 million.
- Total expenditures increased by \$16,846,900 or 6.22 percent. Salaries increased in all areas more so than usual due to the Teacher Salary Increase allocation and the mandate that the District raise all employees to a minimum of \$15.00 per hour. Florida Retirement contribution rates also continue to rise. The Instruction category accounted for \$7.8 million of the increase, salaries accounting for approximately \$1.2 million increase, substitute teacher costs increased by \$2.3 million, and professional services, which includes charter schools, increased by \$3.3 million. Instruction and Curriculum Development Services increased by \$0.6 million primarily due to an increase in supplies of \$0.5 million. The increase of \$1.1 million in School Administration was primarily due to salaries and retirement (\$1.0 million). Central Services increased by \$0.6 million due to salaries and retirement (\$0.2 million), professional services (\$0.1 million), and substitute expenditures (\$0.2 million). The increase of \$2.1 million in Pupil Transportation Services was primarily due to salary and retirement increases (\$1.1 million), professional services (\$0.4 million), and diesel fuel (\$0.3 million). Operation of Plant increased \$3.1 million due to salaries and retirement (\$0.9 million) and utilities (\$2.0 million). The last major increase was to Maintenance of Plant in the amount of \$0.5 million which was primarily salary and retirement increases.

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 \$36,813,002 each. Because grant revenues are not recognized until expenditures are incurred, this fund generally does not accumulate a fund balance.



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

The Capital Projects – Other Capital Projects Fund must be used for the acquisition, construction, and maintenance of capital assets. The District also transfers capital funds to debt service to pay for its Certificates of Participation (COPs) and to general to pay for instructional computers, maintenance expenditures, and charter school capital outlay provided by the State. Other Capital Projects Fund had a larger than normal total fund balance of \$102,868,299 due to the sale of COPs in February 2022 for \$128.0 million. The COPs are a financing method which allows the District to fund projects in advance. These COPs were sold to finance sales tax projects and will be redeemed/paid off over the nine year life of the half-cent sales tax referendum. All COP projects must be completed with three years; therefore there will be a large decrease in fund balance each year as these fund are expended. For example, the fund balance for fiscal year 2022-23 decreased by \$37,868,409 due to expenditures of the COP funds and other capital funding.

### **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 2022-23 fiscal year, the District amended its General Fund budget several times, which resulted in a decrease in total budgeted revenues of \$3,402,231, or 1.19 percent. At the same time, final budgeted expenditures were more than the original budgeted amounts by \$57,339 or 0.02 percent. Final budgeted ending fund balance increased by \$478,712, or 5.69 percent more than the original budgeted fund balance.

Actual revenues are 0.79 percent greater than the final budgeted amounts while actual expenditures are 15.11 percent less than final budgeted amounts. The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by \$93,143,862, whereas the actual fund balance increased by \$11,124,103 or 15.01 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, 2023, is \$225,621,124 (net of accumulated depreciation). This investment in capital assets includes land; construction in progress; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; lease assets; subscription-based IT arrangements; 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.



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

### Long-term Debt

At June 30, 2023, the District had total long-term debt outstanding of \$100,643,865, composed of \$2,463,000 of bonds payable, \$97,390,000 of certificates of participation payable, and \$790,865 of capital leases payable. During the current fiscal year, the District did not issue any new debt, and retirement of debt was \$16,422,671.

Additional information on the District's long-term debt can be found in Notes IV.H.2 through IV.I.3 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 operation depends on State revenue sources, primarily FEFP monies administered by the Florida Department of Education under the provisions of Section 1011.62, Florida Statutes. In accordance with this law, the District receives FEFP monies based on the number of full-time equivalent (FTE) students. The fiscal year 2022-2023 projected increase when compared to actual results for fiscal year 2021-2022 was approximately 531 unweighted FTE (UFTE): an increase of 206 UFTE for traditional District schools, a decrease of 77 UFTE for online schools, an increase of 226 UFTE for charter schools, and an increase of 176 UFTE to be paid out in Family Empowerment Scholarships (FES). The large increase in charter schools was primarily due to the expansion of Destin High School and Northwest Florida State Collegiate High School. The actual increase in FTE was approximately 495: an increase of 62 UFTE for traditional District schools, a decrease of 86 UFTE for online schools, an increase of 213 UFTE for charter schools, and an increase of 306 UFTE for FES. The increase in District traditional schools was not as large as anticipated, most likely due to the expansion of the Family Empowerment Scholarship program as shown by the corresponding increase in that program. The funds generated by FES in Base Funding and Category 1 is taken back by the State entirely from the Base Funding. This has caused a hardship for Florida School Districts as the operating budgets are being disproportionately reduced.

The Coronavirus Aid, Relief, and Economic Security Act (CARES) Elementary and Secondary School Emergency Relief (ESSER), Coronavirus Response and Relief Supplemental Appropriates (CRRSA) ESSER II, and American Rescue Plan Act (ARP) ESSER III funding provided financial resources beyond the normal federal and state assistance received. These funds were used to add positions and resources to help students overcome the learning losses experienced due to COVID, such as additional tutoring, additional software, and additional professional development. In addition, the District utilized the funds to continue to employ staff and purchase new State-adopted textbooks for all students.

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

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

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 expansion of Destin High School Charter School and NWFSC Collegiate High School accounted for an increase of approximately 213 UFTE. This reduced the District's enrollment and the result of the financial impact is approximately \$1.6 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 exploring an additional campus, and the Family Empowerment Scholarships are continuing to expand. This could cause additional reductions in District school enrollment.

### **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,

2023

	<b>Primary Government</b>	
	<b>Governmental Activities</b>	<b>Component Units</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 148,617,263	\$ 14,569,805
Investments	68,842	-
Accounts receivable	393,717	58,634
Due from other agencies	9,258,567	186,345
Deposits	100,000	500
Cash with fiscal agent	88,863,783	-
Inventory	565,776	-
Capital assets, net	225,621,124	34,209,927
Total assets	473,489,072	49,025,211
<b>Deferred outflows of resources</b>		
Pension	61,624,591	2,070,178
Other postemployment benefits	3,769	-
Total deferred outflows of resources	61,628,360	2,070,178
<b>Liabilities</b>		
Salaries and wages payable	4,961,401	173,249
Accounts payable and accrued expenses	3,409,416	406,846
Accrued interest payable	16,752	353,606
Due to other agencies	1,371	-
Construction contracts payable	5,549,450	-
Construction contracts retainage payable	4,302,550	-
Unearned revenues	112,832	10,000
Long-term liabilities:		
Portion due within one year	27,760,228	454,764
Portion due after one year	318,802,176	45,932,907
Total liabilities	364,916,176	47,331,372
<b>Deferred inflows of resources</b>		
Pension	13,008,757	281,640
Other postemployment benefits	2,070,990	-
Deficit net carrying amount of debt refunding	13,966,291	-
Total deferred inflows of resources	29,046,038	281,640
<b>Net position</b>		
Net investment in capital assets	205,390,314	(7,570,152)
Restricted for:		
State categorical programs	12,325,426	-
Food service	11,153,014	138,927
Capital projects	37,673,529	801,523
Debt service	113,573	7,254,492
Other projects	6,497,462	147,781
Unrestricted	(131,998,100)	2,709,806
Total net position	\$ 141,155,218	\$ 3,482,377

*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,

2023

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		Governmental Activities	Component Units	
<b>Primary government</b>								
Governmental Activities								
Instruction	\$ 224,258,217	\$ 2,887,688	\$ -	\$ -	\$ -	\$ (221,370,529)	\$ -	
Pupil personnel services	17,142,855	-	-	-	-	(17,142,855)	-	
Instructional media services	1,943,507	-	-	-	-	(1,943,507)	-	
Instruction and curriculum development	6,553,375	-	-	-	-	(6,553,375)	-	
Instructional staff training	5,740,151	-	-	-	-	(5,740,151)	-	
Instruction related technology	379,866	-	-	-	-	(379,866)	-	
School board	1,172,607	-	-	-	-	(1,172,607)	-	
General administration	2,324,663	-	-	-	-	(2,324,663)	-	
School administration	23,176,398	-	-	-	-	(23,176,398)	-	
Facilities acquisition and construction	29,121,732	-	-	2,391,961	-	(26,729,771)	-	
Fiscal services	2,510,905	-	-	-	-	(2,510,905)	-	
Food services	15,745,726	3,967,882	11,827,078	-	-	49,234	-	
Central services	3,946,586	-	-	-	-	(3,946,586)	-	
Pupil transportation services	15,274,617	444,144	-	-	-	(14,830,473)	-	
Operation of plant	26,936,268	-	-	-	-	(26,936,268)	-	
Maintenance of plant	7,477,261	-	-	-	-	(7,477,261)	-	
Administrative technology services	3,360,183	-	-	-	-	(3,360,183)	-	
Community services	15,755,384	-	-	-	-	(15,755,384)	-	
Interest on long-term debt	3,876,074	-	-	270,990	-	(3,605,084)	-	
Unallocated depreciation/amortization expense	10,202,372	-	-	-	-	(10,202,372)	-	
<b>Total governmental activities</b>	<b>\$ 416,898,747</b>	<b>\$ 7,299,714</b>	<b>\$ 11,827,078</b>	<b>\$ 2,662,951</b>	<b>\$ -</b>	<b>(395,109,004)</b>	<b>-</b>	

(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,

2023

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	\$ 20,317,608	\$ 697,512	\$ 3,184,132	\$ 824,792	-	(15,611,172)
Total component units	\$ 20,317,608	\$ 697,512	\$ 3,184,132	\$ 824,792	-	(15,611,172)

**General revenues:**

Taxes:	
Property taxes, levied for general purposes	106,213,865 -
Property taxes, levied for capital projects	39,063,438 -
Local sales taxes	32,929,623
Grants and contributions not restricted to specific programs	224,408,963 14,987,317
Investment earnings	7,871,400 366
Miscellaneous	19,309,362 121,063
Total general revenues	429,796,651 15,108,746
Change in net position	34,687,647 (502,426)
Net position - beginning	106,467,571 3,930,958
Adjustments to net position	- 53,845
Net position - ending	\$ 141,155,218 \$ 3,482,377

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

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

June 30,	2023				
	General Fund	Federal Education Stabilization	Other Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 82,463,293	\$ -	\$ 24,825,506	\$ 41,328,464	\$ 148,617,263
Investments	-	-	-	68,842	68,842
Accounts receivable	384,088	-	-	9,629	393,717
Due from other agencies	3,106,409	2,265,434	3,091,708	795,017	9,258,568
Due from other funds	5,981,216	-	-	-	5,981,216
Deposits	100,000	-	-	-	100,000
Cash with fiscal agent	-	-	88,855,464	8,319	88,863,783
Inventory	126,236	-	-	439,540	565,776
<b>Total assets</b>	<b>\$ 92,161,242</b>	<b>\$ 2,265,434</b>	<b>\$ 116,772,678</b>	<b>\$ 42,649,811</b>	<b>\$ 253,849,165</b>
<b>Liabilities and fund balances</b>					
Liabilities:					
Salaries, benefits and payroll taxes payable	\$ 4,961,401	\$ -	\$ -	\$ -	\$ 4,961,401
Accounts payable	1,877,458	92,998	923,930	515,030	3,409,416
Accrued interest payable	-	-	-	16,752	16,752
Due to other agencies	-	-	-	1,371	1,371
Due to other funds	-	2,172,436	3,247,849	560,931	5,981,216
Construction contracts payable	3,577	-	5,454,959	90,914	5,549,450
Construction contracts - retainage	167	-	4,270,634	31,750	4,302,551
Unearned revenues	105,825	-	7,007	-	112,832
<b>Total liabilities</b>	<b>6,948,428</b>	<b>2,265,434</b>	<b>13,904,379</b>	<b>1,216,748</b>	<b>24,334,989</b>
Deferred inflows of resources:					
Deferred revenue	-	-	-	-	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fund balances:					
Nonspendable:					
Inventory	126,236	-	-	439,540	565,776
Restricted for:					
State carryover programs	11,681,777	-	-	-	11,681,777
Debt service funds	-	-	-	113,573	113,573
Capital projects	-	-	102,868,299	23,669,014	126,537,313
Encumbrances	643,649	-	-	-	643,649
School food service and internal funds	-	-	-	17,210,936	17,210,936
Assigned for:					
School/department carryover, FTE, and non-state carryover	53,444,450	-	-	-	53,444,450
Retirement, Self Insurance, and Encumbrances	4,857,774	-	-	-	4,857,774
Unassigned	14,458,928	-	-	-	14,458,928
<b>Total fund balances</b>	<b>85,212,814</b>	<b>-</b>	<b>102,868,299</b>	<b>41,433,063</b>	<b>229,514,176</b>
<b>Total liabilities and fund balances</b>	<b>\$ 92,161,242</b>	<b>\$ 2,265,434</b>	<b>\$ 116,772,678</b>	<b>\$ 42,649,811</b>	<b>\$ 253,849,165</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>2023</b>
Total fund balances, governmental funds	\$ 229,514,176
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	225,621,124
Long term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds	(346,562,404)
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	61,624,591
Deferred inflows of resources related to pensions	(13,008,757)
Deferred outflows of resources related to other postemployment benefits	3,769
Deferred inflows of resources related to other postemployment benefits	(2,070,990)
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	(13,966,291)
<b>Total net position - governmental activities</b>	<b>\$ 141,155,218</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,*

**2023**

	<b>General Fund</b>	<b>Federal Education Stabilization</b>	<b>Other Capital Projects</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenue</b>					
Intergovernmental:					
Federal direct	\$ 6,597,131	\$ 617,118	\$ 891,846	\$ 1,141,767	\$ 9,247,862
Federal through state	559,934	36,195,884	-	30,056,998	66,812,816
State sources	160,089,732	-	1,295,489	1,454,081	162,839,302
Local sources	116,977,317	-	37,005,452	58,810,804	212,793,573
<b>Total revenue</b>	<b>284,224,114</b>	<b>36,813,002</b>	<b>39,192,787</b>	<b>91,463,650</b>	<b>451,693,553</b>
<b>Expenditures</b>					
Current:					
Instruction	181,145,000	26,957,639	-	13,595,921	221,698,560
Pupil personnel services	10,705,848	5,295,160	-	936,524	16,937,532
Instructional media services	1,904,221	538	-	13,168	1,917,927
Instructional and curriculum development	4,080,192	512,417	-	1,935,903	6,528,512
Instructional staff training	2,055,815	2,136,126	-	1,508,003	5,699,944
Instruction related technology	374,107	-	-	-	374,107
School board	1,150,605	-	-	11,653	1,162,258
General administration	480,680	1,117,427	-	718,666	2,316,773
School administration	23,095,287	50,784	-	861	23,146,932
Facilities acquisition and construction	1,714,009	-	10,466,991	15,581,218	27,762,218
Fiscal services	2,487,598	-	-	-	2,487,598
Food services	19,192	3,230	-	15,700,656	15,723,078
Central services	4,300,934	-	-	2,376	4,303,310
Pupil transportation services	14,826,529	116,652	-	2,784	14,945,965
Operation of plant	26,768,696	29,459	-	29,497	26,827,652
Maintenance of plant	7,151,586	243,072	-	-	7,394,658
Administrative technology services	3,536,774	0	-	-	3,536,774
Community services	1,329,767	176,399	-	14,248,735	15,754,901

(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>2023</b>				
	<b>General Fund - 100</b>	<b>Education Stabilization - 440</b>	<b>Other Capital Projects</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
Fixed capital outlay:					
Facilities acquisition and construction	41,795	-	45,396,261	2,463,328	47,901,384
Charter school capital outlay sales tax	-	-	1,935,628	-	1,935,628
Other capital outlay	371,600	174,099	1,558,540	2,658,281	4,762,520
Debt Service:					
Retirement of principal	-	-	-	16,422,671	16,422,671
Interest and fiscal charges	-	-	-	5,418,791	5,418,791
Dues, fees, and issuance costs	-	-	-	8,572	8,572
<b>Total expenditures</b>	<b>287,540,235</b>	<b>36,813,002</b>	<b>59,357,420</b>	<b>91,257,608</b>	<b>474,968,265</b>
<b>Excess (deficiency) of revenue over expenditures</b>	<b>(3,316,121)</b>	<b>-</b>	<b>(20,164,633)</b>	<b>206,042</b>	<b>(23,274,712)</b>
<b>Other financing sources (uses)</b>					
Proceeds from sale of capital assets	-	-	2,769,229	-	2,769,229
Loss recoveries	237,334	-	-	-	237,334
Transfers in	14,231,763	-	35,931	21,173,625	35,441,319
Transfers out	(28,873)	-	(20,508,936)	(14,903,510)	(35,441,319)
<b>Total other financing sources and (uses)</b>	<b>14,440,224</b>	<b>-</b>	<b>(17,703,776)</b>	<b>6,270,115</b>	<b>3,006,563</b>
<b>Net change in fund balances</b>	<b>11,124,103</b>	<b>-</b>	<b>(37,868,409)</b>	<b>6,476,157</b>	<b>(20,268,149)</b>
<b>Fund balances, July 1, 2022</b>	<b>74,088,711</b>	<b>-</b>	<b>140,736,708</b>	<b>34,956,906</b>	<b>249,782,325</b>
<b>Fund balances, June 30, 2023</b>	<b>\$ 85,212,814</b>	<b>\$ -</b>	<b>\$ 102,868,299</b>	<b>\$ 41,433,063</b>	<b>\$ 229,514,176</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>2023</b>
Net change in fund balances - total governmental funds:	\$ (20,268,149)
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	35,601,657
The net effect of miscellaneous transactions involving capital assets (i.e., donations and disposals) is to increase capital assets	(2,907,837)
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	23,825,469
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	1,746,192
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	(1,577,592)
Governmental funds report District other post employment benefits (OPEB) contributions as expenditures. However, in the statement of activities, the costs of OPEB benefits earned net of employee contributions, as determined through an actuarial valuation, is reported as an OPEB expense	(398,497)
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 pension expense	(1,687,596)
In the statement of activities, claims expenses include additional amounts for increases in long-term insurance claims liabilities. However, claims expenditures in the governmental funds are measured by the amount of financial resources used (essentially, the amount paid). This is the net amount by which the estimated insurance claims liability increased during the current fiscal year.	354,000
Change in net position of governmental activities	34,687,647

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

**Okaloosa County District School Board  
Statement of Net Position – Proprietary Fund**

<i>June 30,</i>	<b>2023</b>
	<b>Governmental Activities - Internal Service Funds</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 12,986,492
Accounts receivable, net	504,176
Deposits receivable	681,000
Total assets	\$ 14,171,668
<b>Liabilities and Net Position</b>	
Current Liabilities:	
Accounts payable	\$ 21,191
Unearned revenue	4,293,711
Estimated health insurance claims payable	2,898,000
Total current liabilities	7,212,902
Total liabilities	7,212,902
<b>Net Position</b>	
Unrestricted	6,958,766
Total net position	6,958,766
Total liabilities and net position	\$ 14,171,668

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

**Okaloosa County District School Board**  
**Statement of Revenues, Expenses and Changes in Net Position –**  
**Proprietary Fund**

<i>For the year ended June 30,</i>	<b>2023</b>
	<b>Governmental Activities - Internal Service Funds</b>
<b>Operating Revenues</b>	
Insurance premiums	\$ 21,068,240
<b>Operating Expenses</b>	
Purchased services	1,012,227
Insurance claims	13,155,615
Total expenses	14,167,842
Operating income	6,900,398
<b>Nonoperating Revenues</b>	
Interest income	58,368
Total nonoperating revenues	58,368
<b>Change in Net Position</b>	6,958,766
Net position - beginning	-
Net position - ending	\$ 6,958,766

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

**Okaloosa County District School Board  
Statement of Cash Flows – Proprietary Fund**

*For the year ended June 30,*

**2023**

	<b>Governmental Activities - Internal Service Funds</b>
<hr/>	
<b>Cash flows from operating activities</b>	
Cash receipts from customers and users	\$ 24,857,775
Cash payments to suppliers	(991,036)
Cash payments for insurance claims and fees	(10,938,615)
<hr/>	
Net cash used by operating activities	12,928,124
<hr/>	
<b>Cash flows from investing activities</b>	
Interest and dividends received	58,368
<hr/>	
Net cash provided by investing activities	58,368
<hr/>	
Net decrease in cash and cash equivalents	12,986,492
Cash and cash equivalents, beginning of year	-
<hr/>	
Cash and cash equivalents, end of year	\$ 12,986,492
<hr/> <hr/>	

**Reconciliation of operating income to net  
cash used by operating activities**

Operating income	\$ 6,900,398
Adjustments to reconcile operating loss to net cash used by operating activities:	
(Increase) decrease in:	
Accounts receivable, net	(504,176)
Deposits receivable	(681,000)
Increase (decrease) in:	
Accounts payable	21,191
Estimated health insurance claims payable	2,898,000
Unearned revenue	4,293,711
<hr/>	
Net cash used by operating activities	\$ 12,928,124
<hr/> <hr/>	

*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>2023</b>
<b>Custodial Funds</b>	
<b>Assets</b>	
Other receivables	\$ 315,040
Total assets	\$ 315,040
<b>Liabilities</b>	
Accounts payable	\$ 241,585
Due to budgetary funds	73,455
Total liabilities	\$ 315,040

*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,*

**2023**

		<b>Custodial Funds</b>
<hr/>		
<b>Additions</b>		
Benefit plan member contributions	\$	-
Total additions		-
<hr/>		
<b>Deductions</b>		
Benefit plan member payments		-
Total deductions		-
<hr/>		
Change in net position		-
Net position - beginning		-
Adjustment to beginning net position		-
<hr/>		
Net position - ending	\$	-
<hr/> <hr/>		

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



# Okaloosa County District School Board

## Notes to Financial Statements

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Description of Government-wide Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from 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 III.K.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, 2023. 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 proprietary and fiduciary fund type:

- Internal Service Fund – to account for the District's individual self-insurance programs.
- 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 proprietary and 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 \$5,000. 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, 2023.

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 2022 tax levy on September 12, 2022. 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 25, 2024, 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. 96

The District implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITA), which will increase the usefulness of the governments' financial statements by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. Under this Statement, a government generally should recognize a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability. A government should recognize the subscription liability at the commencement of the subscription term, which is when the subscription asset is placed into service. The subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments should be discounted using the interest rate the SBITA vendor charges the government, which may be implicit, or the government's incremental borrowing rate if the interest rate is not readily determinable. A government should recognize amortization of the discount on the subscription liability as an outflow of resources (for example, interest expense) in subsequent financial reporting periods. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs.

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

**III. 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.

**B. Investments**

As of June 30, 2023, the District had the following investments:

Investment	Maturities	Amount
State Board of Administration (SBA):		
Florida PRIME (1)	37 Day Average	\$ 34,375,386
Debt Service Accounts	6 Months	9,554
Certificates of deposit - Internal funds	February 1, 2024	59,288
FL Public Assets for Liquidity Management (1)	28 Day Average	12,832,122
Goldman Sachs Financial Square Gov't (2)	33 Day Average	88,863,783
<b>Total investments, primary government</b>		<b>\$ 136,140,133</b>

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

(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 54.7% held in U.S. Treasury Repurchase Agreements, 19.1% in Government Agency Debt, 17.2% in Treasury Debt, 7.3% in Government Agency Repurchase Agreements, and 1.8% in Other Repurchase Agreement instruments.

## Okaloosa County District School Board Notes to Financial Statements

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

#### **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.

Florida PRIME, Goldman Sachs Government Fund 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**

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

**C. Changes in Capital Assets**

Changes in capital assets are presented in the table below:

	Balance 7/1/22	Additions	Transfers/ Deletions	Balance 6/30/23
<b>Governmental Activities</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 11,704,021	\$ 2,022,230	\$ (51,604)	\$ 13,674,647
Construction in progress	6,265,036	45,640,434	(178,949)	51,726,521
<b>Total capital assets not being depreciated</b>	<b>17,969,057</b>	<b>47,662,664</b>	<b>(230,553)</b>	<b>65,401,168</b>
<i>Capital assets being depreciated:</i>				
Improvements other than buildings	23,055,704	608,845	(619,010)	23,045,539
Buildings and fixed equipment	291,882,143	108,342	(1,009,345)	290,981,140
Furniture, fixtures and equipment	28,442,605	2,081,442	(13,944,215)	16,579,832
Motor vehicles	23,320,637	1,280,935	(2,325,273)	22,276,299
Right-to-use lease assets	21,054,159	257,147	-	21,311,306
Subscription-based IT arrangements	-	2,652,578	-	2,652,578
Computer software	1,205,728	89,721	(551,743)	743,706
Audio-visual material	8,066	-	(8,066)	-
<b>Total capital assets being depreciated</b>	<b>388,969,042</b>	<b>7,079,010</b>	<b>(18,457,652)</b>	<b>377,590,400</b>
<i>Less accumulated depreciation and amortization for:</i>				
Improvements other than buildings	15,495,413	692,177	(523,433)	15,664,157
Buildings and fixed equipment	156,375,057	6,019,672	(762,078)	161,632,651
Furniture, fixtures and equipment	20,861,233	1,162,151	(11,288,490)	10,734,894
Motor vehicles	15,083,408	1,260,296	(2,324,473)	14,019,231
Right-to-use lease assets	7,074,314	7,044,551	-	14,118,865
Subscription-based IT arrangements	-	607,143	-	607,143
Computer software	868,535	276,257	(551,289)	593,503
Audio-visual material	8,066	-	(8,066)	-
<b>Total accumulated depreciation and amortization</b>	<b>215,766,026</b>	<b>17,062,247</b>	<b>(15,457,829)</b>	<b>217,370,444</b>
<b>Total capital assets being depreciated, net</b>	<b>173,203,016</b>	<b>(9,983,237)</b>	<b>(2,999,823)</b>	<b>160,219,956</b>
<b>Governmental activities - capital assets, net</b>	<b>\$ 191,172,073</b>	<b>\$ 37,679,427</b>	<b>\$ (3,230,376)</b>	<b>\$ 225,621,124</b>

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

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

Depreciation and amortization expense was charged to functions as follows:

Function	Amount
Instruction	\$ 6,544,315
Student transportation services	259,162
Maintenance of plant	56,398
Unallocated	10,202,372
<b>Total deprecation and amortization expense - governmental activities</b>	<b>\$ 17,062,247</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 \$20,828,783 for the fiscal year ended June 30, 2023.

## Okaloosa County District School Board Notes to Financial Statements

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

#### 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**

**III. 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 2022-23 fiscal year were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (1)
FRS, regular	3.00%	11.91%
FRS, elected county officers	3.00%	57.00%
DRIP - applicable to		
members from all of the above classes	0.00%	18.60%
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 DRIP 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**

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

The District's contributions to the Plan totaled \$16,162,079 for the fiscal year ended June 30, 2023.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At June 30, 2023, the District reported a liability of \$131,850,068 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. The District's proportionate share of the net pension liability was based on the District's 2021-22 fiscal year contributions relative to the 2021-22 fiscal year contributions of all participating members. At June 30, 2022, the District's proportionate share was 0.354359116 percent, which was a decrease of 0.004323167 from its proportionate share of 0.358682284 percent measured as of June 30, 2021.

For the year ended June 30, 2023, the District recognized the Plan pension expense of \$18,767,457. 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	\$ 6,262,116	\$ -
Change in assumptions	16,237,888	-
Net difference between projected and actual earnings on FRS pension plan investments	8,706,041	-
Change in proportion and differences between District FRS contributions and proportionate share of contributions	6,352,217	3,203,346
District FRS contributions subsequent to the measurement date	16,162,079	-
<b>Total</b>	<b>\$ 53,720,341</b>	<b>\$ 3,203,346</b>

The deferred outflows of resources related to pensions, totaling \$16,162,079 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, 2024.

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

**III. 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
2024	\$ 8,030,785
2025	3,597,145
2026	(1,511,387)
2027	23,160,479
2028	1,077,897
Thereafter	-
<b>Total</b>	<b>\$ 34,354,919</b>

Actuarial Assumptions. The total pension liability in the July 1, 2022, 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	6.70 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the PUB-2010 base table, varies by member category and sex, projected generationally with Scale MP-2018.

The actuarial assumptions used in the July 1, 2022, 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**

**III. 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%	2.60%	2.60%	1.10%
Fixed income	19.80%	4.40%	4.40%	3.20%
Global equity	54.00%	8.80%	7.30%	17.80%
Real estate (property)	10.30%	7.40%	6.30%	15.70%
Private equity	11.10%	12.00%	8.90%	26.30%
Strategic investments	3.80%	6.20%	5.90%	7.80%
<b>Total</b>	<b>100.00%</b>			

Assumed inflation - mean 2.40% 1.30%

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

Discount Rate. The discount rate used to measure the total pension liability was 6.7 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 6.7 percent consists of two building block components: 1) an inferred real (in excess of inflation) return of 4.2 percent, consistent with the 4.3 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 2022 by the FRS Actuarial Assumption Conference.

In the opinion of the FRS consulting actuary both components and the overall 6.7 percent return assumption were determined to be reasonable and appropriate per the Actuarial Standards of Practice. The 6.7 percent reported investment return assumption is the same as the investment return assumption chosen by the 2022 FRS Actuarial Assumption Conference for funding policy purposes. The discount rate used in the 2022 valuation changed from the prior year 6.8 percent.

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

**III. 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 6.7 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 (5.7 percent) or 1-percentage-point higher (7.7 percent) than the current rate:

	1% Decrease (5.7%)	Current Discount Rate (6.7%)	1% Increase (7.7%)
District's proportionate share of the net pension liability	\$ 228,025,627	\$ 131,850,068	\$ 51,435,857

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 Annual Comprehensive 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, 2023, 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, 2023, 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**

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

The District's contributions to the HIS Pension Plan totaled \$2,979,108 for the fiscal year ended June 30, 2023.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At June 30, 2023, the District reported a net pension liability of \$49,024,583 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, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. The District's proportionate share of the net pension liability was based on the District's 2021-22 fiscal year contributions relative to the total 2021-22 fiscal year contributions of all participating members. At June 30, 2022, the District's proportionate share was 0.462862981 percent, which was an increase of 0.004282205 percent from its proportionate share of 0.467145186 percent measured as of June 30, 2021.

For the fiscal year ended June 30, 2023, the District recognized HIS Plan pension expense of \$2,061,326. 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	\$ 1,488,012	\$ 215,712
Change in assumptions	2,810,121	7,584,073
Net difference between projected and actual earnings on HIS pension plan investments	70,977	-
Change in proportion and differences between District HIS contributions and proportionate share of HIS contributions	556,032	2,005,626
District HIS contributions subsequent to the measurement date	2,979,108	-
<b>Total</b>	<b>\$ 7,904,250</b>	<b>\$ 9,805,411</b>

The deferred outflows of resources related to pensions resulting from District contributions to the HIS Plan subsequent to the measurement date, totaling \$2,979,108, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2024.

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

**III. 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
2024	\$ (1,298,473)
2025	(915,914)
2026	(441,656)
2027	(611,272)
2028	(1,108,157)
Thereafter	(504,796)
<hr/>	
Total	\$ (4,880,268)

Actuarial Assumptions. The total pension liability in the July 1, 2022, 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	3.54 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 3.54 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 2.16 percent to 3.54 percent.

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

**III. 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 3.54 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.54 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%)
District's proportionate share of the net pension liability	\$ 56,088,148	\$ 49,024,583	\$ 43,179,628

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 Annual Comprehensive 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 Annual Comprehensive Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. District employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. 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 2022-23 fiscal year were as follows:

Class	Percent of Gross Salary
FRS, regular	9.30%
FRS, elected county officers	14.34%



## Okaloosa County District School Board Notes to Financial Statements

### III. 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, 2023, 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 \$2,794,858 for the fiscal year ended June 30, 2023.

#### **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 paragraph 4 of GASB Statement No. 75.

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

**III. 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, 2023.

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 \$25,732,789 was measured as of June 30, 2023, and was determined by an actuarial valuation on June 30, 2022, and update procedures were used to determine the OPEB liability as of June 30, 2023.

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

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

Actuarial Assumptions and other inputs. The total OPEB liability in the June 30, 2023 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, 2023
Actuarial cost method	Entry age
Salary increase	3.50 percent
Discount rate	3.65 percent
Healthcare cost trend rates	Select trends starting at 6.75 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	\$	24,125,429
Changes for the year:		
Service cost		1,790,539
Interest cost		904,157
Differences between expected and actual experience		-
Changes in assumptions		(337,692)
Benefit payments		(749,644)
Net change		<u>1,607,360</u>
Balance June 30, 2022	\$	<u>25,732,789</u>

Changes of assumptions reflect a change in the discount rate from 3.54 percent in 2022 to 3.65 percent in 2023.

Funded Status and Funding Progress. As of June 30, 2023, the most recent valuation date, the total OPEB Plan liability was \$25,732,789, 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 \$164,519,000, and the ratio of the total OPEB Plan liability to the covered payroll was 16 percent.

## Okaloosa County District School Board Notes to Financial Statements

### III. 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, 2023.

The previous valuation for the District on June 30, 2022, resulted in a liability of \$24.1 million compared to the \$25.7 million for June 30, 2023, resulting in \$1,607,360 increase in the liability due to a slight increase in the discount rate from 3.54 percent to 3.65 percent as well as the service costs being greater than the benefits paid and a decrease in assumptions.

*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 3.65 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 (2.65 percent) or 1-percentage-point higher (4.65 percent) than the current rate:

	1% Decrease (2.65%)	Current Discount Rate (3.65%)	1% Increase (4.65%)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
OPEB Plan Liability	<u>\$ 29,186,000</u>	<u>\$ 25,733,000</u>	<u>\$ 22,897,000</u>

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

**III. 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 6.75 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 (7.75 percent decreasing to 5.0 percent) or 1-percentage point lower (5.75 percent decreasing to 3.0 percent):

	<u>1% Decrease (5.75%)</u>	<u>Healthcare Cost Trend Rate (6.75%)</u>	<u>1% Increase (7.75%)</u>
OPEB Plan Liability	<u>\$ 24,115,000</u>	<u>\$ 25,733,000</u>	<u>\$ 27,624,000</u>

*OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.* The District's annual OPEB expense totaled \$1,148,140 for the fiscal year ended June 30, 2023. At June 30, 2023, 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	\$ -	\$ 549,159
Change in assumptions	3,769	1,521,831
<b>Total</b>	<b>\$ 3,769</b>	<b>\$ 2,070,990</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>
2024	\$ (1,793,480)
2025	(263,742)
2026	(9,999)
<b>Total</b>	<b>\$ (2,067,221)</b>

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

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

**F. Construction and Other Significant Commitments**

**Construction Contracts.** The following is a schedule of encumbrances related to major construction contract commitments at June 30, 2023:

Project	Contract Amount	Completed to Date	Balance Committed
<b>Other Capital Projects Fund:</b>			
Districtwide new construction	\$ 102,549,487	\$ 51,981,672	\$ 50,567,815
Districtwide roof replacement	10,574,819	1,253,888	9,320,931
New Crestview K-8 and Destin 4th & 5th	5,150,000	850	5,149,150
Central admin complex renovation	3,981,345	92,933	3,888,412
Longwood classroom renovation	3,335,697	679,676	2,656,021
Roof replacement at Bluewater and Walker	2,026,585	447,372	1,579,213
Richbourg Bldg. 12 Renovation	2,009,888	137,815	1,872,073
Districtwide security enhancements	450,000	54,573	395,427
Districtwide roof replacement	215,483	-	215,483
<b>Total Other Capital Projects Fund</b>	<b>130,293,304</b>	<b>54,648,779</b>	<b>75,644,525</b>
<b>Nonmajor Governmental Funds:</b>			
Roof replacement at Choctawhatchee and Lewis	5,608,041	1,363,876	4,244,165
Central admin complex renovation	1,354,526	67,363	1,287,163
CTE renovations at Crestview	421,722	2,470	419,252
Press box/concession/restroom at FWBHS, Crestview and Lewis	300,000	1,129	298,871
Districtwide stadium repairs	250,000	6,997	243,003
<b>Total Nonmajor Governmental Funds</b>	<b>7,934,289</b>	<b>1,441,835</b>	<b>6,492,454</b>
<b>Total</b>	<b>\$ 138,227,593</b>	<b>\$ 56,090,614</b>	<b>\$ 82,136,979</b>

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

The following is a schedule of encumbrances not related to construction contracts at June 30, 2023:

General Fund	Capital Projects Other	Nonmajor Governmental Funds	Total Governmental Funds
\$ 2,741,423	\$ 4,839,925	\$ 5,766,643	\$ 13,347,991

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

**III. 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.

Employee health and hospitalization coverage was provided through purchased commercial insurance through December 31, 2022. Beginning January 1, 2023, the District provided self-insured employee health and hospitalization coverage. The District entered into an agreement with an insurance company to provide specific excess coverage of claim amounts above \$300,000 on an individual claim basis, and aggregate excess coverage of \$1 million when total claims minus specific excess coverage exceeds the loss fund established by the District. The District has contracted with an insurance administrator to administer these self-insurance programs, including the processing, investigating, and payment of claims. A liability in the amount of \$2,898,000 was recorded to cover estimated incurred, but not reported, insurance claims payable at June 30, 2023.

Dental and life insurance coverage are provided through commercial insurance. Settled claims resulting from the risks described above have not exceeded commercial insurance coverage in any of the past 3 fiscal years. The following schedule represents the changes in claims liability for the past two fiscal years for the District's self-insurance programs:

Fiscal Year	Beginning Balance	Current Fiscal Year Claims and Changes in Estimates	Claims Payments	Ending Balance
Property, liability and workers compensation:				
2021 - 22	\$ 3,140,000	\$ 456,462	\$ (682,462)	\$ 2,914,000
2022 - 23	2,914,000	401,715	(755,715)	2,560,000
Employee Health:				
2022 - 23	-	13,146,654	(10,248,654)	2,898,000

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

**III. 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, 2023 totaled approximately \$325,000. The copy machine leases have various terms that begin expiring in fiscal year 2024 through 2027. The total annual rental for the computer equipment for the year ended June 30, 2023 totaled approximately \$6.93 million. The computer equipment lease calls for similar payments in fiscal year 2024.

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

<i>June 30, 2023</i>	Asset Balances, net of accumulated amortization
Copier machines	\$ 438,625
Computer equipment	6,753,816
Total	\$ 7,192,441

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
2024	\$ 7,072,722	\$ 74,727	\$ 7,147,449
2025	120,706	6,389	127,095
2026	92,467	3,053	95,520
2027	36,914	590	37,504
Total	\$ 7,322,809	\$ 84,759	\$ 7,407,568

**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**

**III. 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
2024	\$ 391,125	\$ 9,209	\$ 400,334
2025	399,741	363	400,104
<b>Total</b>	<b>\$ 790,866</b>	<b>\$ 9,572</b>	<b>\$ 800,438</b>

**J. Subscription Arrangement Liability**

The District has a 3-year subscription-based information technology arrangement (SBITA) for the right to use Focus Student Information System totaling \$1,570,933 that includes implementation costs of \$638,882. The District has discounted the future minimum payments using its incremental borrowing rate of 2.52 percent.

The District also has a 2.75-year SBITA for the right to use Focus Enterprise Resource Program totaling \$1,149,988 that includes implementation costs of \$516,600. The District has discounted the future minimum payments using its incremental borrowing rate of 3.31 percent.

Future minimum payments under the SBITA arrangements and the present value of the minimum payments as of June 30, are as follows:

<i>Fiscal year ending June 30,</i>	Principal	Interest	Total
2024	\$ 365,509	\$ 31,955	\$ 397,464
2025	375,859	21,605	397,464
2026	386,550	10,957	397,507
<b>Total</b>	<b>\$ 1,127,918</b>	<b>\$ 64,517</b>	<b>\$ 1,192,435</b>

**K. 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.

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

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

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 lease.

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:

<i>Year Ending June 30,</i>	Principal	Interest	Total
Certificates of Participation - 2022A			
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	10,220,000	1,951,000	12,171,000
2029 - 2031	33,910,000	2,600,000	36,510,000
<b>Total</b>	<b>\$ 97,390,000</b>	<b>\$ 17,969,750</b>	<b>\$ 115,359,750</b>

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

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

**2. Bonds Payable**

Bonds payable at June 30, 2023, 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	\$ 341,000
Series 2020-A, Refunding	5.00	2030	62,000
District Revenue Bonds:			
Series 2011	4.75 - 5.50	2040	2,060,000
Total bonds payable			\$ 2,463,000

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

**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 \$3,198,988 of sales tax revenues in connection with the 2011 District Revenue Bonds. During the 2022-23 fiscal year, the District recognized sales tax revenues totaling \$190,750 and expended \$188,134 (98.6 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.

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

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

Annual requirements to amortize all bonded debt outstanding as of June 30, 2023, are as follows:

<i>For the year Ending June 30,</i>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
State School Bonds:			
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	88,000	3,820	91,820
2029 - 2030	20,000	1,500	21,500
<b>Total State School Bonds</b>	<b>403,000</b>	<b>58,800</b>	<b>461,800</b>
District Revenue Bonds:			
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	95,000	92,550	187,550
2029 - 2033	555,000	385,925	940,925
2034 - 2038	720,000	219,175	939,175
2039 - 2040	350,000	29,150	379,150
<b>Total District Revenue Bonds</b>	<b>2,060,000</b>	<b>1,138,987</b>	<b>3,198,987</b>
<b>Total</b>	<b>\$ 2,463,000</b>	<b>\$ 1,197,787</b>	<b>\$ 3,660,787</b>

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

**III. 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 7/1/22	Additions	Deductions	Balance 6/30/23	Due in One Year
Bonds payable	\$ 2,598,000	\$ -	\$ (135,000)	\$ 2,463,000	\$ 146,000
Certificates of participation payable	113,295,000	-	(15,905,000)	97,390,000	16,720,000
Estimated insurance claims payable	2,914,000	401,715	(755,715)	2,560,000	489,000
Compensated absences payable	26,722,779	4,441,828	(2,864,236)	28,300,371	2,575,872
Net pension liability	84,396,749	160,222,640	(63,744,738)	180,874,651	-
Leases payable	14,099,281	257,146	(7,033,618)	7,322,809	7,072,722
SBITA payable	-	1,497,096	(369,178)	1,127,918	365,509
Installment-purchase payable	1,173,537	-	(382,671)	790,866	391,125
Other post employment benefits payable	24,125,429	2,694,696	(1,087,336)	25,732,789	-
<b>Total</b>	<b>\$ 269,324,775</b>	<b>\$ 169,515,121</b>	<b>\$ (92,277,492)</b>	<b>\$ 346,562,404</b>	<b>\$ 27,760,228</b>

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

**L. 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.

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

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

- **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.
- **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.

**M. 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	\$ 5,981,216	\$ -
Education Stabilization - 440	-	2,172,436
Capital Projects - Other Capital Projects	-	3,247,849
Nonmajor governmental funds	-	560,931
Total	\$ 5,981,216	\$ 5,981,216

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**

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

**N. Revenues**

**1. Schedule of State Revenue Sources**

The following is a schedule of the District's State revenue for the 2022-23 fiscal year:

Source	Amount
Florida education finance program	\$ 110,426,428
Categorical educational programs:	
Class size reduction	32,037,039
Transportation	7,805,673
Instructional materials	2,698,689
School recognition funds	2,064,664
Voluntary prekindergarten	625,223
Workforce development program	2,437,535
Motor vehicles license tax (General Fund, Capital Outlay and Debt Service)	1,177,699
Charter school capital outlay	836,811
Sales tax distribution (s.212.20(6)(d)6a. F.S.) (Debt Service)	190,750
Department of juvenile justice supplemental	129,737
Food service supplement	102,996
Mobile home license tax	49,485
Miscellaneous	2,256,573
<b>Total</b>	<b>\$ 162,839,302</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 2022 tax roll for the 2022-23 fiscal year:

	Millages	Taxes Levied
<u>General Fund</u>		
Nonvoted School Tax:		
Required local effort	3.331	\$ 90,030,248
Basic discretionary local effort	0.748	20,214,503
<u>Capital Projects Funds</u>		
Nonvoted Tax:		
Local capital improvements	1.500	40,544,448
<b>Total</b>	<b>5.579</b>	<b>\$ 150,789,199</b>

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

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

**O. 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	\$ 14,231,763	\$ 28,873
Capital Projects -Other Capital Projects	35,931	20,508,936
Nonmajor governmental funds	21,173,625	14,903,510
<b>Total</b>	<b>\$ 35,441,319</b>	<b>\$ 35,441,319</b>

Transfers to the General Fund from the Capital Projects – Other Capital Projects Fund were to fund charter school capital outlays. Transfers to the General Fund from Nonmajor Governmental Funds were for purchasing enterprise resource software, maintenance and repair of school facilities, for the lease of computers for instructional purposes and licensed building official services for reviewing plans, issuing permits and completing code compliance. Transfers to the Capital Projects – Other Capital Projects Fund from the General Fund were for a sunshade at Edge Elementary School and playground equipment at Destin Elementary School from donations received. Transfers to the Capital Projects – Other Capital Projects Fund from the Nonmajor Governmental Funds were to transfer the remaining cost of issuance balance. Transfers to the Nonmajor Governmental Funds from the Capital Projects – Other Capital Projects Fund were for payment of debt.

**IV. CONTINGENCIES**

The District is involved in several pending and threatened legal actions. 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,

2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Postive (Negative)
	Original	Final		
<b>Revenue</b>				
Intergovernmental:				
Federal direct	\$ 3,645,201	\$ 5,789,635	\$ 6,597,131	\$ 807,496
Federal through state	550,000	559,934	559,934	-
State sources	171,817,818	160,089,732	160,089,732	-
Local sources	109,379,099	115,550,585	116,977,317	1,426,732
<b>Total revenue</b>	<b>285,392,118</b>	<b>281,989,886</b>	<b>284,224,114</b>	<b>2,234,228</b>
<b>Expenditures</b>				
Instruction	215,538,917	209,104,072	181,145,000	27,959,072
Pupil personnel services	13,163,436	12,418,052	10,705,848	1,712,204
Instructional media services	2,002,131	2,230,787	1,904,221	326,566
Instructional and curriculum development	4,799,007	4,976,878	4,080,192	896,686
Instructional staff training	2,408,275	3,598,115	2,055,815	1,542,300
Instruction related technology	633,049	495,702	374,107	121,595
Board of education	1,953,614	2,025,150	1,150,605	874,545
General administration	435,578	502,402	480,680	21,722
School administration	23,032,927	24,311,723	23,095,287	1,216,436
Facilities acquisition and construction	2,102,764	3,199,900	1,714,009	1,485,891
Fiscal services	2,501,439	2,576,928	2,487,598	89,330
Food services	-	19,192	19,192	-
Central services	8,213,231	8,095,626	4,300,934	3,794,692
Pupil transportation services	16,094,506	15,647,573	14,826,529	821,044
Operation of plant	31,478,580	33,978,891	26,768,696	7,210,195
Maintenance of plant	8,269,578	8,342,543	7,151,586	1,190,957
Administrative technology services	3,396,816	3,580,744	3,536,774	43,970
Community services	2,644,582	3,208,096	1,329,767	1,878,329
Fixed capital outlay:				
Other capital outlay	-	371,600	371,600	-
Debt Service:				
Retirement of principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total expenditures</b>	<b>338,668,430</b>	<b>338,725,769</b>	<b>287,540,235</b>	<b>51,185,534</b>
Deficiency of revenue over expenditures	(53,276,312)	(56,735,883)	(3,316,121)	53,419,762

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

*For the year ended June 30,*

**2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Other financing sources (uses)</b>				
Loss recoveries	\$ -	\$ 237,334	\$ 237,334	\$ -
Transfers in	14,080,670	14,231,763	14,231,763	-
Transfers out	-	(28,873)	(28,873)	-
Total other financing sources and (uses)	14,080,670	14,440,224	14,440,224	-
Net change in fund balances	(39,195,642)	(42,295,659)	11,124,103	53,419,762
Fund balances - beginning	30,786,062	34,364,791	74,088,711	39,723,920
Fund balances - ending	\$ (8,409,580)	\$ (7,930,868)	\$ 85,212,814	\$ 93,143,682

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

*For the year ended June 30,*

**2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Postive (Negative)
	Original	Final		
<b>Revenue</b>				
Intergovernmental:				
Federal direct	\$ 617,454	\$ 617,118	\$ 617,118	\$ -
Federal through state and local	36,635,946	41,176,814	36,195,884	(4,980,930)
<b>Total revenue</b>	<b>37,253,400</b>	<b>41,793,932</b>	<b>36,813,002</b>	<b>(4,980,930)</b>
<b>Expenditures</b>				
Instruction	27,871,849	30,229,599	26,957,639	3,271,960
Pupil personnel services	3,701,266	5,749,235	5,295,160	454,075
Instructional media services	-	538	538	-
Instructional and curriculum development	983,143	517,262	512,417	4,845
Instructional staff training	2,562,586	2,581,689	2,136,126	445,563
General administration	869,287	1,252,223	1,117,427	134,796
School administration	16,590	52,450	50,784	1,666
Facilities acquisition and construction	338,909	358,909	-	358,909
Food services	-	3,230	3,230	-
Central services	3,000	3,000	-	3,000
Student transportation services	626,170	380,109	116,652	263,457
Operation of plant	63,907	62,518	29,459	33,059
Maintenance of plant	210,212	243,072	243,072	-
Community Services	6,481	185,999	176,399	9,600
Fixed capital outlay:				
Other capital outlay	-	174,099	174,099	-
<b>Total expenditures</b>	<b>37,253,400</b>	<b>41,793,932</b>	<b>36,813,002</b>	<b>4,980,930</b>
Net change in fund balances	-	-	-	-
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ -	\$ -

**Okaloosa County District School Board**  
**Schedule of Changes in the Total OPEB Liability and Related Ratios (1)**

(000's omitted)	2023	2022	2021	2020	2019	2018
Service cost	\$ 1,791	\$ 1,769	\$ 1,732	\$ 396	\$ 382	\$ 368
Interest	904	634	602	569	592	605
Difference between expected and actual experience in OPEB liability	-	(1,555)	-	(753)	-	-
Changes of assumptions or other inputs	(338)	(3,663)	189	10,217	737	(571)
Benefit payments	(750)	(647)	(883)	(702)	(817)	(690)
<b>Net change in total OPEB liability</b>	<b>1,607</b>	<b>(3,462)</b>	<b>1,640</b>	<b>9,727</b>	<b>894</b>	<b>(288)</b>
<b>Total OPEB liability - beginning</b>	<b>24,126</b>	<b>27,588</b>	<b>25,948</b>	<b>16,221</b>	<b>15,327</b>	<b>15,615</b>
<b>Total OPEB liability - ending</b>	<b>\$ 25,733</b>	<b>\$ 24,126</b>	<b>\$ 27,588</b>	<b>\$ 25,948</b>	<b>\$ 16,221</b>	<b>\$ 15,327</b>
Covered payroll	\$ 164,519	\$ 158,956	\$ 155,448	\$ 150,191	\$ 170,814	\$ 165,039
Total OPEB liability as a percentage of covered payroll	15.64%	15.18%	17.75%	17.28%	9.50%	9.29%

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 –  
Florida Retirement System Pension Plan (1)**

(000's omitted)	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
District's proportion of the FRS net pension liability (asset)	0.003544%	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	\$ 131,850	\$ 27,094	\$ 141,889	\$ 116,467	\$ 102,909	\$ 105,718	\$ 90,299	\$ 49,546	\$ 23,552	\$ 64,088
District's covered payroll	\$ 168,709	\$ 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	78.15%	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	82.89%	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)	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required FRS contribution	\$ 16,162	\$ 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	(16,162)	(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	\$ 179,617	\$ 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	9.00%	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)	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
District's proportion of the FRS net pension liability (asset)	0.462830%	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	\$ 49,025	\$ 57,302	\$ 56,149	\$ 53,028	\$ 50,324	\$ 53,060	\$ 57,834	\$ 50,766	\$ 45,867	\$ 41,512
District's covered payroll	\$ 168,709	\$ 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	29.06%	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	4.81%	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)	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required FRS contribution	\$ 2,979	\$ 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	(2,979)	(2,801)	(2,746)	(2,650)	(2,631)	(2,578)	(2,626)	(2,544)	(1,903)	(1,680)
FRS contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 179,617	\$ 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%	1.66%	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 3.54 percent as of the beginning of the measurement period to 3.65 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.* In 2023, the long-term expected rate of return was reduced from 6.8 percent to 6.7 percent 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 increased from 2.16 percent to 3.54 percent.

## **Other Information**

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

<i>For the year ended June 30, 2023</i>	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	23002	-	\$ 1,701,526
National School Lunch Program	10.555	23001, 23003	-	8,753,913
Supply Chain Assistance	10.555	22020	-	988,900
<b>Total National School Lunch Program</b>	<b>10.555</b>		<b>-</b>	<b>9,742,813</b>
Summer Food Service Program for Children	10.559	23006, 23007	-	254,385
<b>Total Child Nutrition Cluster</b>			<b>-</b>	<b>11,698,724</b>
<b>Student Financial Assistance Cluster:</b>				
United States Department of Education:				
Federal Pell Grant Program	84.063	N/A	-	684,260
<b>Total Student Financial Assistance Cluster</b>			<b>-</b>	<b>684,260</b>
<b>Special Education Cluster:</b>				
United States Department of Education:				
Florida Department of Education:				
Special Education - Grants to States	84.027	263	-	7,851,311
Special Education - Grants to States - ARP	84.027X	263	-	1,337,322
<b>Total Special Education - Grants to States</b>	<b>84.027</b>		<b>-</b>	<b>9,188,633</b>
Special Education - Preschool Grants	84.173	267	-	217,304
Special Education - Preschool Grants - ARP	84.173X	267	-	31,774
<b>Total Special Education - Preschool Grants</b>	<b>84.173</b>		<b>-</b>	<b>249,078</b>
<b>Total Special Education Cluster</b>			<b>-</b>	<b>9,437,711</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	-	10,094
<b>Total Child Care and Development Fund Cluster</b>			<b>-</b>	<b>10,094</b>
<b>Not Clustered</b>				
<b>United States Department of Agriculture:</b>				
Florida Department of Agriculture and Consumer Services				
Child Nutrition Discretionary Grants Limited				
Availability	10.579	21225	-	25,358
Florida Department of Financial Services:				
Schools and Roads - Grants to States	10.665	None	-	458
<b>Total United States Department of Agriculture</b>			<b>-</b>	<b>25,816</b>
<b>United States Department of Defense:</b>				
Public Law 110-417	12.U01	N/A	-	1,538,070
Public Law 106-398	12.U02	N/A	-	108,124
Air Force Junior Reserve Officers Training Corps	12.U03	N/A	-	252,941
Army Junior Reserve Officers Training Corps	12.U04	N/A	-	145,388

(continued)

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

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

<i>For the year ended June 30, 2023</i>	Assistance Listing Number	Pass - Through Grantor Number	Amount Provided To Subrecipients	Amount of Expenditures (Note 1)
Competitive Grants: Promoting K-12 Student Achievement at Military-Connected Schools	12.556	N/A	-	419,424
Basic, Applied, and Advanced Research in Science and Engineering	12.630	N/A	-	39,073
<b>Total United States Department of Defense</b>			-	<b>2,503,020</b>
<b>Federal Communications Commission:</b>				
Emergency Connectivity Fund Program	32.009	N/A	-	891,846
<b>Total Federal Communications Commission</b>			-	<b>891,846</b>
<b>United States Department of Education:</b>				
Impact Aid	84.041	N/A	144,401	4,551,618
Education Stabilization Fund:	84.425			
Higher Education Emergency Relief Funds - Institutional Portion	84.425F	N/A	-	617,118
Florida Department of Education:				
Governor's Emergency Education Relief Fund Elementary and Secondary School Emergency Relief Fund	84.425C	123	-	1,282
ARP ESSER	84.425D	124, 128	-	3,582,896
ARP 2021 Education Stabilization Fund	84.425U	121	26,103	31,137,103
ARP 2021 Education Stabilization Fund	84.425W	122	-	95,413
Consortium of Florida Education Foundations:				
ARP ESSER	84.425U	None	-	22,400
<b>Total COVID-19 Education Stabilization Fund</b>			<b>26,103</b>	<b>35,456,212</b>
Florida Department of Education:				
Adult Education and Family Literacy	84.002	191	-	299,440
Title I Grants to Local Educational Agencies	84.010	212, 223	296,028	7,378,158
Career and Technical Education - Basic Grants to States	84.048	161	-	394,051
Education for Homeless Children and Youth	84.196	127	-	73,051
Charter Schools	84.282	298	322,315	322,315
English Language Acquisition State Grants	84.365	102	-	524,269
Supporting Effective Instruction State Grants	84.367	224	-	782,218
Student Support and Academic Enrichment Program	84.424	241	1,710	490,799
<b>Total United States Department of Education</b>			<b>790,557</b>	<b>50,272,131</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 790,557</b>	<b>\$ 75,523,602</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, 2023. 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 2022-2023, FLDOE approved a restricted indirect cost rate of 4.76%. 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 for National School Lunch Program – Includes \$1,016,799 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 \$620,134 for grant number/program year S041B-2021-1256 and \$3,931,484 for grant number/program year S041B-2023-1256.

## **Compliance Section**

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

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, 2023, 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 25, 2024. 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 auditor’s testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District’s internal control over financial reporting (internal control) as a basis for designing 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.

### **Report on Compliance and Other Matters**

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

### **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

Fort Walton Beach, Florida

March 25, 2024

**INDEPENDENT AUDITOR'S 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 identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2023. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

***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.

### ***Auditor’s 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 the District’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control over compliance. Accordingly, no such opinion is expressed.

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

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

*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

Fort Walton Beach, Florida  
March 25, 2024

**Okaloosa County District School Board  
Schedule of Findings and Questioned Costs  
June 30, 2023**

**SUMMARY OF AUDITOR'S RESULTS**

*Financial Statements*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_ yes      X  no
- Significant deficiency(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 auditor's report issued on compliance for major federal programs: Unmodified

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

Identification of major federal programs:

<b>Assistance Listing Number</b>	<b>Program Name</b>
32.009	Emergency Connectivity Fund Program
84.010	Title I Grants to Local Educational Agencies
84.041	Impact Aid
84.425	Education Stabilization Fund

The dollar threshold used to distinguish between type A and B programs was \$2,265,708 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, 2023**

**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>
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Not applicable, none noted

## **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, 2023, and have issued our report thereon dated March 25, 2024.

### **Auditor’s Responsibility**

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

### **Other Reporting Requirements**

We have issued our Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*, Independent Auditor’s Report on Compliance for Each Major 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 25, 2024, 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

Fort Walton Beach, Florida

March 25, 2024



Carr, Riggs & Ingram, LLC  
189 Eglin Parkway NE  
2nd Floor  
Fort Walton Beach, FL 32548

850.244.8395  
850.243.5024 (fax)  
CRIcpa.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, 2023. 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.

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

Our examination does not provide a legal determination 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, 2023.

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

Fort Walton Beach, Florida  
March 25, 2024